

Northfield Bancorp, Inc.
Form 10-Q
August 09, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2016

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 001-35791

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

Delaware 80-0882592
(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)
581 Main Street, Woodbridge, New Jersey 07095
(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 No

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

48,343,140 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of July 31, 2016.

NORTHFIELD BANCORP, INC.
Form 10-Q Quarterly Report
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PART I

ITEM 1. FINANCIAL STATEMENTS

NORTHFIELD BANCORP, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands, except share amounts)

| | June 30, 2016 | December 31, 2015 |
|--|------------------|----------------------|
| ASSETS: | | |
| Cash and due from banks | \$ 14,964 | \$ 15,324 |
| Interest-bearing deposits in other financial institutions | 45,558 | 36,529 |
| Total cash and cash equivalents | 60,522 | 51,853 |
| Trading securities | 7,106 | 6,713 |
| Securities available-for-sale, at estimated fair value (encumbered \$16,258 at June 30, 2016 and \$65,051 at December 31, 2015) | 599,329 | 541,595 |
| Securities held-to-maturity, at amortized cost (estimated fair value of \$10,463 at June 30, 2016, and \$10,369 at December 31, 2015) (encumbered of \$4,740 at June 30, 2016, and \$5,619 at December 31, 2015) | 10,249 | 10,346 |
| Originated loans held-for-investment, net | 1,992,434 | 1,931,585 |
| Loans acquired | 769,372 | 409,015 |
| Purchased credit-impaired (PCI) loans held-for-investment | 36,149 | 33,115 |
| Loans held-for-investment, net | 2,797,955 | 2,373,715 |
| Allowance for loan losses | (24,317) | (24,770) |
| Net loans held-for-investment | 2,773,638 | 2,348,945 |
| Accrued interest receivable | 9,246 | 8,263 |
| Bank owned life insurance | 146,044 | 132,782 |
| Federal Home Loan Bank of New York stock, at cost | 25,299 | 25,803 |
| Premises and equipment, net | 28,140 | 23,643 |
| Goodwill | 38,411 | 16,159 |
| Other real estate owned | 45 | 45 |
| Other assets | 43,399 | 36,437 |
| Total assets | \$3,741,428 | \$ 3,202,584 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| LIABILITIES: | | |
| Deposits | \$2,606,435 | \$ 2,052,929 |
| Borrowed funds | 479,308 | 558,129 |
| Advance payments by borrowers for taxes and insurance | 11,596 | 10,862 |
| Accrued expenses and other liabilities | 28,728 | 20,885 |
| Total liabilities | 3,126,067 | 2,642,805 |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$0.01 par value; 25,000,000 shares authorized, none issued or outstanding — | — | — |
| Common stock, \$0.01 par value: 150,000,000 shares authorized, 60,933,707 and 58,226,326 shares issued at June 30, 2016, and December 31, 2015, respectively, 48,322,205 and 45,565,540 outstanding at June 30, 2016, and December 31, 2015, respectively | 609 | 582 |
| Additional paid-in-capital | 546,452 | 501,540 |
| Unallocated common stock held by employee stock ownership plan | (24,148) | (24,664) |
| Retained earnings | 260,005 | 256,170 |

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| | | | | |
|--|-------------|-------------|----------|---|
| Accumulated other comprehensive income (loss) | 3,034 | (2,986 |) | |
| Treasury stock at cost; 12,611,502 and 12,660,786 shares at June 30, 2016, and December 31, 2015, respectively | (170,591 |) | (170,863 |) |
| Total stockholders' equity | 615,361 | 559,779 | | |
| Total liabilities and stockholders' equity | \$3,741,428 | \$3,202,584 | | |

See accompanying notes to unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited) (In thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Interest income: | | | | |
| Loans | \$27,682 | \$21,291 | \$54,570 | \$41,957 |
| Mortgage-backed securities | 2,888 | 3,325 | 5,657 | 6,902 |
| Other securities | 237 | 94 | 410 | 228 |
| Federal Home Loan Bank of New York dividends | 282 | 297 | 559 | 640 |
| Deposits in other financial institutions | 79 | 30 | 141 | 63 |
| Total interest income | 31,168 | 25,037 | 61,337 | 49,790 |
| Interest expense: | | | | |
| Deposits | 3,703 | 2,458 | 7,127 | 4,532 |
| Borrowings | 1,824 | 2,294 | 3,841 | 4,989 |
| Total interest expense | 5,527 | 4,752 | 10,968 | 9,521 |
| Net interest income | 25,641 | 20,285 | 50,369 | 40,269 |
| Provision/(recovery) for loan losses | 14 | 72 | (117) | 272 |
| Net interest income after provision for loan losses | 25,627 | 20,213 | 50,486 | 39,997 |
| Non-interest income: | | | | |
| Fees and service charges for customer services | 1,174 | 976 | 2,372 | 1,901 |
| Income on bank owned life insurance | 1,004 | 941 | 1,993 | 1,882 |
| Gains/(losses) on securities transactions, net | 247 | (7) | 249 | 54 |
| Other | 108 | 96 | 148 | 273 |
| Total non-interest income | 2,533 | 2,006 | 4,762 | 4,110 |
| Non-interest expense: | | | | |
| Compensation and employee benefits | 9,627 | 7,684 | 21,326 | 15,241 |
| Occupancy | 2,707 | 2,467 | 5,769 | 5,081 |
| Furniture and equipment | 371 | 369 | 725 | 749 |
| Data processing | 1,386 | 981 | 3,245 | 1,958 |
| Professional fees | 696 | 719 | 1,937 | 1,293 |
| FDIC insurance | 487 | 397 | 962 | 786 |
| Other | 2,220 | 1,897 | 5,029 | 3,706 |
| Total non-interest expense | 17,494 | 14,514 | 38,993 | 28,814 |
| Income before income tax expense | 10,666 | 7,705 | 16,255 | 15,293 |
| Income tax expense | 3,681 | 3,410 | 5,610 | 5,996 |
| Net income | \$6,985 | \$4,295 | \$10,645 | \$9,297 |
| Net income per common share: | | | | |
| Basic | \$0.16 | \$0.10 | \$0.24 | \$0.22 |
| Diluted | \$0.15 | \$0.10 | \$0.23 | \$0.21 |

See accompanying notes to unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - (Continued)

(Unaudited) (In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Net Income | \$6,985 | \$4,295 | \$10,645 | \$9,297 |
| Other comprehensive income: | | | | |
| Unrealized gains (losses) on securities: | | | | |
| Net unrealized holding gains (losses) on securities | 2,978 | (5,894) | 10,255 | (1,275) |
| Less: reclassification adjustment for net gains included in net income (included in gains (losses) on securities transactions, net) | (155) | (43) | (206) | (43) |
| Net unrealized gains (losses) | 2,823 | (5,937) | 10,049 | (1,318) |
| Other comprehensive income (loss), before tax | 2,823 | (5,937) | 10,049 | (1,318) |
| Income tax (expense) benefit related to net unrealized holding gains (losses) on securities | (1,196) | 2,359 | (4,111) | 513 |
| Income tax expense related to reclassification adjustment for gains included in net income | 62 | 17 | 82 | 17 |
| Other comprehensive income (loss), net of tax | 1,689 | (3,561) | 6,020 | (788) |
| Comprehensive income | \$8,674 | \$734 | \$16,665 | \$8,509 |

See accompanying notes to unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Six Months Ended June 30, 2016 and 2015

(Unaudited) (In thousands, except share data)

| | Common Stock | | | Unallocated Common Stock Held by the Employee Stock Ownership Plan | Retained Earnings | Accumulated Other Comprehensive Income (loss) Net of tax | Treasury Stock | Total Stockholders' Equity |
|--|-----------------------|--------------|----------------------------------|---|----------------------|---|-------------------|----------------------------------|
| | Shares Outstanding | Par Value | Additional Paid-in Capital | | | | | |
| Balance at December 31, 2014 | 48,402,083 | \$ 582 | \$499,606 | \$(25,782) | \$248,908 | \$ (765) | \$(128,621) | \$ 593,928 |
| Net income | | | | | 9,297 | | | 9,297 |
| Other comprehensive loss, net of tax | | | | | | (788) | | (788) |
| ESOP shares allocated or committed to be released | | | 413 | 525 | | | | 938 |
| Stock compensation expense | | | 2,565 | | | | | 2,565 |
| Additional tax benefit on equity awards | | | 119 | | | | | 119 |
| Net issuance of restricted stock | 390,800 | | (5,218) | | | | 5,218 | — |
| Exercise of stock options | 51,765 | | (367) | | (85) | | 581 | 129 |
| Cash dividends declared (\$0.07 per common share) | | | | | (6,217) | | | (6,217) |
| Treasury stock (average cost of \$14.57 per share) | | | | | | | (42,418) | \$(42,418) |
| Balance at June 30, 2015 | 45,937,659 | \$ 582 | \$497,118 | \$(25,257) | \$251,903 | \$ (1,553) | \$(165,240) | \$ 557,553 |
| Balance at December 31, 2015 | 45,565,540 | \$ 582 | \$501,540 | \$(24,664) | \$256,170 | \$ (2,986) | \$(170,863) | \$ 559,779 |
| Net income | | | | | 10,645 | | | 10,645 |
| Other comprehensive income, net of tax | | | | | | 6,020 | | 6,020 |
| Acquisition of Hopewell Valley Community Bank | 2,707,381 | 27 | 41,694 | | | | | 41,721 |
| | | | 466 | 516 | | | | 982 |

| | | | | | | | | |
|--|------------|--------|-----------|--------------|-----------|----------|-------------|------------|
| ESOP shares allocated or committed to be released | | | | | | | | |
| Stock compensation expense | | | 4,158 | | | | | 4,158 |
| Additional tax benefit on equity awards | | | 890 | | | | | 890 |
| Exercise of stock options, net | 182,209 | | (2,296) | | | | 2,396 | 100 |
| Cash dividends declared (\$0.08 per common share) | | | | | (6,810) | | | (6,810) |
| Treasury stock (average cost of \$15.98(132,925) per share) | | | | | | | (2,124) | (2,124) |
| Balance at June 30, 2016 | 48,322,205 | \$ 609 | \$546,452 | \$ (24,148) | \$260,005 | \$ 3,034 | \$(170,591) | \$ 615,361 |

See accompanying notes to unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

| | Six Months Ended June 30, | |
|--|------------------------------|-----------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net income | \$10,645 | \$9,297 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| (Recovery) provision for loan losses | (117) | 272 |
| ESOP and stock compensation expense | 5,140 | 3,503 |
| Depreciation | 1,838 | 1,731 |
| Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees | 956 | 928 |
| Amortization intangible assets | 226 | 160 |
| Income on bank owned life insurance | (1,993) | (1,882) |
| Net gain on sale of loans held-for-sale | — | (10) |
| Proceeds from sale of loans held-for-sale | — | 1,630 |
| Origination of loans held-for-sale | — | (1,620) |
| Gain on securities transactions, net | (249) | (54) |
| Gain on sale of other real estate owned, net | — | (134) |
| Net purchases of trading securities | (349) | (366) |
| Decrease in accrued interest receivable | 469 | (72) |
| (Increase) decrease in other assets | (3,815) | 1,141 |
| Decrease in accrued expenses and other liabilities | (475) | (94) |
| Net cash provided by operating activities | 12,276 | 14,430 |
| Cash flows from investing activities: | | |
| Net increase in loans receivable | (6,008) | (134,959) |
| Purchase of loans | (76,714) | (127,431) |
| Redemptions of Federal Home Loan Bank of New York stock, net | 980 | 3,866 |
| Purchases of securities available-for-sale | (105,458) | — |
| Principal payments and maturities on securities available-for-sale | 77,058 | 90,025 |
| Principal payments and maturities on securities held-to-maturity | 89 | 803 |
| Proceeds from sale of securities available-for-sale | 42,317 | 39,226 |
| Proceeds from sale of other real estate owned | — | 392 |
| Purchases and improvements of premises and equipment | (409) | (647) |
| Net cash acquired in business combination | 55,479 | — |
| Net cash used in investing activities | (12,666) | (128,725) |
| Cash flows from financing activities: | | |
| Net increase in deposits | 97,303 | 359,434 |
| Dividends paid | (6,810) | (6,217) |
| Exercise of stock options | 100 | 129 |
| Purchase of treasury stock | (2,124) | (42,418) |
| Additional tax benefit on equity awards | 890 | 119 |
| Increase in advance payments by borrowers for taxes and insurance | 734 | 1,904 |
| Repayments under capital lease obligations | (98) | (88) |
| Proceeds from securities sold under agreements to repurchase and other borrowings | 110,064 | 105,072 |
| Repayments related to securities sold under agreements to repurchase and other borrowings | (191,000) | (304,564) |

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| | | |
|--|----------|----------|
| Net cash provided by financing activities | 9,059 | 113,371 |
| Net increase (decrease) in cash and cash equivalents | 8,669 | (924) |
| Cash and cash equivalents at beginning of period | 51,853 | 76,709 |
| Cash and cash equivalents at end of period | \$60,522 | \$75,785 |

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)
(Unaudited) (In thousands)

| | Six Months Ended | |
|---|------------------|---------|
| | June 30, | |
| | 2016 | 2015 |
| Supplemental cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$10,988 | \$9,579 |
| Income taxes | 6,035 | 5,597 |
| Non-cash transactions: | | |
| Loans charged-off, net | 336 | 1,048 |
| Other real estate owned write-downs | — | 71 |
| Acquisition: | | |
| Non-cash assets acquired, at fair value: | | |
| Securities available for sale | \$61,633 | \$— |
| Loans | 342,566 | — |
| Accrued interest receivable | 1,452 | — |
| Bank-owned life insurance | 11,269 | — |
| Premises and equipment | 5,926 | — |
| Federal Home Loan Bank of New York stock, at cost | 476 | — |
| Goodwill and other intangible assets | 24,265 | — |
| Other assets | 5,389 | — |
| Total non-cash assets acquired | 452,976 | — |
| Non-cash liabilities assumed at fair value: | | |
| Deposits | \$456,203 | — |
| Borrowings | 2,213 | — |
| Other liabilities | 8,318 | — |
| Total non-cash liabilities assumed | 466,734 | — |
| Net non-cash liabilities assumed | (13,758) | — |
| Net cash and cash equivalents acquired | 55,479 | — |
| Common stock issued in acquisition | \$41,721 | \$— |

See accompanying notes to 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. (the Company) and its wholly owned subsidiaries, Northfield Investments, Inc. and Northfield Bank (the Bank), and the Bank's wholly-owned significant subsidiaries, NSB Services Corp. and NSB Realty Trust. 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 months ended June 30, 2016, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2016. Whenever necessary, certain prior year amounts are reclassified to conform to the current year presentation.

In preparing the unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP), management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change are: the allowance for loan losses, the evaluation of goodwill and other intangible assets, impairment on investment securities, fair value measurements of assets and liabilities, and income taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. GAAP 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, 2015, of Northfield Bancorp, Inc. as filed with the SEC.

Note 2 – Business Combinations

On January 8, 2016, the Company completed its acquisition of Hopewell Valley Community Bank (“Hopewell Valley”), which after purchase accounting adjustments added \$508.5 million to total assets, \$342.6 million to loans, and \$456.2 million to deposits, and nine branch offices in the Hunterdon and Mercer counties of New Jersey. Total consideration paid for Hopewell Valley was \$55.4 million, consisting of \$13.7 million in cash and 2,707,381 shares of common stock valued at \$41.7 million based upon the \$15.41 per share closing price of Northfield Bancorp, Inc.'s common stock on January 8, 2016.

The transaction was accounted for under the acquisition method of accounting. Under this method of accounting, the purchase price has been allocated to the respective assets acquired and liabilities assumed based upon their estimated fair values, net of tax. The excess of consideration paid over the fair value of the net assets acquired has been recorded as goodwill.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition for Hopewell Valley (in thousands):

| | |
|---|-----------|
| ASSETS ACQUIRED: | January |
| | 8, 2016 |
| Cash and cash equivalents, net | \$55,479 |
| Securities available for sale | 61,633 |
| Loans | 342,566 |
| Accrued interest receivable | 1,452 |
| Bank-owned life insurance | 11,269 |
| Premises and equipment | 5,926 |
| Federal Home Loan Bank of New York stock, at cost | 476 |
| Goodwill | 22,252 |
| Other intangible assets | 2,013 |
| Other assets | 5,389 |
| Total assets acquired | \$508,455 |
| LIABILITIES ASSUMED: | |
| Deposits | \$456,203 |
| Other borrowings | 2,213 |
| Other liabilities | 8,318 |
| Total liabilities assumed | \$466,734 |
| Net assets acquired | \$41,721 |

The calculation of goodwill is subject to change for up to one year after the date of acquisition as additional information relative to the closing date estimates and uncertainties become available. As the Company finalizes its review of the acquired assets and liabilities, certain adjustments to the recorded carrying values may be required.

Fair Value Measurement of Assets Assumed and Liabilities Assumed

The methods used to determine the fair value of the assets acquired and liabilities assumed in the Hopewell Valley acquisition were as follows:

Cash and cash equivalents

The estimated fair values of cash and cash equivalents approximate their stated face amounts, as these financial instruments are either due on demand or have short-term maturities.

Securities Available-for-Sale

The estimated fair values of the investment securities classified as available-for-sale were calculated utilizing Level 1 and Level 2 inputs. Management reviewed the data and assumptions used by its third party provider in pricing the securities to ensure the highest level of significant inputs is derived from observable market data. These prices were validated against other pricing sources and broker-dealer indications.

Loans

The acquired loan portfolio was valued based on current guidance which defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement

date. Level 3 inputs were utilized to value the portfolio and included the use of present value techniques employing cash flow estimates and the incorporated assumptions that marketplace participants would use in estimating fair values. In instances where reliable market information was not available, the Company used its own assumptions in an effort to determine reasonable fair value. Specifically, management utilized three separate fair value analyses which a market participant would employ in estimating the total fair value adjustment. The three separate fair valuation methodologies used were: 1) interest rate loan fair value analysis; 2) general credit fair value adjustment; and 3) specific credit fair value adjustment.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

To prepare the interest rate fair value analysis, loans were grouped by characteristics such as loan type, term, collateral and rate. Market rates for similar loans were obtained from various external data sources and reviewed by Company management for reasonableness. The average of these rates was used as the fair value interest rate a market participant would utilize. A present value approach was utilized to calculate the interest rate fair value adjustment.

The general credit fair value adjustment was calculated using a two part general credit fair value analysis: 1) expected lifetime losses; and 2) estimated fair value adjustment for qualitative factors. The expected lifetime losses were calculated using an average of historical losses of the Company, the acquired bank and peer banks. The adjustment related to qualitative factors was impacted by general economic conditions and the risk related to lack of familiarity with the originator's underwriting process.

To calculate the specific credit fair value adjustment, management reviewed the acquired loan portfolio for loans meeting the definition of an impaired loan with deteriorated credit quality. Loans meeting this definition were reviewed by comparing the contractual cash flows to expected collectible cash flows. The aggregate expected cash flows less the acquisition date fair value resulted in an accretable yield amount. The accretable yield amount will be recognized over the life of the loans on a level yield basis as an adjustment to yield.

Other intangible assets

Other intangible assets consisting of core deposit premium represents the value assigned to demand, interest checking, money market and savings accounts acquired as part of an acquisition. The core deposit premium value represents the future economic benefit, including the present value of future tax benefits, of the potential cost savings from acquiring core deposits as part of an acquisition compared to the cost of alternative funding sources. The core deposit premium is being amortized over an estimated useful life of 10 years to approximate the existing deposit relationships acquired.

Deposits

The fair values of deposit liabilities with no stated maturity (i.e., non-interest bearing demand accounts, interest-bearing negotiable orders of withdrawal (NOW), savings and money market accounts) are equal to the carrying amounts payable on demand. The fair values of certificates of deposit represent contractual cash flows, discounted to present value using interest rates currently offered on deposits with similar characteristics and remaining maturities.

Other borrowings

Other borrowings consist of securities sold under agreements to repurchase. The carrying amounts approximate their fair values because they frequently re-price to a market rate.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 3 – Securities Available-for-Sale

The following is a comparative summary of mortgage-backed securities and other securities available-for-sale at June 30, 2016, and December 31, 2015 (in thousands):

| | June 30, 2016 | | | |
|--|----------------|------------------------|-------------------------|----------------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| Mortgage-backed securities: | | | | |
| Pass-through certificates: | | | | |
| Government sponsored enterprises (GSE) | \$ 259,643 | \$ 7,360 | \$ 236 | \$ 266,767 |
| Real estate mortgage investment conduits (REMICs): | | | | |
| GSE | 272,286 | 1,480 | 3,226 | 270,540 |
| Non-GSE | 435 | — | 15 | 420 |
| | 532,364 | 8,840 | 3,477 | 537,727 |
| Other debt securities: | | | | |
| Municipal bonds | 3,867 | 49 | — | 3,916 |
| Corporate bonds | 55,081 | 267 | 79 | 55,269 |
| | 58,948 | 316 | 79 | 59,185 |
| Other securities | | | | |
| Equity investments-mutual funds | 1,143 | 20 | — | 1,163 |
| Other | 1,254 | — | — | 1,254 |
| Total securities available-for-sale | \$ 593,709 | \$ 9,176 | \$ 3,556 | \$ 599,329 |

| | December 31, 2015 | | | |
|-------------------------------------|-------------------|------------------------|-------------------------|----------------------|
| | Amortized cost | Gross unrealized gains | Gross unrealized losses | Estimated fair value |
| Mortgage-backed securities: | | | | |
| Pass-through certificates: | | | | |
| GSE | \$ 228,557 | \$ 4,673 | \$ 1,530 | \$ 231,700 |
| REMICs: | | | | |
| GSE | 305,387 | 647 | 8,210 | 297,824 |
| Non-GSE | 597 | — | 18 | 579 |
| | 534,541 | 5,320 | 9,758 | 530,103 |
| Other securities: | | | | |
| Equity investments-mutual funds | 481 | — | — | 481 |
| Corporate bonds | 11,002 | 9 | — | 11,011 |
| | 11,483 | 9 | — | 11,492 |
| Total securities available-for-sale | \$ 546,024 | \$ 5,329 | \$ 9,758 | \$ 541,595 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at June 30, 2016 (in thousands):

| Available-for-sale | Amortized cost | Estimated fair value |
|--|-------------------|-------------------------|
| Due in one year or less | \$ 12,472 | \$ 12,470 |
| Due after one year through five years | 40,893 | 41,181 |
| Due after five years through ten years | 5,085 | 5,113 |
| Due after ten years | 498 | 421 |
| | \$ 58,948 | \$ 59,185 |

Contractual maturities for mortgage-backed securities are not included above, as 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, 2016, the Company had gross proceeds of \$15.2 million and \$42.3 million, respectively, on sales of securities available-for-sale, with gross realized gains of approximately \$260,000 and \$334,000, and gross realized losses of approximately \$105,000 and \$128,000, for the three and six months ended June 30, 2016. For the three and six months ended June 30, 2015, the Company had gross proceeds of \$39.2 million on sales of securities available-for-sale, with gross realized gains of approximately \$46,000 and gross realized losses of approximately \$3,000. The Company recognized net gains of \$92,000 and \$43,000, on its trading securities portfolio during the three and six months ended June 30, 2016, respectively. The Company recognized net losses of \$50,000, and net gains of \$11,000, on its trading securities portfolio during the three and six months ended June 30, 2015. The Company did not recognize any other-than-temporary impairment charges during the three and six months ended June 30, 2016, or June 30, 2015.

Gross unrealized losses on mortgage-backed securities 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, 2016, and December 31, 2015, were as follows (in thousands):

| | June 30, 2016 | | | | | |
|-----------------------------|------------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|
| | 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: | | | | | | |
| GSE | \$29 | \$ 1,262 | \$207 | \$ 8,145 | \$236 | \$ 9,407 |
| REMICs: | | | | | | |
| GSE | 26 | 9,423 | 3,200 | 125,196 | 3,226 | 134,619 |
| Non-GSE | — | — | 15 | 420 | 15 | 420 |
| Other debt securities: | | | | | | |
| Corporate bonds | 79 | 8,571 | — | — | 79 | 8,571 |
| Total | \$134 | \$ 19,256 | \$ 3,422 | \$ 133,761 | \$ 3,556 | \$ 153,017 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | December 31, 2015 | | | | | |
|-----------------------------|---------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| | 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: | | | | | | |
| GSE | \$115 | \$14,424 | \$1,415 | \$52,120 | \$1,530 | \$66,544 |
| REMICs: | | | | | | |
| GSE | 338 | 31,937 | 7,872 | 164,666 | 8,210 | 196,603 |
| Non-GSE | | | 18 | 579 | 18 | 579 |
| Other Securities: | | | | | | |
| Corporate Bonds | \$— | \$— | \$— | \$— | \$— | \$— |
| Total | \$453 | \$46,361 | \$9,305 | \$217,365 | \$9,758 | \$263,726 |

The Company held six pass-through mortgage-backed securities issued or guaranteed by GSEs, nine REMIC mortgage-backed securities issued or guaranteed by GSEs, and two REMIC mortgage-backed securities not issued or guaranteed by GSEs that were in a continuous unrealized loss position of twelve months or greater at June 30, 2016. There were 16 pass-through mortgage-backed securities issued or guaranteed by GSEs, two REMIC mortgage-backed securities issued or guaranteed by a GSE, and three corporate bonds that were in an unrealized loss position of less than twelve months at June 30, 2016. All securities referred to above were rated investment grade at June 30, 2016. 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, which may result in other-than-temporary impairment in the future.

Note 4 – Securities Held-to-Maturity

The following is a summary of mortgage-backed securities held-to-maturity at June 30, 2016, and December 31, 2015 (in thousands):

| | June 30, 2016 | | | |
|-----------------------------------|-------------------|------------------------|-------------------------|----------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Mortgage-backed securities: | | | | |
| Pass-through certificates: | | | | |
| GSEs | \$10,249 | \$ 214 | \$ | —\$10,463 |
| Total securities held-to-maturity | \$10,249 | \$ 214 | \$ | —\$10,463 |
| | December 31, 2015 | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |

Mortgage-backed securities:

Pass-through certificates:

| | | | | |
|-----------------------------------|----------|-------|-------|-----------|
| GSEs | \$10,346 | \$ 53 | \$ 30 | \$ 10,369 |
| Total securities held-to-maturity | \$10,346 | \$ 53 | \$ 30 | \$ 10,369 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Contractual maturities for mortgage-backed securities are not presented, as 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. There were no sales of held-to-maturity securities for the three months ended June 30, 2016, or June 30, 2015. The Company had no held-to-maturity securities at June 30, 2016, that were in an unrealized loss position.

Gross unrealized losses on mortgage-backed securities held-to-maturity, 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 December 31, 2015, were as follows (in thousands):

December 31,
2015
Less than 12
months
Estimated
Unrealized
Fair
Losses Value

Mortgage-backed securities:

Pass-through certificates:

GSEs \$ 30 \$ 3,901

Total securities held-to-maturity \$ 30 \$ 3,901

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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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 5 – Loans

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

| | June 30, 2016 | December 31, 2015 |
|---|------------------|----------------------|
| Real estate loans: | | |
| Multifamily | \$ 1,367,065 | \$ 1,318,461 |
| Commercial mortgage | 404,375 | 402,073 |
| One-to-four family residential mortgage | 106,645 | 98,332 |
| Home equity and lines of credit | 64,297 | 61,413 |
| Construction and land | 16,054 | 18,652 |
| Total real estate loans | 1,958,436 | 1,898,931 |
| Commercial and industrial loans | 26,048 | 25,554 |
| Other loans | 1,850 | 2,256 |
| Total commercial and industrial and other loans | 27,898 | 27,810 |
| Deferred loan cost, net | 6,100 | 4,844 |
| Originated loans held-for-investment, net | 1,992,434 | 1,931,585 |
| PCI Loans | 36,149 | 33,115 |
| Loans acquired: | | |
| One-to-four family residential mortgage | 357,510 | 330,672 |
| Commercial mortgage | 194,388 | 11,160 |
| Multifamily | 135,035 | 64,779 |
| Home equity and lines of credit | 29,312 | 2,404 |
| Construction and land | 25,832 | — |
| Total real estate loans | 742,077 | 409,015 |
| Commercial and industrial loans | 26,698 | — |
| Other loans | 597 | — |
| Total loans acquired, net | 769,372 | 409,015 |
| Loans held-for-investment, net | 2,797,955 | 2,373,715 |
| Allowance for loan losses | (24,317) | (24,770) |
| Net loans held-for-investment | \$ 2,773,638 | \$ 2,348,945 |

PCI loans totaled \$36.1 million at June 30, 2016, as compared to \$33.1 million at December 31, 2015 and included \$5.0 million of loans acquired as part of the Hopewell Valley acquisition. The remaining balance of PCI loans is primarily attributable to those acquired as part of an FDIC-assisted transaction. The Company accounts for PCI loans utilizing U.S. GAAP applicable to loans acquired with deteriorated credit quality. At June 30, 2016, PCI loans consist of approximately 36.2% commercial real estate loans and 45.8% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2015, PCI loans consist of approximately 27.9% commercial real estate loans and 52.4% commercial and industrial loans, with the remaining balance in residential and home equity loans.

The following table sets forth information regarding the estimates of the contractually required payments, the cash flows expected to be collected, and the estimated fair value of the PCI loans acquired from Hopewell Valley at January 8, 2016 (in thousands):

| |
|-----------------|
| January 8, 2016 |
| \$ 16,580 |

| | | |
|---|--------|-------|
| Contractually required principal and interest | | |
| Contractual cash flows not expected to be collected (non-accretable discount) | (9,929 |) |
| Expected cash flows to be collected at acquisition | 6,651 | |
| Interest component of expected cash flows (accretable yield) | (845 |) |
| Fair value of acquired loans | \$ | 5,806 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following table details the accretion of interest income for PCI loans for the three and six months ended June 30, 2016 and June 30, 2015 (in thousands):

| | At or for the three months ended June 30, | | At or for the six months ended June 30, | |
|------------------------------------|---|----------|---|----------|
| | 2016 | 2015 | 2016 | 2015 |
| Balance at the beginning of period | \$22,418 | \$26,800 | \$22,853 | \$27,943 |
| Acquisition | — | — | 845 | — |
| Accretion into interest income | (1,439) | (1,094) | (2,719) | (2,237) |
| Balance at end of period | \$20,979 | \$25,706 | \$20,979 | \$25,706 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following tables set forth activity in our allowance for loan losses, by loan type, as of and for the three and six months ended June 30, 2016, and June 30, 2015 (in thousands):

Three Months Ended June 30, 2016

Real Estate

| | Commercial | One-to-Four Family and Land | Construction and Multifamily Land | Home Equity and Lines of Credit | Commercial and Industrial | Other | Unallocated | Originated Loans Total | Purchased Credit- Impaired | Acquired Loans Total | | |
|-------------------------------|------------|--------------------------------------|--|--|---------------------------------|---------|-------------|------------------------------|----------------------------------|----------------------------|-------|----------|
| Allowance for loan losses: | | | | | | | | | | | | |
| Beginning balance | \$6,197 | \$ 798 | \$ 521 | \$13,328 | \$ 781 | \$1,311 | \$ 88 | \$ 466 | \$23,490 | \$ 783 | \$105 | \$24,378 |
| Charge-offs | (78) | (20) | — | — | — | (1) | — | — | (99) | — | — | (99) |
| Recoveries | 19 | 1 | — | 1 | — | 3 | — | 24 | — | — | — | 24 |
| Provisions/(credit) | 483 | (17) | (328) | 224 | (272) | (44) | (14) | (25) | 7 | — | 7 | 14 |
| Ending balance | \$6,621 | \$ 762 | \$ 193 | \$13,552 | \$ 510 | \$1,266 | \$ 77 | \$ 441 | \$23,422 | \$ 783 | \$112 | \$24,317 |

Three Months Ended June 30, 2015

Real Estate

| | Commercial | One-to-Four Family and Land | Construction and Multifamily Land | Home Equity and Lines of Credit | Commercial and Industrial | Other | Unallocated | Originated Loans Total | Purchased Credit- Impaired | Acquired Loans Total | | |
|-------------------------------|------------|--------------------------------------|--|--|---------------------------------|---------|-------------|------------------------------|----------------------------------|----------------------------|-------|----------|
| Allowance for loan losses: | | | | | | | | | | | | |
| Beginning balance | \$8,483 | \$ 870 | \$ 218 | \$12,698 | \$ 842 | \$ 995 | \$103 | \$1,228 | \$25,437 | \$ 400 | \$ 61 | \$25,898 |
| Charge-offs | (186) | (126) | — | (113) | — | (32) | — | — | (457) | — | — | (457) |
| Recoveries | — | — | — | — | — | 3 | — | 3 | — | — | — | 3 |
| Provisions/(credit) | (956) | 363 | (33) | 623 | 99 | 48 | 23 | (93) | 74 | — | (2) | 72 |
| Ending balance | \$7,341 | \$1,107 | \$ 185 | \$13,208 | \$ 941 | \$1,011 | \$129 | \$1,135 | \$25,057 | \$ 400 | \$ 59 | \$25,516 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Six Months Ended June 30, 2016

Real Estate

| | Commercial | One-to-Four Family Land | Construction and Multifamily Land | Home Equity and Lines of Credit | Commercial and Industrial Other | Unallocated | Originated Loans Total | Purchased Credit Loans | Acquired Loans | Total | | |
|-------------------------------|------------|-------------------------------|--|--|--|-------------|------------------------------|------------------------------|-------------------|-------|-------|----------|
| Allowance for loan losses: | | | | | | | | | | | | |
| Beginning balance | \$7,106 | \$787 | \$261 | \$12,387 | \$795 | \$1,288 | \$155 | \$1,093 | \$23,872 | \$783 | \$115 | \$24,770 |
| Charge-offs | (191) | (20) | — | (277) | — | (1) | — | — | (489) | — | — | (489) |
| Recoveries | 147 | 1 | — | — | 1 | 1 | 3 | — | 153 | — | — | 153 |
| Provisions/(credit) | (441) | (6) | (68) | 1,442 | (286) | (22) | (81) | (652) | (114) | — | (3) | (117) |
| Ending balance | \$6,621 | \$762 | \$193 | \$13,552 | \$510 | \$1,266 | \$77 | \$441 | \$23,422 | \$783 | \$112 | \$24,317 |

Six Months Ended June 30, 2015

Real Estate

| | Commercial | One-to-Four Family Land | Construction and Multifamily Land | Home Equity and Lines of Credit | Commercial and Industrial Other | Unallocated | Originated Loans Total | Purchased Credit Loans | Acquired Loans | Total | | |
|-------------------------------|------------|-------------------------------|--|--|--|-------------|------------------------------|------------------------------|-------------------|-------|------|----------|
| Allowance for loan losses: | | | | | | | | | | | | |
| Beginning balance | \$9,309 | \$951 | \$266 | \$12,219 | \$901 | \$841 | \$134 | \$1,209 | \$25,830 | \$400 | \$62 | \$26,292 |
| Charge-offs | (829) | (127) | — | (113) | — | (32) | — | — | (1,101) | — | — | (1,101) |
| Recoveries | 1 | — | — | — | 42 | 6 | 4 | — | 53 | — | — | 53 |
| Provisions/(credit) | (1,140) | 283 | (81) | 1,102 | (2) | 196 | (9) | (74) | 275 | — | (3) | 272 |
| Ending balance | \$7,341 | \$1,107 | \$185 | \$13,208 | \$941 | \$1,011 | \$129 | \$1,135 | \$25,057 | \$400 | \$59 | \$25,516 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following tables detail the amount of loans receivable held-for-investment, net of deferred loan fees and costs, that are evaluated individually, and collectively, for impairment, and the related portion of the allowance for loan losses that is allocated to each loan portfolio segment, at June 30, 2016, and December 31, 2015 (in thousands).

| June 30, 2016 | | | | | | | | | | | | |
|---|------------|--------------------|-----------------------|-------------|---------------------------------|---------------------------|---------|-------------|------------------------|---------------------------|-------------------|-------------|
| Real Estate | | | | | | | | | | | | |
| | Commercial | One-to-Four Family | Construction and Land | Multifamily | Home Equity and Lines of Credit | Commercial and Industrial | Other | Unallocated | Originated Loans Total | Purchased Credit-Impaired | Acquired Impaired | Total |
| Allowance for loan losses: | | | | | | | | | | | | |
| Ending balance: | | | | | | | | | | | | |
| individually evaluated for impairment | \$598 | \$128 | \$— | \$125 | \$39 | \$6 | \$— | \$— | \$896 | \$— | \$112 | \$1,000 |
| Ending balance: collectively evaluated for impairment | \$6,023 | \$634 | \$193 | \$13,427 | \$471 | \$1,260 | \$77 | \$441 | \$22,526 | \$783 | \$— | \$23,000 |
| Loans, net: | | | | | | | | | | | | |
| Ending balance | \$405,010 | \$107,277 | \$16,077 | \$1,370,526 | \$65,564 | \$26,129 | \$1,851 | \$— | \$1,992,434 | \$36,149 | \$769,372 | \$2,700,000 |
| Ending balance: individually evaluated for impairment | \$23,924 | \$2,307 | \$— | \$2,135 | \$345 | \$109 | \$— | \$— | \$28,820 | \$— | \$3,517 | \$32,000 |
| Ending balance: collectively evaluated for impairment | \$381,086 | \$104,970 | \$16,077 | \$1,368,391 | \$65,219 | \$26,020 | \$1,851 | \$— | \$1,963,614 | \$36,149 | \$765,855 | \$2,700,000 |

December 31, 2015

Real Estate

| | Commercial | One-to-Four Family | Construction and Land | Multifamily | Home Equity and | Commercial and Industrial | Other | Unallocated | Originated Loans Total | Purchased Credit-Impaired | Acquired Impaired | Total |
|--|------------|--------------------|-----------------------|-------------|-----------------|---------------------------|-------|-------------|------------------------|---------------------------|-------------------|-------|
|--|------------|--------------------|-----------------------|-------------|-----------------|---------------------------|-------|-------------|------------------------|---------------------------|-------------------|-------|

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Lines of
Credit

| | | | | | | | | | | | | |
|--|-----------|----------|----------|-------------|----------|----------|---------|---------|-------------|----------|-----------|-------|
| Allowance for loan losses: Ending balance: individually evaluated for impairment | \$394 | \$167 | \$— | \$158 | \$51 | \$4 | \$— | \$— | \$774 | \$— | \$115 | \$88 |
| Ending balance: collectively evaluated for impairment | \$6,712 | \$620 | \$261 | \$12,229 | \$744 | \$1,284 | \$155 | \$1,093 | \$23,098 | \$783 | \$— | \$23 |
| Loans, net: Ending balance | \$402,714 | \$99,010 | \$18,677 | \$1,320,724 | \$62,594 | \$25,610 | \$2,256 | \$— | \$1,931,585 | \$33,115 | \$409,015 | \$2,3 |
| Ending balance: individually evaluated for impairment | \$20,465 | \$2,344 | \$— | \$2,458 | \$354 | \$116 | \$— | \$— | \$25,737 | \$— | \$3,250 | \$28 |
| Ending balance: collectively evaluated for impairment | \$382,249 | \$96,666 | \$18,677 | \$1,318,266 | \$62,240 | \$25,494 | \$2,256 | \$— | \$1,905,848 | \$33,115 | \$405,765 | \$2,3 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The Company monitors the credit quality of its loan portfolio on a regular basis. Credit quality is monitored by reviewing certain 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 measure the credit quality of the Company's loan receivables. Loan-to-value (LTV) ratios used by management in monitoring credit quality are based on current period loan balances and original appraised 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, based on past loan loss experience, management has determined that commercial real estate loans and multifamily loans having loan-to-value ratios, as described above, of less than 35%, and one-to-four family loans having loan-to-value ratios, as described above, of less than 60%, require less of a loss factor than those with higher loan to value ratios.

The Company 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. This risk rating is reviewed periodically 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 the allowance for loan losses for originated loans held-for-investment. After determining the general reserve loss factor for each originated portfolio segment held-for-investment, the originated portfolio segment held-for-investment 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.

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 to 5 are considered pass ratings. An asset is classified 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 that 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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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following tables detail the recorded investment of originated loans held-for-investment, net of deferred fees and costs, by loan type and credit quality indicator at June 30, 2016, and December 31, 2015 (in thousands):

At June 30, 2016

Real Estate

| | Multifamily | | Commercial | | One-to-Four Family | | Construction and Land | Home Equity and Lines of Credit | Commercial and Industrial | Other | Total |
|---|-------------|-------------|------------|-----------|-----------------------|----------|-----------------------------|---|---------------------------------|---------|---------|
| | < 35% | => 35% | < 35% | => 35% | < 60% | => 60% | | | | | |
| | LTV | LTV | LTV | LTV | LTV | LTV | | | | | |
| Internal Risk Rating | | | | | | | | | | | |
| Pass | \$124,539 | \$1,239,764 | \$54,086 | \$321,604 | \$57,492 | \$45,847 | \$16,077 | \$65,109 | \$25,499 | \$1,851 | \$1,951 |
| Special Mention | 37 | 3,762 | — | 2,934 | 498 | — | — | 72 | 144 | — | 7,447 |
| Substandard | 41 | 2,383 | 1,208 | 25,178 | 1,967 | 1,473 | — | 383 | 486 | — | 33,119 |
| Originated loans held-for-investment, net | \$124,617 | \$1,245,909 | \$55,294 | \$349,716 | \$59,957 | \$47,320 | \$16,077 | \$65,564 | \$26,129 | \$1,851 | \$1,992 |

At December 31, 2015

Real Estate

| | Multifamily | | Commercial | | One-to-Four Family | | Construction and Land | Home Equity and Lines of Credit | Commercial and Industrial | Other | Total |
|---|-------------|-------------|------------|-----------|-----------------------|----------|-----------------------------|---|---------------------------------|---------|---------|
| | < 35% | => 35% | < 35% | => 35% | < 60% | => 60% | | | | | |
| | LTV | LTV | LTV | LTV | LTV | LTV | | | | | |
| Internal Risk Rating | | | | | | | | | | | |
| Pass | \$124,678 | \$1,188,916 | \$52,253 | \$319,733 | \$48,429 | \$46,578 | \$18,677 | \$61,935 | \$24,846 | \$2,256 | \$1,888 |
| Special Mention | 51 | 3,832 | 974 | 2,966 | 504 | — | — | 75 | 316 | — | 8,718 |
| Substandard | 775 | 2,472 | 1,233 | 25,555 | 2,112 | 1,387 | — | 584 | 448 | — | 34,566 |
| Originated loans held-for-investment, net | \$125,504 | \$1,195,220 | \$54,460 | \$348,254 | \$51,045 | \$47,965 | \$18,677 | \$62,594 | \$25,610 | \$2,256 | \$1,931 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment of these non-accrual loans was \$10.7 million and \$8.8 million at June 30, 2016, and December 31, 2015, respectively. Generally, loans are placed on non-accrual status when they become 90 days or more delinquent, or sooner if considered appropriate by management, and remain on non-accrual status until they are brought current, have six consecutive 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.

These non-accrual amounts included loans deemed to be impaired of \$8.9 million and \$6.7 million at June 30, 2016, and December 31, 2015, 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 \$1.8 million and \$2.1 million at June 30, 2016, and December 31, 2015, respectively. There were no loans held-for-sale at June 30, 2016, or December 31, 2015. Loans past due 90 days or more and still accruing interest were \$282,000 and \$15,000 at June 30, 2016, and December 31, 2015, respectively, and consisted of loans that are considered well secured and in the process of collection.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following tables set forth the detail, and delinquency status, of non-performing loans (non-accrual loans and loans past due 90 days or more and still accruing), net of deferred fees and costs, at June 30, 2016, and December 31, 2015, excluding loans held-for-sale and PCI loans which have been segregated into pools. For PCI loans, each loan pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows (in thousands):

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | At June 30, 2016 | | | | | |
|--|----------------------------|-------|---------|---------|----------|----------------|
| | Total Non-Performing Loans | | | | | |
| | Non-Accruing Loans | | | | | |
| | 0-29 | 30-89 | 90 | Total | 90 Days | Total |
| | Days | Days | Days | | or More | |
| | Past | Past | or | | and | Non-Performing |
| | Due | Due | Past | | Accruing | Loans |
| | | | Due | | | |
| Loans held-for-investment: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial | | | | | | |
| LTV => 35% | | | | | | |
| Substandard | \$1,285 | \$— | \$6,887 | \$8,172 | \$ — | \$ 8,172 |
| Total commercial | 1,285 | — | 6,887 | 8,172 | — | 8,172 |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Substandard | — | 522 | 700 | 1,222 | 58 | 1,280 |
| Total one-to-four family residential | — | 522 | 700 | 1,222 | 58 | 1,280 |
| Multifamily | | | | | | |
| LTV < 35% | | | | | | |
| Substandard | 41 | — | — | 41 | — | 41 |
| LTV => 35% | | | | | | |
| Substandard | — | — | 282 | 282 | — | 282 |
| Total multifamily | 41 | — | 282 | 323 | — | 323 |
| Home equity and lines of credit | | | | | | |
| Substandard | — | — | 225 | 225 | — | 225 |
| Total home equity and lines of credit | — | — | 225 | 225 | — | 225 |
| Commercial and industrial loans | | | | | | |
| Substandard | — | — | 65 | 65 | — | 65 |
| Total commercial and industrial loans | — | — | 65 | 65 | — | 65 |
| Other loans | | | | | | |
| Pass | — | — | — | — | 17 | 17 |
| Total other loans | — | — | — | — | 17 | 17 |
| Total non-performing loans held-for-investment | 1,326 | 522 | 8,159 | 10,007 | 75 | 10,082 |
| Loans acquired: | | | | | | |
| Commercial | | | | | | |
| LTV < 35% | | | | | | |
| Substandard | — | — | 241 | 241 | 207 | 448 |
| Total commercial | — | — | 241 | 241 | 207 | 448 |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Substandard | 425 | — | — | 425 | — | 425 |
| Total one-to-four family residential | 425 | — | — | 425 | — | 425 |
| Commercial and industrial loans | | | | | | |
| Substandard | — | — | 13 | 13 | — | 13 |

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| | | | | | | |
|---------------------------------------|---------|-------|---------|----------|--------|-----------|
| Total commercial and industrial loans | — | — | 13 | 13 | — | 13 |
| Total non-performing loans acquired | 425 | — | 254 | 679 | 207 | 886 |
| Total non-performing loans | \$1,751 | \$522 | \$8,413 | \$10,686 | \$ 282 | \$ 10,968 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | At December 31, 2015 | | | | | |
|--|-----------------------------|------------------------------|---|---------|---|----------------------------------|
| | Total Non-Performing Loans | | | | | |
| | Non-Accruing Loans | | | | | Total Non-Performing Loans |
| | 0-29 Days Past Due | 30-89 Days Past Due | 90 Days or More Past Due | Total | 90 Days or More Past Due and Accruing | |
| Loans held-for-investment: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial | | | | | | |
| LTV => 35% | | | | | | |
| Substandard | \$344 | \$372 | \$4,516 | \$5,232 | \$ — | \$ 5,232 |
| Total | 344 | 372 | 4,516 | 5,232 | — | 5,232 |
| Total commercial | 344 | 372 | 4,516 | 5,232 | — | 5,232 |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Substandard | 364 | 180 | 565 | 1,109 | — | 1,109 |
| Total | 364 | 180 | 565 | 1,109 | — | 1,109 |
| LTV => 60% | | | | | | |
| Substandard | 901 | 135 | — | 1,036 | — | 1,036 |
| Total | 901 | 135 | — | 1,036 | — | 1,036 |
| Total one-to-four family residential | 1,265 | 315 | 565 | 2,145 | — | 2,145 |
| Construction and land | | | | | | |
| Substandard | — | — | 113 | 113 | — | 113 |
| Total construction and land | — | — | 113 | 113 | — | 113 |
| Multifamily | | | | | | |
| LTV => 35% | | | | | | |
| Substandard | — | — | 559 | 559 | — | 559 |
| Total multifamily | — | — | 559 | 559 | — | 559 |
| Home equity and lines of credit | | | | | | |
| Substandard | — | — | 329 | 329 | — | 329 |
| Total home equity and lines of credit | — | — | 329 | 329 | — | 329 |
| Commercial and industrial loans | | | | | | |
| Substandard | — | — | — | — | 15 | 15 |
| Total commercial and industrial loans | — | — | — | — | 15 | 15 |
| Total non-performing loans held-for-investment | 1,609 | 687 | 6,082 | 8,378 | 15 | 8,393 |
| Loans acquired: | | | | | | |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Substandard | 429 | — | — | 429 | — | 429 |
| Total one-to-four family residential | 429 | — | — | 429 | — | 429 |
| Total non-performing loans acquired: | 429 | — | — | 429 | — | 429 |
| Total non-performing loans | \$2,038 | \$687 | \$6,082 | \$8,807 | \$ 15 | \$ 8,822 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following tables set forth the detail and delinquency status of originated and acquired loans held-for-investment, net of deferred fees and costs, by performing and non-performing loans at June 30, 2016, and December 31, 2015 (in thousands):

| | June 30, 2016 | | | | |
|--------------------------------------|-----------------------|--------|-----------|----------------|-------------|
| | Performing (Accruing) | | | | |
| | Loans | | | | |
| | 0-29 | 30-89 | | | |
| | Days | Days | Total | Non-Performing | Total Loans |
| | Past | Past | | Loans | Receivable, |
| | Due | Due | | | net |
| Loans held-for-investment: | | | | | |
| Real estate loans: | | | | | |
| Commercial | | | | | |
| LTV < 35% | | | | | |
| Pass | \$53,259 | \$ 827 | \$ 54,086 | \$ — | \$ 54,086 |
| Substandard | 1,208 | — | 1,208 | — | 1,208 |
| Total | 54,467 | 827 | 55,294 | — | 55,294 |
| LTV => 35% | | | | | |
| Pass | 320,722 | 882 | 321,604 | — | 321,604 |
| Special Mention | 2,934 | — | 2,934 | — | 2,934 |
| Substandard | 14,429 | 2,577 | 17,006 | 8,172 | 25,178 |
| Total | 338,085 | 3,459 | 341,544 | 8,172 | 349,716 |
| Total commercial | 392,552 | 4,286 | 396,838 | 8,172 | 405,010 |
| One-to-four family residential | | | | | |
| LTV < 60% | | | | | |
| Pass | 54,922 | 2,570 | 57,492 | — | 57,492 |
| Special Mention | 132 | 366 | 498 | — | 498 |
| Substandard | 425 | 262 | 687 | 1,280 | 1,967 |
| Total | 55,479 | 3,198 | 58,677 | 1,280 | 59,957 |
| LTV => 60% | | | | | |
| Pass | 45,847 | — | 45,847 | — | 45,847 |
| Substandard | 1,473 | — | 1,473 | — | 1,473 |
| Total | 47,320 | — | 47,320 | — | 47,320 |
| Total one-to-four family residential | 102,799 | 3,198 | 105,997 | 1,280 | 107,277 |
| Construction and land | | | | | |
| Pass | 16,077 | — | 16,077 | — | 16,077 |
| Total construction and land | 16,077 | — | 16,077 | — | 16,077 |
| Multifamily | | | | | |
| LTV < 35% | | | | | |
| Pass | 124,515 | 24 | 124,539 | — | 124,539 |
| Special Mention | 37 | — | 37 | — | 37 |
| Substandard | — | — | — | 41 | 41 |
| Total | 124,552 | 24 | 124,576 | 41 | 124,617 |
| LTV => 35% | | | | | |
| Pass | 1,238,809 | 955 | 1,239,764 | — | 1,239,764 |
| Special Mention | 3,762 | — | 3,762 | — | 3,762 |

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| | | | | | |
|---------------------------------------|-----------|-----|-----------|-----|-----------|
| Substandard | 2,101 | — | 2,101 | 282 | 2,383 |
| Total | 1,244,672 | 255 | 1,245,627 | 282 | 1,245,909 |
| Total multifamily | 1,369,224 | 279 | 1,370,203 | 323 | 1,370,526 |
| Home equity and lines of credit | | | | | |
| Pass | 65,091 | 18 | 65,109 | — | 65,109 |
| Special Mention | 72 | — | 72 | — | 72 |
| Substandard | 158 | — | 158 | 225 | 383 |
| Total home equity and lines of credit | 65,321 | 18 | 65,339 | 225 | 65,564 |
| Commercial and industrial | | | | | |
| Pass | 25,479 | 20 | 25,499 | — | 25,499 |
| Special Mention | 144 | — | 144 | — | 144 |
| Substandard | 421 | — | 421 | 65 | 486 |
| Total commercial and industrial | 26,044 | 20 | 26,064 | 65 | 26,129 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | June 30, 2016 | | | | |
|--|-----------------------------|----------|--------------|----------------|--------------|
| | Performing (Accruing) Loans | | | | Total Loans |
| | 0-29 Days | 30-89 | Total | Non-Performing | Receivable, |
| | Past Due | Days | | Loans | net |
| | | Past | | | |
| | | Due | | | |
| Other loans | | | | | |
| Pass | 1,790 | 44 | 1,834 | 17 | 1,851 |
| Total other loans | 1,790 | 44 | 1,834 | 17 | 1,851 |
| Total originated loans held-for-investment | \$ 1,973,807 | \$ 8,545 | \$ 1,982,352 | \$ 10,082 | \$ 1,992,434 |
| Acquired loans: | | | | | |
| One-to-four family residential | | | | | |
| LTV < 60% | | | | | |
| Pass | 322,832 | 431 | 323,263 | — | 323,263 |
| Special Mention | 526 | — | 526 | — | 526 |
| Substandard | 897 | — | 897 | 425 | 1,322 |
| Total | 324,255 | 431 | 324,686 | 425 | 325,111 |
| LTV => 60% | | | | | |
| Pass | 31,645 | — | 31,645 | — | 31,645 |
| Substandard | 754 | — | 754 | — | 754 |
| Total | 32,399 | — | 32,399 | — | 32,399 |
| Total one-to-four family residential | 356,654 | 431 | 357,085 | 425 | 357,510 |
| Commercial | | | | | |
| LTV < 35% | | | | | |
| Pass | 64,790 | 412 | 65,202 | — | 65,202 |
| Special Mention | 193 | — | 193 | — | 193 |
| Substandard | 540 | 509 | 1,049 | 448 | 1,497 |
| Total | 65,523 | 921 | 66,444 | 448 | 66,892 |
| LTV => 35% | | | | | |
| Pass | 117,117 | 60 | 117,177 | — | 117,177 |
| Special Mention | 4,148 | 141 | 4,289 | — | 4,289 |
| Substandard | 4,190 | 1,840 | 6,030 | — | 6,030 |
| Total | 125,455 | 2,041 | 127,496 | — | 127,496 |
| Total commercial | 190,978 | 2,962 | 193,940 | 448 | 194,388 |
| Construction and land | | | | | |
| Pass | 24,464 | 1,368 | 25,832 | — | 25,832 |
| Total construction and land | 24,464 | 1,368 | 25,832 | — | 25,832 |
| Multifamily | | | | | |
| LTV < 35% | | | | | |
| Pass | 124,637 | — | 124,637 | — | 124,637 |
| Special Mention | 123 | — | 123 | — | 123 |
| Total | 124,760 | — | 124,760 | — | 124,760 |
| LTV => 35% | | | | | |
| Pass | 9,443 | — | 9,443 | — | 9,443 |
| Special Mention | 242 | — | 242 | — | 242 |
| Substandard | 590 | — | 590 | — | 590 |

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| | | | | | |
|---------------------------------------|-------------|----------|-------------|-----------|-------------|
| Total | 10,275 | — | 10,275 | — | 10,275 |
| Total multifamily | 135,035 | — | 135,035 | — | 135,035 |
| Home equity and lines of credit | | | | | |
| Pass | 29,034 | 181 | 29,215 | — | 29,215 |
| Substandard | 97 | — | 97 | — | 97 |
| Total home equity and lines of credit | 29,131 | 181 | 29,312 | — | 29,312 |
| Commercial and industrial | | | | | |
| Pass | 26,685 | — | 26,685 | — | 26,685 |
| Substandard | — | — | — | 13 | 13 |
| Total commercial and industrial | 26,685 | — | 26,685 | 13 | 26,698 |
| Other - Pass | 591 | 6 | 597 | — | 597 |
| Total loans acquired | 763,538 | 4,948 | 768,486 | 886 | 769,372 |
| | \$2,737,345 | \$13,493 | \$2,750,838 | \$ 10,968 | \$2,761,806 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | December 31, 2015 | | | | |
|--------------------------------------|-----------------------|---------|-----------|----------------|-------------|
| | Performing (Accruing) | | | | |
| | Loans | | | | |
| | 0-29 | 30-89 | | | |
| | Days | Days | Total | Non-Performing | Total Loans |
| | Past | Past | | Loans | Receivable, |
| | Due | Due | | | net |
| Loans held-for-investment: | | | | | |
| Real estate loans: | | | | | |
| Commercial | | | | | |
| LTV < 35% | | | | | |
| Pass | \$50,974 | \$1,279 | \$52,253 | — | \$52,253 |
| Special Mention | 974 | — | 974 | — | 974 |
| Substandard | 1,233 | — | 1,233 | — | 1,233 |
| Total | 53,181 | 1,279 | 54,460 | — | 54,460 |
| LTV => 35% | | | | | |
| Pass | 319,411 | 322 | 319,733 | — | 319,733 |
| Special Mention | 2,966 | — | 2,966 | — | 2,966 |
| Substandard | 8,696 | 11,627 | 20,323 | 5,232 | 25,555 |
| Total | 331,073 | 11,949 | 343,022 | 5,232 | 348,254 |
| Total commercial | 384,254 | 13,228 | 397,482 | 5,232 | 402,714 |
| One-to-four family residential | | | | | |
| LTV < 60% | | | | | |
| Pass | 45,737 | 2,692 | 48,429 | — | 48,429 |
| Special Mention | 134 | 370 | 504 | — | 504 |
| Substandard | 696 | 307 | 1,003 | 1,109 | 2,112 |
| Total | 46,567 | 3,369 | 49,936 | 1,109 | 51,045 |
| LTV => 60% | | | | | |
| Pass | 46,578 | — | 46,578 | — | 46,578 |
| Substandard | — | 351 | 351 | 1,036 | 1,387 |
| Total | 46,578 | 351 | 46,929 | 1,036 | 47,965 |
| Total one-to-four family residential | 93,145 | 3,720 | 96,865 | 2,145 | 99,010 |
| Construction and land | | | | | |
| Pass | 18,564 | — | 18,564 | 113 | 18,677 |
| Total construction and land | 18,564 | — | 18,564 | 113 | 18,677 |
| Multifamily | | | | | |
| LTV < 35% | | | | | |
| Pass | 124,678 | — | 124,678 | — | 124,678 |
| Special Mention | — | 51 | 51 | — | 51 |
| Substandard | 775 | — | 775 | — | 775 |
| Total | 125,453 | 51 | 125,504 | — | 125,504 |
| LTV => 35% | | | | | |
| Pass | 1,187,147 | 769 | 1,188,916 | — | 1,188,916 |
| Special Mention | 2,687 | 1,145 | 3,832 | — | 3,832 |
| Substandard | 1,913 | — | 1,913 | 559 | 2,472 |
| Total | 1,191,747 | 2,914 | 1,194,661 | 559 | 1,195,220 |

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| | | | | | |
|---------------------------------------|-----------|-----|-----------|-----|-----------|
| Total multifamily | 1,317,200 | 965 | 1,320,165 | 559 | 1,320,724 |
| Home equity and lines of credit | | | | | |
| Pass | 61,561 | 374 | 61,935 | — | 61,935 |
| Special Mention | 75 | — | 75 | — | 75 |
| Substandard | 255 | — | 255 | 329 | 584 |
| Total home equity and lines of credit | 61,891 | 374 | 62,265 | 329 | 62,594 |
| Commercial and industrial loans | | | | | |
| Pass | 24,780 | 51 | 24,831 | 15 | 24,846 |
| Special Mention | 316 | — | 316 | — | 316 |
| Substandard | 395 | 53 | 448 | — | 448 |
| Total commercial and industrial loans | 25,491 | 104 | 25,595 | 15 | 25,610 |
| Other loans | | | | | |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | December 31, 2015 | | | | Total Loans Receivable, net |
|--|-----------------------------|------------------------------|--------------|-------------------------|-----------------------------------|
| | Performing (Accruing) Loans | | | Non-Performing Loans | |
| | 0-29 Days Past Due | 30-89 Days Past Due | Total | | |
| Pass | 2,245 | 11 | 2,256 | — | 2,256 |
| Total other loans | 2,245 | 11 | 2,256 | — | 2,256 |
| Total originated loans held-for-investment | \$ 1,902,790 | \$ 20,402 | \$ 1,923,192 | \$ 8,393 | \$ 1,931,585 |
| Loans Acquired | | | | | |
| Real estate loans: | | | | | |
| One-to-four family residential | | | | | |
| LTV < 60% | | | | | |
| Pass | 313,425 | 312 | 313,737 | — | 313,737 |
| Special Mention | 549 | — | 549 | — | 549 |
| Substandard | 737 | 177 | 914 | 429 | 1,343 |
| Total | 314,711 | 489 | 315,200 | 429 | 315,629 |
| LTV => 60% | | | | | |
| Pass | 14,759 | — | 14,759 | — | 14,759 |
| Substandard | 284 | — | 284 | — | 284 |
| Total | 15,043 | — | 15,043 | — | 15,043 |
| Total one-to-four family residential | 329,754 | 489 | 330,243 | 429 | 330,672 |
| Commercial | | | | | |
| LTV < 35% | | | | | |
| Pass | 2,164 | — | 2,164 | — | 2,164 |
| Substandard | — | 729 | 729 | — | 729 |
| Total | 2,164 | 729 | 2,893 | — | 2,893 |
| LTV => 35% | | | | | |
| Pass | 5,536 | — | 5,536 | — | 5,536 |
| Special Mention | 883 | — | 883 | — | 883 |
| Substandard | 1,848 | — | 1,848 | — | 1,848 |
| Total | 8,267 | — | 8,267 | — | 8,267 |
| Total commercial | 10,431 | 729 | 11,160 | — | 11,160 |
| Multifamily | | | | | |
| LTV < 35% | | | | | |
| Pass | 4,695 | — | 4,695 | — | 4,695 |
| Special Mention | 138 | — | 138 | — | 138 |
| Total | 4,833 | — | 4,833 | — | 4,833 |
| LTV => 35% | | | | | |
| Pass | 59,632 | — | 59,632 | — | 59,632 |
| Special Mention | 314 | — | 314 | — | 314 |
| Total | 59,946 | — | 59,946 | — | 59,946 |
| Total multifamily | 64,779 | — | 64,779 | — | 64,779 |
| Home equity and lines of credit | | | | | |
| Pass | 2,404 | — | 2,404 | — | 2,404 |
| Total home equity and lines of credit | 2,404 | — | 2,404 | — | 2,404 |

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| | | | | | |
|----------------------|-------------|----------|-------------|----------|-------------|
| Total loans acquired | 407,368 | 1,218 | 408,586 | 429 | 409,015 |
| | \$2,310,158 | \$21,620 | \$2,331,778 | \$ 8,822 | \$2,340,600 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The following table summarizes originated and acquired impaired loans as of June 30, 2016, and December 31, 2015 (in thousands):

| | At June 30, 2016 | | | At December 31, 2015 | | |
|------------------------------------|---------------------|--------------------------|-------------------|----------------------|--------------------------|-------------------|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Recorded Investment | Unpaid Principal Balance | Related Allowance |
| With No Allowance Recorded: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial | | | | | | |
| LTV < 35% | | | | | | |
| Substandard | \$— | \$ 139 | \$ — | — | 139 | — |
| LTV => 35% | | | | | | |
| Pass | 3,977 | 4,114 | — | 4,051 | 4,188 | — |
| Special Mention | — | — | — | — | — | — |
| Substandard | 14,102 | 15,565 | — | 13,371 | 14,748 | — |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Pass | 648 | 648 | — | 221 | 221 | — |
| Substandard | 231 | 231 | — | 234 | 234 | — |
| LTV => 60% | | | | | | |
| Substandard | 147 | 165 | — | 150 | 167 | — |
| Multifamily | | | | | | |
| LTV => 35% | | | | | | |
| Pass | 69 | 539 | — | 75 | 545 | — |
| Substandard | 885 | 1,163 | — | 1,012 | 1,012 | — |
| Commercial and industrial loans | | | | | | |
| Substandard | 81 | 81 | — | 87 | 87 | — |
| With a Related Allowance Recorded: | | | | | | |
| Real estate loans: | | | | | | |
| Commercial | | | | | | |
| LTV => 35% | | | | | | |
| Substandard | 7,685 | 8,307 | (598) | 4,891 | 5,430 | (394) |
| One-to-four family residential | | | | | | |
| LTV < 60% | | | | | | |
| Pass | 61 | 61 | (7) | 503 | 503 | (33) |
| Substandard | 1,582 | 1,582 | (138) | 1,604 | 1,604 | (152) |
| LTV => 60% | | | | | | |
| Special Mention | — | — | — | — | — | — |
| Substandard | 1,158 | 1,378 | (95) | 1,034 | 1,081 | (97) |
| Multifamily | | | | | | |
| LTV => 35% | | | | | | |
| Pass | 1,339 | 1,339 | (125) | — | — | — |
| Substandard | — | — | — | 1,371 | 1,371 | (158) |
| Home equity and lines of credit | | | | | | |
| Pass | | | | | | |
| Pass | 264 | 264 | (8) | 269 | 269 | (11) |
| Special Mention | 42 | 42 | (14) | 44 | 44 | (19) |

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| | | | | | | | |
|---------------------------------|----------|----------|----------|------------|----------|--------|---|
| Substandard | 39 | 39 | (17 |) 41 | 41 | (21 |) |
| Commercial and industrial loans | | | | | | | |
| Special Mention | 27 | 27 | (6 |) 29 | 29 | (4 |) |
| Total: | | | | | | | |
| Real estate loans | | | | | | | |
| Commercial | 25,764 | 28,125 | (598 |) 22,313 | 24,505 | (394 |) |
| One-to-four family residential | 3,827 | 4,065 | (240 |) 3,746 | 3,810 | (282 |) |
| Multifamily | 2,293 | 3,041 | (125 |) 2,458 | 2,928 | (158 |) |
| Home equity and lines of credit | 345 | 345 | (39 |) 354 | 354 | (51 |) |
| Commercial and industrial loans | 108 | 108 | (6 |) 116 | 116 | (4 |) |
| | \$32,337 | \$35,684 | \$(1,008 |) \$28,987 | \$31,713 | \$(889 |) |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Included in the above table at June 30, 2016, are impaired loans with carrying balances of \$14.9 million that were not written down by charge-offs or for which there are no specific reserves in our allowance for loan losses. Included in impaired loans at December 31, 2015, are loans with carrying balances of \$14.5 million that were not written down by charge-offs or for which there are no specific reserves in our allowance for loan losses. Loans not written down by charge-offs or specific reserves at June 30, 2016, and December 31, 2015, are considered to have sufficient collateral values, less costs to sell, to support the carrying balances of the loans.

The following table summarizes the average recorded investment in originated and acquired impaired loans (excluding PCI loans) and interest recognized on impaired loans as of, and for, the three months ended June 30, 2016 and June 30, 2015 (in thousands):

| | Three Months Ended | | | | Six Months Ended | | | |
|------------------------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|-----------------------------------|--------------------|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| | Average Recorded Investment | Interest Income | Average Recorded Investment | Interest Income | Average Recorded Investment | Interest Income | Average Recorded Investment | Interest Income |
| With No Allowance Recorded: | | | | | | | | |
| Real estate loans: | | | | | | | | |
| Commercial | | | | | | | | |
| LTV => 35% | | | | | | | | |
| Pass | \$3,996 | \$ 54 | \$2,452 | \$ 24 | \$4,014 | \$ 99 | \$2,738 | \$ 48 |
| Special Mention | — | — | 273 | 156 | — | — | 182 | — |
| Substandard | 13,699 | 166 | 11,766 | — | 13,590 | 350 | 12,137 | 264 |
| One-to-four family residential | | | | | | | | |
| LTV < 60% | | | | | | | | |
| Pass | 651 | 7 | 193 | 5 | 508 | 16 | 150 | 9 |
| Special Mention | — | — | 69 | — | — | — | 92 | — |
| Substandard | 231 | 1 | 153 | 1 | 232 | 1 | 189 | 1 |
| LTV => 60% | | | | | | | | |
| Substandard | 148 | 1 | 78 | — | 149 | 2 | 52 | — |
| Multifamily | | | | | | | | |
| LTV => 35% | | | | | | | | |
| Pass | 70 | 4 | 82 | 4 | 71 | 8 | 83 | 9 |
| Substandard | 809 | 7 | 466 | 6 | 877 | 11 | 470 | 10 |
| Home equity and lines of credit | | | | | | | | |
| Special Mention | — | — | 48 | 1 | — | — | 48 | 1 |
| Commercial and industrial loans | | | | | | | | |
| Special Mention | — | — | 15 | — | — | — | 99 | 1 |
| Substandard | 83 | — | 95 | — | 84 | — | 96 | — |
| With a Related Allowance Recorded: | | | | | | | | |
| Real estate loans: | | | | | | | | |
| Commercial | | | | | | | | |
| LTV => 35% | | | | | | | | |
| Pass | — | — | 839 | 23 | — | — | 559 | 45 |
| Substandard | 7,915 | 16 | 11,693 | 197 | 6,907 | 31 | 12,139 | 214 |
| One-to-four family residential | | | | | | | | |
| LTV < 60% | | | | | | | | |

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| | | | | | | | | |
|---------------------------------|-------|----|-------|----|-------|----|-------|----|
| Pass | 61 | 1 | 221 | 3 | 208 | 1 | 147 | 5 |
| Special Mention | — | — | 158 | — | — | — | 212 | — |
| Substandard | 1,588 | 5 | 881 | 3 | 1,593 | 11 | 870 | 7 |
| LTV => 60% | | | | | | | | |
| Substandard | 1,091 | 11 | 472 | 48 | 1,072 | 15 | 413 | 50 |
| Multifamily | | | | | | | | |
| LTV => 35% | | | | | | | | |
| Pass | 670 | 13 | — | — | 446 | 25 | — | — |
| Substandard | 679 | — | 1,406 | 13 | 909 | — | 1,413 | 26 |
| Home equity and lines of credit | | | | | | | | |
| Pass | 265 | 2 | 137 | 2 | 266 | 4 | 91 | 4 |
| Special Mention | 43 | 1 | 138 | — | 43 | 1 | 185 | — |
| Substandard | 40 | — | 22 | 1 | 40 | 1 | 14 | 1 |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

| | Three Months Ended | | | | Six Months Ended | | | |
|---------------------------------|--------------------|-------|---------------|-------|------------------|-------|---------------|-------|
| | June 30, 2016 | | June 30, 2015 | | June 30, 2016 | | June 30, 2015 | |
| Commercial and industrial loans | | | | | | | | |
| Special Mention | 28 | — | — | — | 28 | 1 | 21 | — |
| Substandard | — | — | 16 | — | — | — | 136 | — |
| Total: | | | | | | | | |
| Real estate loans | | | | | | | | |
| Commercial | 25,610 | 236 | 27,023 | 400 | 24,511 | 480 | 27,755 | 571 |
| One-to-four family residential | 3,770 | 26 | 2,225 | 60 | 3,762 | 46 | 2,125 | 72 |
| Multifamily | 2,228 | 24 | 1,954 | 23 | 2,303 | 44 | 1,966 | 45 |
| Home equity and lines of credit | 348 | 3 | 345 | 4 | 349 | 6 | 338 | 6 |
| Commercial and industrial loans | 111 | — | 126 | — | 112 | 1 | 352 | 1 |
| | \$32,067 | \$289 | \$31,673 | \$487 | \$31,037 | \$577 | \$32,536 | \$695 |

There were no loans modified as troubled debt restructurings (TDRs) during the three or six months ended June 30, 2016. The following table summarizes loans that were modified as troubled debt restructurings during the three and six months ended June 30, 2015:

| | Three Months Ended | | | Six Months Ended | | |
|---------------------------------|-------------------------|---|---|-------------------------|---|---|
| | June 30, 2015 | | | | | |
| | Number of Relationships | Pre-Modification Outstanding Recorded Investment (in thousands) | Post-Modification Outstanding Recorded Investment | Number of Relationships | Pre-Modification Outstanding Recorded Investment (in thousands) | Post-Modification Outstanding Recorded Investment |
| TDR's | | | | | | |
| Commercial real estate loans | | | | | | |
| Substandard | 2 | 2,203 | 2,203 | 3 | 8,457 | 8,457 |
| One-to-four family residential | | | | | | |
| Pass | — | — | — | 1 | 20 | 20 |
| Substandard | 2 | 518 | 518 | 3 | 561 | 561 |
| Home equity and lines of credit | 1 | 43 | 43 | 1 | 43 | 43 |
| TDR's | 5 | 2,764 | 2,764 | 8 | \$9,081 | \$9,081 |

At June 30, 2016, and December 31, 2015, we had TDRs of \$26.5 million and \$26.6 million, respectively.

Management classifies all TDRs 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, 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 which are not collateral dependent 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.

At June 30, 2016, there were three TDR loans that were restructured during the twelve months ended June 30, 2016, that subsequently defaulted. The loans consisted of one commercial real estate loan with a recorded investment of \$1.8 million, which was less than 90 days delinquent and on accrual status, and two one-to-four family residential loans with a recorded investment of \$361,000, which were 90 days or more past due and on non-accrual status. At June 30, 2015, no TDR loan that was restructured during the twelve months ended June 30, 2015, had subsequently defaulted.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 6 – Deposits

Deposits account balances are summarized as follows (in thousands):

| | June 30, 2016 | December 31, 2015 |
|--|------------------|----------------------|
| Non-interest-bearing demand | \$388,428 | \$ 263,073 |
| Interest-bearing negotiable orders of withdrawal (NOW) | 344,131 | 217,813 |
| Savings and money market | 1,285,946 | 1,072,175 |
| Certificates of deposit | 587,930 | 499,868 |
| Total deposits | \$2,606,435 | \$ 2,052,929 |

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

| | Three Months Ended June 30, 2016 | | Six Months Ended June 30, 2015 | |
|--|---|---------|---|---------|
| Negotiable orders of withdrawal, savings, and money market | \$2,020 | \$1,102 | \$3,896 | \$2,056 |
| Certificates of deposit | 1,683 | 1,356 | 3,231 | 2,476 |
| Total interest expense on deposit accounts | \$3,703 | \$2,458 | \$7,127 | \$4,532 |

Note 7 – Equity Incentive Plan

The following table is a summary of the Company's stock options outstanding as of June 30, 2016, and changes therein during the six months then ended.

| | Number of Stock Options | Weighted Average Grant Date Fair Value | Weighted Average Exercise Price | Weighted Average Contractual Life (years) |
|---------------------------------|-------------------------------|--|--|--|
| Outstanding - December 31, 2015 | 6,011,861 | \$ 3.30 | \$ 10.93 | 6.41 |
| Forfeited | (2,000) | 4.07 | 14.76 | — |
| Exercised | (324,867) | 2.35 | 7.28 | — |
| Outstanding - June 30, 2016 | 5,684,994 | 3.35 | 11.13 | 6.09 |
| Exercisable - June 30, 2016 | 3,346,896 | \$ 2.89 | \$ 9.32 | 4.54 |

Expected future stock option expense related to the non-vested options outstanding as of June 30, 2016, is \$8.3 million over an average period of 3.31 years.

The following is a summary of the status of the Company's restricted share awards as of June 30, 2016, and changes therein during the six months then ended.

| | Number of Shares Awarded | Weighted Average Grant Date Fair Value |
|---------------------------------|--------------------------------|--|
| Non-vested at December 31, 2015 | 1,193,862 | \$ 13.70 |
| Vested | (274,920) | 13.63 |

| | | |
|-----------------------------|---------|----------|
| Forfeited | — | — |
| Non-vested at June 30, 2016 | 918,942 | \$ 13.72 |

Expected future stock award expense related to the non-vested restricted share awards as of June 30, 2016, is \$11.3 million over an average period of 3.32 years.

During the three months ended June 30, 2016 and 2015, the Company recorded \$2.1 million and \$1.6 million respectively, of stock-based compensation related to the above plans. During the six months ended June 30, 2016 and 2015, the Company recorded \$4.2 million and \$2.6 million, respectively, of stock-based compensation related to the above plans.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 8 – Fair Value Measurements

The following tables present the assets reported on the consolidated balance sheet at their estimated fair value as of June 30, 2016, and December 31, 2015, by level within the fair value hierarchy as required by the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board (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.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Fair Value Measurements at June 30, 2016

Using:

| Carrying Value | 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:

U.S. Treasury securities \$— \$ — \$ — \$ —

Mortgage-backed securities:

GSE 537,307 \$ — 537,307 \$ —

Non-GSE 420 — 420 —

Other securities:

GSE bonds — — —

Municipal bonds 3,916 — 3,916

Corporate bonds 55,269 — 55,269 —

Equities 1,163 192 971 —

Other 1,254 — 1,254

Total available-for-sale 599,329 192 599,137 —

Trading securities 7,106 7,106 — —

Total \$606,435 \$ 7,298 \$ 599,137 \$ —

Measured on a non-recurring basis:

Assets:

Impaired loans:

Real estate loans:

Commercial real estate \$11,973 \$ — \$ — \$ 11,973

One-to-four family residential mortgage 2,561 — — 2,561

Multifamily 1,563 — — 1,563

Home equity and lines of credit 306 — — 306

Total impaired real estate loans 16,403 — — 16,403

Commercial and industrial loans 22 — — 22

Other real estate owned 45 — — 45

Total \$16,470 \$ — \$ — \$ 16,470

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Fair Value Measurements at December 31, 2015

Using:

| | | | |
|----------------|--|---|---|
| Carrying Value | 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 | \$529,524 | \$ — | \$ 529,524 | \$ — |
|-----|-----------|------|------------|------|

| | | | | |
|---------|-----|---|-----|---|
| Non-GSE | 579 | — | 579 | — |
|---------|-----|---|-----|---|

Other securities:

| | | | | |
|-----------------|--------|---|--------|---|
| Corporate bonds | 11,011 | — | 11,011 | — |
|-----------------|--------|---|--------|---|

| | | | | |
|----------|-----|-----|---|---|
| Equities | 481 | 481 | — | — |
|----------|-----|-----|---|---|

| | | | | |
|--------------------------|---------|-----|---------|---|
| Total available-for-sale | 541,595 | 481 | 541,114 | — |
|--------------------------|---------|-----|---------|---|

| | | | | |
|--------------------|-------|-------|---|---|
| Trading securities | 6,713 | 6,713 | — | — |
|--------------------|-------|-------|---|---|

| | | | | |
|-------|-----------|----------|------------|------|
| Total | \$548,308 | \$ 7,194 | \$ 541,114 | \$ — |
|-------|-----------|----------|------------|------|

Measured on a non-recurring basis:

Assets:

Impaired loans:

Real estate loans:

| | | | | |
|------------------------|---------|------|------|----------|
| Commercial real estate | \$9,091 | \$ — | \$ — | \$ 9,091 |
|------------------------|---------|------|------|----------|

| | | | | |
|---|-------|---|---|-------|
| One-to-four family residential mortgage | 2,873 | — | — | 2,873 |
|---|-------|---|---|-------|

| | | | | |
|-------------|-------|---|---|-------|
| Multifamily | 1,288 | — | — | 1,288 |
|-------------|-------|---|---|-------|

| | | | | |
|---------------------------------|-----|---|---|-----|
| Home equity and lines of credit | 303 | — | — | 303 |
|---------------------------------|-----|---|---|-----|

| | | | | |
|----------------------------------|--------|---|---|--------|
| Total impaired real estate loans | 13,555 | — | — | 13,555 |
|----------------------------------|--------|---|---|--------|

| | | | | |
|---------------------------------|----|---|---|----|
| Commercial and industrial loans | 25 | — | — | 25 |
|---------------------------------|----|---|---|----|

| | | | | |
|-------------------------|----|---|---|----|
| Other real estate owned | 45 | — | — | 45 |
|-------------------------|----|---|---|----|

| | | | | |
|-------|----------|------|------|-----------|
| Total | \$13,625 | \$ — | \$ — | \$ 13,625 |
|-------|----------|------|------|-----------|

The following table presents qualitative information for Level 3 assets measured at fair value on a non-recurring basis at June 30, 2016, and December 31, 2015 (dollars in thousands):

| | Fair Value | | Valuation Methodology | Unobservable Inputs | Range of Inputs | |
|----------------|---------------|-------------------|-----------------------|----------------------------|-----------------|-------------------|
| | June 30, 2016 | December 31, 2015 | | | June 30, 2016 | December 31, 2015 |
| Impaired loans | \$ 16,425 | \$ 13,580 | Appraisals | Discount for costs to sell | 7.0% | 7.0% |
| | | | | | 10.0% | 10.0% |

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| | | | | | | |
|-------------------------|------|-------|-----------------------|----------------------------|---------------|---------------|
| | | | | Discount for quick sale | | |
| | | | Discounted cash flows | Interest rates | 4.75% to 7.5% | 4.75% to 7.5% |
| Other real estate owned | \$45 | \$ 45 | Appraisals | Discount for costs to sell | 7.0% | 7.0% |

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Available for Sale Securities: The estimated fair values for mortgage-backed securities, corporate and other debt securities, and certain less liquid equity securities are obtained from an independent nationally recognized third-party pricing service. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. Broker/dealer quotes are utilized as well, when such quotes are available and deemed representative of the market. The significant inputs utilized in the cash flow models are based on market data obtained from sources independent of the Company (Observable Inputs), and are therefore classified as Level 2 within the fair value hierarchy. The estimated fair values of U.S. Treasury securities and equity securities consisting of publicly traded mutual funds are classified as Level 1 and are derived from quoted market prices in active markets. There were no transfers of securities between Level 1 and Level 2 during the three months ended June 30, 2016.

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, 2016, and December 31, 2015, the Company had impaired loans held-for-investment (excluding PCI loans) with outstanding principal balances of \$20.6 million and \$17.0 million, respectively, that were recorded at their estimated fair value of \$16.4 million and \$13.6 million, respectively. The Company recorded a net increase in the specific reserve for impaired loans of \$117,000 for the six months ended June 30, 2016, utilizing Level 3 inputs. 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 (OREO): At both June 30, 2016, and December 31, 2015, the Company had assets acquired through foreclosure, or deed in lieu of foreclosure, of \$45,000. These assets are recorded at estimated fair value, less estimated selling costs when acquired, establishing a new cost basis. Estimated 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.

In addition, the Company may be required, from time to time, to measure the fair value of certain other financial assets on a nonrecurring basis in accordance with U.S. GAAP. The adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write downs of individual assets.

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 six months or less; the carrying amount approximates fair value. Certificates of deposit having original terms of six-months or less; the 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 estimated 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 used in these models typically include assumptions for interest rates, credit losses, and prepayments, utilizing market observable data where available.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

(c) Federal Home Loan Bank of New York Stock

The fair value for Federal Home Loan Bank of New York (FHLB) 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 (Held-for-Investment)

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as originated and purchased, and further segregated by 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) Loans (Held-for-Sale)

Held-for-sale loans are carried at the lower of aggregate cost or estimated fair value, less costs to sell, and therefore fair value is equal to carrying value.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The estimated fair value of the Company's significant financial instruments at June 30, 2016, and December 31, 2015, is presented in the following tables (in thousands):

| | June 30, 2016 | | | | |
|---|-------------------|----------------------|-------------|-----------|--------------|
| | Carrying Value | Estimated Fair Value | | | Total |
| Level 1 | | Level 2 | Level 3 | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$60,522 | \$60,522 | \$— | \$ | —\$60,522 |
| Trading securities | 7,106 | 7,106 | — | — | 7,106 |
| Securities available-for-sale | 599,329 | 192 | 599,137 | — | 599,329 |
| Securities held-to-maturity | 10,249 | — | 10,463 | — | 10,463 |
| Federal Home Loan Bank of New York stock, at cost | 25,299 | — | 25,299 | — | 25,299 |
| Net loans held-for-investment | 2,773,638 | — | — | 2,760,796 | 2,760,796 |
| Financial liabilities: | | | | | |
| Deposits | \$2,606,435 | \$— | \$2,614,527 | \$ | —\$2,614,527 |
| Repurchase agreements, Federal Home Loan Bank advances and other borrowings | 479,308 | — | 483,370 | — | 483,370 |
| Advance payments by borrowers | 11,596 | — | 11,596 | — | 11,596 |
| | | | | | |
| | December 31, 2015 | | | | |
| | Carrying Value | Estimated Fair Value | | | Total |
| Level 1 | | Level 2 | Level 3 | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | \$51,853 | \$51,853 | \$— | \$ | —\$51,853 |
| Trading securities | 6,713 | 6,713 | — | — | 6,713 |
| Securities available-for-sale | 541,595 | 481 | 541,114 | — | 541,595 |
| Securities held-to-maturity | 10,346 | — | 10,369 | — | 10,369 |
| Federal Home Loan Bank of New York stock, at cost | 25,803 | — | 25,803 | — | 25,803 |
| Net loans held-for-investment | 2,348,945 | — | — | 2,375,028 | 2,375,028 |
| Financial liabilities: | | | | | |
| Deposits | \$2,052,929 | \$— | \$2,058,894 | \$ | —\$2,058,894 |
| Repurchase agreements, Federal Home Loan Bank advances and other borrowings | 558,129 | — | 557,537 | — | 557,537 |
| Advance payments by borrowers | 10,862 | — | 10,862 | — | 10,862 |

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 losses, 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.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 9 – 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. 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 per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net income available to common stockholders | \$6,985 | \$ 4,295 | \$10,645 | \$ 9,297 |
| Weighted average shares outstanding-basic | 44,350,458 | 461,128 | 44,144,434 | 43,102,453 |
| Effect of non-vested restricted stock and stock options outstanding | 1,302,740 | 175,220 | 1,327,143 | 1,163,962 |
| Weighted average shares outstanding-diluted | 45,653,198 | 636,348 | 45,471,577 | 44,266,415 |
| Earnings per share-basic | \$0.16 | \$ 0.10 | \$0.24 | \$ 0.22 |
| Earnings per share-diluted | \$0.15 | \$ 0.10 | \$0.23 | \$ 0.21 |
| Anti-dilutive shares | 1,032,080 | 933,600 | 1,021,740 | 1,195,100 |

Note 10 – Recent Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model (referred to as the current expected credit loss (CECL) model). Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. Current US GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. Accordingly, it is anticipated that credit losses will be recognized earlier under the CECL model than under the incurred loss model. ASU 2016-13 is effective for public business entities that are SEC filers for fiscal years and for interim periods within those fiscal years beginning after December 15, 2019. The Company is currently evaluating the potential effect of adoption of this pronouncement on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which includes provisions to simplify certain aspects related to the

accounting for share-based awards and the related financial statement presentation. The ASU includes a requirement that the tax effect related to the settlement of share-based awards be recorded in income tax benefit or expense in the statements of earnings. This change is required to be adopted prospectively in the period of adoption. In addition, the ASU modifies the classification of certain share-based payment activities within the statements of cash flows and these changes are required to be applied retrospectively to all periods presented, or in certain cases prospectively, beginning in the period of adoption. ASU No. 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The impact of ASU No. 2016-09 could be material to the Company's results of operations and cash flows in future periods depending upon, among other things, the level of earnings and stock price of the Company.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require all leases to be recognized on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period. The Company is currently evaluating the potential effect of adoption of this pronouncement on its consolidated financial statements.

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The guidance primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. ASU No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The adoption of this pronouncement is not expected to have a material effect on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805) - Simplifying the Accounting for Measurement-Period Adjustments, which requires that adjustments to provisional amounts that are identified during the measurement period of a business combination be recognized in the reporting period in which the adjustment amounts are determined. Furthermore, the income statement effects of such adjustments, if any, must be calculated as if the accounting had been completed at the acquisition date. Under previous guidance, adjustments to provisional amounts identified during the measurement period were to be recognized retrospectively. ASU 2015-16 was effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The adoption of this pronouncement did not have a material effect on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the codification. This update will be effective for interim and annual periods beginning after December 15, 2016. The Company is still assessing the impact of the adoption of this pronouncement on its consolidated financial statements, but does not expect the adoption of the guidance to have a material effect on its consolidated financial statements.

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

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report contains certain "forward-looking statements," which can be identified by the use of such words as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect," and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions, and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields or reduce the fair value of financial instruments;
- adverse changes in the securities or credit markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to manage operations in the current economic conditions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate acquired entities, including Hopewell Valley Community Bank (Hopewell Valley), which we acquired on January 8, 2016;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, or the Securities and Exchange Commission, or the Public Company Accounting Oversight Board;
- cyber attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information and destroy data or disable our systems;
- changes in our organization, compensation, and benefit plans;
- changes in the level of government support for housing finance;
- significant increases in our loan losses; and
- changes in the financial condition, results of operations, or future prospects of issuers of securities that we own.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements after the date of this Quarterly Report on Form 10-Q, whether as a result of new information, future events or otherwise.

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Critical Accounting Policies

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended December 31, 2015, 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, estimated cash flows of our PCI loans, 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 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, 2015.

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, 2015.

On January 8, 2016, the Company completed its acquisition of Hopewell Valley, which after purchase accounting adjustments added \$508.5 million to total assets, \$342.6 million to loans, and \$456.2 million to deposits, and nine branch offices in Hunterdon and Mercer Counties, New Jersey. Total consideration paid for Hopewell Valley was \$55.4 million, consisting of \$13.7 million in cash and 2,707,381 shares of common stock valued at \$41.7 million based upon the \$15.41 per share closing price of Northfield Bancorp, Inc.'s common stock on January 8, 2016.

Net income was \$10.6 million for the six months ended June 30, 2016, as compared to \$9.3 million for the six months ended June 30, 2015. Basic and diluted earnings per common share were \$0.24 and \$0.23, respectively, for the six months ended June 30, 2016, compared to basic and diluted earnings per common share of \$0.22 and \$0.21, respectively, for the six months ended June 30, 2015. Earnings for the six months ended June 30, 2016, reflect merger-related expenses of approximately \$2.1 million, net of tax, or \$0.05 per basic and diluted share, related to the acquisition of Hopewell Valley. Earnings for the six months ended June 30, 2015, included a charge of \$795,000, or, \$0.02 per share, related to the write-down of deferred tax assets as a result of New York City tax reforms enacted in April 2015. For the six months ended June 30, 2016, our return on average assets was 0.59%, as compared to 0.61% for the six months ended June 30, 2015. For the six months ended June 30, 2016, our return on average stockholders' equity was 3.54% as compared to 3.22% for the six months ended June 30, 2015. Return on average assets and average equity for the six months ended June 30, 2016, were affected by the merger-related expenses noted above.

Comparison of Financial Condition at June 30, 2016, and December 31, 2015

Total assets increased \$538.8 million, or 16.8%, to \$3.74 billion at June 30, 2016, from \$3.20 billion at December 31, 2015, primarily due to \$508.5 million of total assets added from the Hopewell Valley acquisition.

Cash and cash equivalents increased \$8.7 million, or 16.7%, to \$60.5 million at June 30, 2016, from \$51.9 million at December 31, 2015. The Company added \$55.5 million of cash and cash equivalents from the Hopewell Valley acquisition (net of cash paid for the acquisition). Balances fluctuate based on the timing of receipt of security and loan repayments and the redeployment of cash into higher yielding assets, or the funding of deposit or borrowing

obligations.

The available-for-sale securities portfolio totaled \$599.3 million at June 30, 2016, compared to \$541.6 million at December 31, 2015. The increase was due to \$61.6 million of securities acquired from Hopewell Valley (of which \$11.5 million remained at June 30, 2016) and \$106.2 million of corporate securities purchased, partially offset by sales, maturities and paydowns. At June 30, 2016, \$537.3 million of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. In addition, the Company held \$55.3 million in corporate bonds, all of which were considered investment grade at June 30, 2016, and other securities of \$6.8 million (including \$1.2 million of equity investments in mutual funds).

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Loans held-for-investment, net, increased \$424.2 million, or 17.9%, to \$2.80 billion at June 30, 2016, as compared to \$2.37 billion at December 31, 2015, primarily due to the addition of \$342.6 million of loans acquired from Hopewell Valley and the purchase of a \$75.9 million loan pool of primarily multifamily loans during the second quarter of 2016.

As of June 30, 2016, our commercial real estate concentration (as defined by regulatory guidance) to total risk-based capital was approximately 353%. Management believes that the Bank has implemented appropriate risk management practices including risk assessments, board approved underwriting policies and related procedures, monitoring bank portfolio performance, market analysis (economic and real estate) and stress testing of the Bank's commercial real estate portfolio under severe adverse economic conditions. Although management believes the Bank has implemented appropriate policies and procedures to manage our commercial real estate concentration risk, the Bank's regulators could require us to implement additional policies and procedures or could require us to maintain higher levels of regulatory capital, which might adversely affect our loan originations, ability to pay dividends, and profitability.

Originated loans held-for-investment, net, totaled \$1.99 billion at June 30, 2016, as compared to \$1.93 billion at December 31, 2015. The increase was primarily due to an increase in multifamily real estate loans of \$48.6 million, or 3.7%, to \$1.37 billion at June 30, 2016, from \$1.32 billion at December 31, 2015. The following table details our multifamily real estate originations for the six months ended June 30, 2016 and 2015 (dollars in thousands):

For the Six Months Ended June 30, 2016

| Origination | Weighted Average Interest Rate | Weighted Average Loan-to-Value Ratio | Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans | (F)ixed or (V)ariable | Amortization Term |
|-------------|--------------------------------|--------------------------------------|--|-----------------------|-------------------|
| \$110,265 | 3.46% | 61% | 82 | V | 30 Years |
| 3,075 | 4.07% | 36% | 180 | F | 15 Years |
| \$113,340 | 3.48% | 60% | | | |

For the Six Months Ended June 30, 2015

| Origination | Weighted Average Interest Rate | Weighted Average Loan-to-Value Ratio | Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans | (F)ixed or (V)ariable | Amortization Term |
|-------------|--------------------------------|--------------------------------------|--|-----------------------|-------------------|
| \$214,618 | 3.37% | 67% | 82 | V | 30 Years |
| 2,079 | 4.33% | 31% | 180 | F | 15 Years |
| \$216,697 | 3.38% | 66% | | | |

Acquired loans increased by \$360.4 million to \$769.4 million at June 30, 2016, from \$409.0 million at December 31, 2015, due to \$342.6 million of loans acquired from Hopewell Valley and the purchase of a \$75.9 million pool of primarily multifamily loans during the second quarter of 2016, partially offset by paydowns. The loans purchased have a weighted average net interest rate of 3.32%, weighted average months to reprice of 46 months, a weighted average loan-to-value ratio of 44.8%, an amortization term of 30 years, and are geographically located in New York and Eastern Pennsylvania.

Purchased credit-impaired (PCI) loans totaled \$36.1 million at June 30, 2016, as compared to \$33.1 million at December 31, 2015, and included \$5.0 million of PCI loans acquired as part of the Hopewell Valley acquisition. The remaining \$31.1 million of PCI loans were primarily acquired as part of a transaction with the Federal Deposit Insurance Corporation. The Company accreted interest income of \$2.7 million for the six months ended June 30, 2016, compared to \$2.2 million for the six months ended June 30, 2015.

Total liabilities increased \$483.3 million, or 18.3%, to \$3.13 billion at June 30, 2016, from \$2.64 billion at December 31, 2015. The increase was primarily attributable to an increase in deposits of \$553.5 million, partially offset by decreases in borrowed funds of \$78.8 million. The increase in deposits was primarily due to \$456.2 million

of deposits acquired from Hopewell Valley.

Deposits increased \$553.5 million, or 27.0%, to \$2.61 billion at June 30, 2016, as compared to \$2.05 billion at December 31, 2015, due to a shift in our balance sheet funding strategy. The increase was attributable to increases of \$88.1 million in certificates of deposit accounts, \$85.2 million in savings accounts, \$128.5 million in money market accounts, and \$251.7 million in transaction accounts.

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Borrowings and securities sold under agreements to repurchase decreased by \$78.8 million, or 14.1%, to \$479.3 million at June 30, 2016, from \$558.1 million at December 31, 2015. Management utilizes borrowings to mitigate interest rate risk, for short-term liquidity, and to a lesser extent as part of leverage strategies. The following is a table of term borrowing maturities (excluding capitalized leases and overnight borrowings) and the weighted average rate by year at June 30, 2016 (dollars in thousands):

| Year | Amount | Weighted Average Rate |
|------|-----------|-----------------------|
| 2016 | \$57,910 | 1.74% |
| 2017 | 165,003 | 1.22% |
| 2018 | 142,715 | 1.66% |
| 2019 | 58,502 | 1.69% |
| 2020 | 45,000 | 1.79% |
| | \$469,130 | 1.53% |

Total stockholders' equity increased by \$55.6 million to \$615.4 million at June 30, 2016, from \$559.8 million at December 31, 2015, primarily due to common stock issued for the purchase of Hopewell Valley, net income earned for the period, and an increase in unrealized gains on our securities-available-for sale portfolio, partially offset by dividends paid to stockholders. The Company issued 2,707,381 shares of common stock in the Hopewell Valley acquisition at a price of \$15.41, which resulted in a \$41.7 million increase in stockholders' equity.

Comparison of Operating Results for the Six Months Ended June 30, 2016 and 2015

Net income. Net income was \$10.6 million and \$9.3 million for the six months ended June 30, 2016, and June 30, 2015, respectively. Net income for the six months ended June 30, 2016, included merger-related expenses of \$3.5 million (\$2.1 million after tax) related to the acquisition of Hopewell Valley, which was completed on January 8, 2016. Net income for the six months ended June 30, 2015, included a tax charge of \$795,000 related to the write-down of deferred tax assets as a result of New York City tax reforms enacted in April 2015. Other significant variances from the comparable prior year period are as follows: a \$10.1 million increase in net interest income, a \$389,000 decrease in the provision for loan losses, a \$652,000 increase in non-interest income, a \$10.2 million increase in non-interest expense, and a \$386,000 decrease in income tax expense.

Interest Income. Interest income increased \$11.5 million, or 23.2%, to \$61.3 million for the six months ended June 30, 2016, from \$49.8 million for the six months ended June 30, 2015, due to an increase in the average balance of interest-earning assets of \$559.9 million, or 19.7%, and a nine basis point increase in yields earned on interest-earning assets. Interest income on loans increased by \$12.6 million, primarily attributable to an increase in the average loan balances of \$673.8 million, which was partially offset by an 11 basis point decrease in the yield. The increase in average loans was primarily due to \$342.6 million of loans added through the Hopewell Valley acquisition, and to a lesser extent, loan pool purchases and originated loan growth. The Company accreted interest income related to its PCI loans of \$2.7 million for the six months ended June 30, 2016, as compared to \$2.2 million for the six months ended June 30, 2015. Interest income on loans for the six months ended June 30, 2016, reflected loan prepayment income of \$935,000 compared to \$1.2 million for the six months ended June 30, 2015.

Interest Expense. Interest expense increased \$1.4 million, or 15.2%, to \$11.0 million for the six months ended June 30, 2016, from \$9.5 million for the six months ended June 30, 2015. The increase was due to an increase of \$2.6 million in interest expense on deposits, partially offset by a decrease of \$1.1 million in interest expense on borrowings. The increase in interest expense on deposits was attributed to an increase in the average balance of interest bearing deposits of \$633.3 million, or 41.7%, to \$2.15 billion for the six months ended June 30, 2016, from \$1.52 billion for the six months ended June 30, 2015, and a seven basis point increase in the cost of interest bearing deposits to 0.67% from 0.60%. The decrease in interest expense on borrowings was attributed to a decrease in the average balances of borrowings of \$163.9 million, or 24.7%, to \$501.0 million for the six months ended June 30,

2016, from \$665.0 million for the six months ended June 30, 2015, partially offset by a three basis point increase in the cost of borrowings to 1.54%, from 1.51% for the six months ended June 30, 2015.

Net Interest Income. Net interest income for the six months ended June 30, 2016, increased \$10.1 million, or 25.1%, primarily due to a \$559.9 million, or 19.7%, increase in our average interest-earning assets and a 12 basis point increase in our net interest margin to 2.97%. The increase in average interest-earning assets was primarily attributable to an increase in the average balance of loans outstanding of \$673.8 million, due to loans acquired from the Hopewell Valley acquisition, organic growth and loan pool purchases, partially offset by decreases in average mortgage-backed securities of \$117.0 million. Yields

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earned on interest-earning assets increased nine basis points to 3.62% for the six months ended June 30, 2016, from 3.53% for the six months ended ended June 30, 2015. The cost of interest-bearing liabilities decreased five basis points to 0.83% for the current period as compared to 0.88% for the comparable prior year period, primarily due to lower rates on certificates of deposits, partially offset by higher rates on other interest-bearing deposits and borrowed funds.

Provision for Loan Losses. The provision for loan losses decreased by \$389,000 to a recovery of \$117,000 for the six months ended June 30, 2016, from a provision of \$272,000 for the six months ended June 30, 2015, primarily due to an improvement in the collateral values of our impaired loans, improved asset quality indicators, and to a lesser extent, lower originated loan growth. Loans acquired from Hopewell Valley were valued at estimated fair value on the date of acquisition, with no initial related allowance for loan losses. Net charge-offs were \$336,000 for the six months ended June 30, 2016, compared to net charge-offs of \$1.0 million for the six months ended June 30, 2015. Net charge-offs in the six months ended June 30, 2015, were primarily related to five previously impaired loans to one borrower that were restructured during the first quarter of 2015 and subsequently sold in the fourth quarter of 2015. These loans had existing specific reserves associated with them that adequately covered the charge-offs, resulting in no material effect on the provision for loan losses for the six months ended June 30, 2015.

Non-interest Income. Non-interest income increased \$652,000, or 15.9%, to \$4.8 million for the six months ended June 30, 2016, from \$4.1 million for the six months ended June 30, 2015, due to increases in fees and service charges for customers of \$471,000, income on bank owned life insurance of \$111,000, and gains on securities transactions, net, of \$195,000, partially offset by a decrease in other income of \$125,000. The decrease in other income was due to a realized gain of \$129,000 on the sale of an other real estate owned property in the first quarter of 2015.

Non-interest Expense. Non-interest expense increased \$10.2 million, or 35.3%, to \$39.0 million for the six months ended June 30, 2016, from \$28.8 million for the six months ended June 30, 2015, primarily due to: (1) a \$6.1 million increase in compensation and employee benefits due to charges of \$2.3 million related to severance, retention, and change-in-control compensation associated with the Hopewell Valley acquisition, increased salary and benefit expenses attributable to the addition of Hopewell Valley employees and general merit-related salary increases effective January 1, 2016, and an increase in stock compensation expense related to the 2014 Equity Incentive Plan (2014 EIP); (2) a \$688,000 increase in occupancy expense due to the addition of nine Hopewell Valley branches; (3) a \$1.3 million increase in data processing costs, of which approximately \$620,000 was due to conversion costs associated with the Hopewell Valley acquisition; (4) an increase in professional fees of \$644,000, of which \$557,000 was related to the Hopewell Valley acquisition; and (5) a \$1.3 million increase in other expense, primarily related to Directors' equity awards associated with the 2014 EIP.

Income Tax Expense. The Company recorded income tax expense of \$5.6 million for the six months ended June 30, 2016, compared to \$6.0 million for the six months ended June 30, 2015. The effective tax rate for the six months ended June 30, 2016, was 34.5% compared to 39.2% for the six months ended June 30, 2015. Income tax expense for the six months ended June 30, 2015, included a deferred tax asset write-down of \$795,000 related to New York State tax reforms enacted in April 2015.

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ANALYSIS OF NET INTEREST INCOME

(Dollars in thousands)

| | For the Six Months Ended | | | |
|---|--|--|--|--|
| | June 30, 2016 | | June 30, 2015 | |
| | Average Outstanding Interest Balance | Average Yield/ Rate ⁽¹⁾ | Average Outstanding Interest Balance | Average Yield/ Rate ⁽¹⁾ |
| Interest-earning assets: | | | | |
| Loans ⁽²⁾ | \$2,701,109 | \$54,570 4.06 % | \$2,027,345 | \$41,957 4.17 % |
| Mortgage-backed securities ⁽³⁾ | 545,450 | 5,657 2.09 | 662,439 | 6,902 2.10 |
| Other securities ⁽³⁾ | 57,831 | 410 1.43 | 59,105 | 228 0.78 |
| Federal Home Loan Bank of New York stock | 25,408 | 559 4.42 | 27,657 | 640 4.67 |
| Interest-earning deposits in financial institutions | 76,278 | 141 0.37 | 69,615 | 63 0.18 |
| Total interest-earning assets | 3,406,076 | 61,337 3.62 | 2,846,161 | 49,790 3.53 |
| Non-interest-earning assets | 247,603 | | 218,925 | |
| Total assets | \$3,653,679 | | \$3,065,086 | |
| Interest-bearing liabilities: | | | | |
| Savings, NOW, and money market accounts | \$1,569,664 | \$3,896 0.50 % | \$1,063,372 | \$2,056 0.39 % |
| Certificates of deposit | 580,762 | 3,231 1.12 | 453,706 | 2,476 1.10 |
| Total interest-bearing deposits | 2,150,426 | 7,127 0.67 | 1,517,078 | 4,532 0.60 |
| Borrowed funds | 501,021 | 3,841 1.54 | 664,968 | 4,989 1.51 |
| Total interest-bearing liabilities | 2,651,447 | 10,968 0.83 | 2,182,046 | 9,521 0.88 |
| Non-interest bearing deposit accounts | 354,001 | | 265,003 | |
| Accrued expenses and other liabilities | 43,787 | | 36,500 | |
| Total liabilities | 3,049,235 | | 2,483,549 | |
| Stockholders' equity | 604,444 | | 581,537 | |
| Total liabilities and stockholders' equity | \$3,653,679 | | \$3,065,086 | |
| Net interest income | | \$50,369 | | \$40,269 |
| Net interest rate spread ⁽⁴⁾ | | 2.79 % | | 2.65 % |
| Net interest-earning assets ⁽⁵⁾ | \$754,629 | | \$664,115 | |
| Net interest margin ⁽⁶⁾ | | 2.97 % | | 2.85 % |
| Average interest-earning assets to interest-bearing liabilities | | 128.46 % | | 130.44 % |

Average yields

(1) and rates are annualized.

Includes

(2) non-accruing loans.

Securities

(3) available-for-sale are reported at amortized cost.

(4)

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.

Net interest-earning assets represent total (5) interest-earning assets less total interest-bearing liabilities.

Net interest margin represents net interest (6) income divided by average total interest-earning assets.

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Comparison of Operating Results for the Three Months Ended June 30, 2016 and 2015

Net income. Net income was \$7.0 million and \$4.3 million for the quarters ended June 30, 2016, and June 30, 2015, respectively. Net income for the quarter ended June 30, 2015, included a tax charge of \$795,000 related to the write-down of deferred tax assets as a result of New York City tax reforms enacted in April 2015. Other significant variances from the comparable prior year period are as follows: a \$5.4 million increase in net interest income, a \$527,000 increase in non-interest income, a \$3.0 million increase in non-interest expense, and a \$271,000 increase in income tax expense.

Interest Income. Interest income increased \$6.1 million, or 24.5%, to \$31.2 million for the quarter ended June 30, 2016, from \$25.0 million for the quarter June 30, 2015, due to an increase in the average balance of interest-earning assets of \$584.4 million, or 20.5%, and a 13 basis point increase in yields earned on interest-earning assets. Interest income on loans increased by \$6.4 million, primarily attributable to an increase in the average loan balances of \$640.8 million, which was partially offset by a two basis point decrease in the yield. The increase in average loans was primarily due to \$342.6 million of loans added from the Hopewell Valley acquisition, and to a lesser extent, loan pool purchases and originated loan growth. The Company accreted interest income related to its PCI loans of \$1.4 million for the quarter ended June 30, 2016, as compared to \$1.1 million for the quarter ended June 30, 2015. Interest income on loans for the quarter ended June 30, 2016, reflected loan prepayment income of \$691,000 compared to \$653,000 for the quarter ended June 30, 2015.

Interest Expense. Interest expense increased \$775,000, or 16.3%, to \$5.5 million for the quarter ended June 30, 2016, from \$4.8 million for the quarter ended June 30, 2015. The increase was due to an increase of \$1.2 million in interest expense on deposits, partially offset by a decrease of \$470,000 in interest expense on borrowings. The increase in interest expense on deposits was attributed to an increase in the average balance of interest bearing deposits of \$573.5 million, or 35.7%, to \$2.18 billion for the quarter ended June 30, 2016, from \$1.61 billion for the quarter ended June 30, 2015, and a seven basis point increase in the cost of interest bearing deposits to 0.68% from 0.61%. The decrease in interest expense on borrowings was attributed to a decrease in the average balances of borrowings of \$106.6 million, or 18.0%, to \$486.3 million for the quarter ended June 30, 2016, from \$592.9 million for the quarter ended June 30, 2015, and a four basis point decrease in the cost of borrowings to 1.51%, from 1.55% for the quarter ended June 30, 2015.

Net Interest Income. Net interest income for the quarter ended June 30, 2016, increased \$5.4 million, or 26.4%, primarily due to a \$584.4 million, or 20.5%, increase in average interest-earning assets and a 15 basis point increase in our net interest margin to 3.00%. The increase in average interest-earning assets was primarily attributable to an increase in average loans outstanding of \$640.8 million, average other securities of \$15.3 million, and average interest-earning deposits in financial institutions of \$13.3 million, partially offset by a decrease in average mortgage-backed securities of \$84.6 million. Yields earned on interest-earning assets increased 13 basis points to 3.65% for the quarter ended June 30, 2016, from 3.52% for the quarter ended June 30, 2015. The cost of interest-bearing liabilities decreased four basis points to 0.83% for the current quarter as compared to 0.87% for the comparable prior year quarter, primarily due to lower rates on borrowed funds, partially offset by higher rates on interest-bearing deposits.

Provision for Loan Losses. The provision for loan losses decreased by \$58,000 to \$14,000 for the quarter ended June 30, 2016, from \$72,000 for the quarter ended June 30, 2015, primarily due to an improvement in the collateral values of our impaired loans, improved asset quality indicators, and to a lesser extent, lower originated loan growth in the quarter ended June 30, 2016, as compared to the quarter ended June 30, 2015. Loans acquired from Hopewell Valley were valued at estimated fair value on the date of acquisition, with no initial related allowance for loan losses. Net charge-offs were \$75,000 for the quarter ended June 30, 2016, compared to net charge-offs of \$454,000 for the quarter ended June 30, 2015.

Non-interest Income. Non-interest income increased \$527,000, or 26.3%, to \$2.5 million for the quarter ended June 30, 2016, from \$2.0 million for the quarter ended June 30, 2015, due to increases in fees and service charges for customers of \$198,000, income on bank owned life insurance of \$63,000, gains on securities transactions, net, of \$254,000, and other income of \$12,000.

Non-interest Expense. Non-interest expense increased \$3.0 million, or 20.5%, to \$17.5 million for the quarter ended June 30, 2016, from \$14.5 million for the quarter ended June 30, 2015, due primarily to: (1) a \$1.9 million increase in compensation and employee benefits due to the addition of Hopewell Valley employees, \$288,000 of severance and retention bonuses associated with the Hopewell Valley acquisition, and general merit-related salary increases effective January 1, 2016; (2) a \$240,000 increase in occupancy costs associated with the addition of nine Hopewell Valley branches; (3) a \$405,000 increase in data processing costs as a result of conversion and increased data and maintenance costs related to the Hopewell Valley acquisition; and (4) a \$323,000 increase in other expenses primarily related to Directors' equity awards associated with the 2014 EIP.

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Income Tax Expense. The Company recorded income tax expense of \$3.7 million for the quarter ended June 30, 2016, compared to \$3.4 million for the quarter ended June 30, 2015. The effective tax rate for the quarter ended June 30, 2016, was 34.5% compared to 44.3% for the quarter ended June 30, 2015. Income tax expense for the quarter ended June 30, 2015, included a deferred tax asset write-down of \$795,000 related to New York State tax reforms enacted in April 2015.

ANALYSIS OF NET INTEREST INCOME

(Dollars in thousands)

| | For the Three Months Ended | | | | | | | |
|---|----------------------------|----------|---------------------|-------------|---------------|---------------------|-------------|---------------------|
| | June 30, 2016 | | | | June 30, 2015 | | | |
| | Average | Average | Average | Average | Average | Average | Average | Average |
| | Outstanding | Interest | Yield/ | Outstanding | Interest | Yield/ | Outstanding | Yield/ |
| | Balance | Rate | Rate ⁽¹⁾ | Balance | Rate | Rate ⁽¹⁾ | Balance | Rate ⁽¹⁾ |
| Interest-earning assets: | | | | | | | | |
| Loans ⁽²⁾ | \$2,720,983 | 27,682 | 4.09 | % | \$2,080,188 | \$21,291 | 4.11 | % |
| Mortgage-backed securities ⁽³⁾ | 552,738 | 2,888 | 2.10 | | 637,368 | 3,325 | 2.09 | |
| Other securities ⁽³⁾ | 62,595 | 237 | 1.52 | | 47,261 | 94 | 0.80 | |
| Federal Home Loan Bank of New York stock | 25,635 | 282 | 4.42 | | 26,011 | 297 | 4.58 | |
| Interest-earning deposits in financial institutions | 73,211 | 79 | 0.43 | | 59,935 | 30 | 0.20 | |
| Total interest-earning assets | 3,435,162 | 31,168 | 3.65 | | 2,850,763 | 25,037 | 3.52 | |
| Non-interest-earning assets | 254,230 | | | | 220,910 | | | |
| Total assets | \$3,689,392 | | | | \$3,071,673 | | | |
| Interest-bearing liabilities: | | | | | | | | |
| Savings, NOW, and money market accounts | \$1,606,415 | \$2,020 | 0.51 | % | \$1,095,720 | \$1,102 | 0.40 | % |
| Certificates of deposit | 573,081 | 1,683 | 1.18 | | 510,277 | 1,356 | 1.07 | |
| Total interest-bearing deposits | 2,179,496 | 3,703 | 0.68 | | 1,605,997 | 2,458 | 0.61 | |
| Borrowed funds | 486,252 | 1,824 | 1.51 | | 592,868 | 2,294 | 1.55 | |
| Total interest-bearing liabilities | 2,665,748 | 5,527 | 0.83 | | 2,198,865 | 4,752 | 0.87 | |
| Non-interest bearing deposits | 366,506 | | | | 266,800 | | | |
| Accrued expenses and other liabilities | 52,264 | | | | 33,119 | | | |
| Total liabilities | 3,084,518 | | | | 2,498,784 | | | |
| Stockholders' equity | 604,874 | | | | 572,889 | | | |
| Total liabilities and stockholders' equity | \$3,689,392 | | | | \$3,071,673 | | | |
| Net interest income | | | | | \$25,641 | | \$20,285 | |
| Net interest rate spread ⁽⁴⁾ | | | 2.82 | % | | | 2.66 | % |
| Net interest-earning assets ⁽⁵⁾ | \$769,414 | | | | \$651,898 | | | |
| Net interest margin ⁽⁶⁾ | | | 3.00 | % | | | 2.85 | % |
| Average interest-earning assets to interest-bearing liabilities | | | 128.86 | % | | | 129.65 | % |

Average yields

(1) and rates are annualized.

Includes

(2) non-accruing loans.

(3)

Securities
available-for-sale
are reported at
amortized cost.

Net interest rate
spread represents
the difference
between the
weighted average
yield on
(4) interest-earning
assets and the
weighted average
cost of
interest-bearing
liabilities.

Net
interest-earning
assets represent
total
(5) interest-earning
assets less total
interest-bearing
liabilities.

Net interest
margin represents
net interest
(6) income divided
by average total
interest-earning
assets.

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Asset Quality

PCI Loans

At June 30, 2016, 4.8% of PCI loans were past due 30 to 89 days, and 25.6% were past due 90 days or more, as compared to 7.9% and 21.4%, respectively, at December 31, 2015. The increase in the 90 days or more delinquencies was primarily due to the addition of PCI loans from the Hopewell Valley acquisition.

Originated and Acquired loans

The following table details total originated and acquired (but excluding PCI) non-accruing loans, non-performing loans, non-performing assets, troubled debt restructurings on which interest is accruing, and accruing loans 30 to 89 days delinquent at June 30, 2016, and December 31, 2015 (dollars in thousands):

| | June 30, 2016 | December 31, 2015 | | |
|--|------------------|----------------------|------|---|
| Non-accrual loans: | | | | |
| Real estate loans: | | | | |
| Commercial | \$8,413 | \$ 5,232 | | |
| One-to-four family residential | 1,647 | 2,574 | | |
| Construction and land | — | 113 | | |
| Multifamily | 323 | 559 | | |
| Home equity and lines of credit | 225 | 329 | | |
| Commercial and industrial | 78 | — | | |
| Total non-accrual loans: | 10,686 | 8,807 | | |
| Loans delinquent 90 days or more and still accruing: | | | | |
| Real estate loans: | | | | |
| Commercial | 207 | — | | |
| One-to-four family residential | 58 | — | | |
| Commercial and industrial | — | 15 | | |
| Other | 17 | — | | |
| Total loans delinquent 90 days or more and still accruing | 282 | 15 | | |
| Total non-performing loans | 10,968 | 8,822 | | |
| Other real estate owned | 45 | 45 | | |
| Total non-performing assets | \$11,013 | \$ 8,867 | | |
| Non-performing loans to total loans held-for-investment, net | 0.39 | % | 0.37 | % |
| Non-performing assets to total assets | 0.29 | % | 0.28 | % |
| Loans subject to restructuring agreements and still accruing | \$23,438 | \$ 22,284 | | |
| Accruing loans 30 to 89 days delinquent | 13,494 | 21,620 | | |

The increase in non-accrual loans is primarily attributable to one commercial real estate loan with a balance of \$3.4 million, which migrated from accruing loans 30 to 89 days delinquent at December 31, 2015 to non-accrual loans 90 days or more delinquent. At June 30, 2016, this loan was classified as impaired, with a related specific reserve of \$344,000.

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Accruing Loans 30 to 89 Days Delinquent

Loans 30 to 89 days delinquent and on accrual status totaled \$13.5 million and \$21.6 million at June 30, 2016, and December 31, 2015, respectively. The following table sets forth delinquencies for accruing loans by type and by amount at June 30, 2016, and December 31, 2015 (dollars in thousands):

| | June 30, December 31, | |
|---------------------------------|-----------------------|-----------|
| | 2016 | 2015 |
| Real estate loans: | | |
| Commercial | \$7,248 | \$ 13,957 |
| One-to-four family residential | 3,630 | 4,209 |
| Multifamily | 979 | 2,965 |
| Construction and land | 1,368 | — |
| Home equity and lines of credit | 199 | 374 |
| Commercial and industrial loans | 20 | 104 |
| Other loans | 50 | 11 |
| Total delinquent accruing loans | \$13,494 | \$ 21,620 |

The decrease in the delinquent loans is primarily attributable to one commercial real estate loan with a balance of \$5.6 million at December 31, 2015 which was 31 days delinquent, and became current during the first quarter of 2016. This loan had a balance of \$5.6 million at June 30, 2016, is classified as impaired, and adequately covered by collateral with a recent appraised value of \$9.3 million.

Loans Subject to TDR Agreements

Included in non-accruing loans are loans subject to TDR agreements totaling \$3.1 million and \$4.4 million at June 30, 2016, and December 31, 2015, respectively. At June 30, 2016, \$2.6 million, or 86.1%, of the \$3.1 million were not performing in accordance with their restructured terms, as compared to \$2.3 million, or 53.2%, of the \$4.4 million at December 31, 2015. Four separate relationships account for the loans not performing in accordance with their restructured terms at June 30, 2016, of which three of the loans are primarily collateralized by real estate with an aggregate appraised value of \$2.9 million.

The Company also holds loans subject to restructuring agreements that are on accrual status, totaling \$23.5 million and \$22.3 million at June 30, 2016, and December 31, 2015, respectively. At June 30, 2016, loans totaling \$3.3 million, or 14.3%, of the \$23.5 million were not performing in accordance with the restructured terms, as compared to \$7.2 million, or 32.3%, of the \$22.3 million at December 31, 2015. At June 30, 2016, the \$3.3 million is attributable to two commercial real estate loans, collateralized by real estate with an aggregate appraised value of \$4.6 million. These loans were less than 90 days delinquent at June 30, 2016. Generally, the types of concessions that we make to troubled borrowers include reductions to both temporary and permanent interest rates, extensions of payment terms, and to a lesser extent forgiveness of principal and interest.

The following table details the amounts and categories of the loans subject to restructuring agreements by loan type as of June 30, 2016, and December 31, 2015 (in thousands):

| | June 30, 2016 | | At December 31, 2015 | |
|--------------------------------|---------------|-----------|----------------------|-----------|
| | Non-Accruing | Accruing | Non-Accruing | Accruing |
| Troubled Debt Restructurings: | | | | |
| Real estate loans: | | | | |
| Commercial | \$785 | \$ 17,954 | \$2,657 | \$ 17,885 |
| One-to-four family residential | 2,268 | 3,041 | 1,694 | 2,053 |

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| | | | | |
|---------------------------------|---------|----------|---------|----------|
| Multifamily | — | 2,011 | — | 1,876 |
| Home equity and lines of credit | — | 345 | — | 354 |
| Commercial and industrial loans | — | 109 | — | 116 |
| | \$3,053 | \$23,460 | \$4,351 | \$22,284 |

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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. Northfield Bank manages 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.

Northfield Bank's 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 amortization 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 FHLB, which provides an additional source of short-term and long-term funding. Northfield Bank also has short-term borrowing capabilities with the Federal Reserve Bank. Northfield Bank's borrowed funds, excluding capitalized lease obligations and floating rate advances, were \$469.1 million at June 30, 2016, and had a weighted average interest rate of 1.53%. A total of \$135.9 million of these borrowings will mature in less than one year. Borrowed funds, excluding capitalized lease obligations and floating rate advances, were \$551.1 million at December 31, 2015. Northfield Bank has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window of approximately \$774.9 million utilizing unencumbered securities of \$185.4 million and loans of \$667.0 million at June 30, 2016. Northfield Bank expects to have sufficient funds available to meet current commitments in the normal course of business.

Northfield Bancorp, Inc. (stand alone) is a separate legal entity from Northfield Bank and must provide for its own liquidity to pay dividends, repurchase its stock, and for other corporate purposes. Northfield Bancorp, Inc.'s primary source of liquidity is dividend payments from Northfield Bank. At June 30, 2016, Northfield Bancorp, Inc. (stand alone) had liquid assets of approximately \$16.5 million.

Capital Resources. At June 30, 2016, and December 31, 2015, as set forth in the following table, Northfield Bank exceeded all of the regulatory capital requirements to which it was subject at such dates.

| | Actual | For Capital Adequacy Purposes ⁽¹⁾ | For Well Capitalized Under Prompt Corrective Action Provisions |
|--|--------|---|---|
| As of June 30, 2016: | | | |
| Common equity Tier 1 capital (to risk-weighted assets) | 17.76% | 5.125% | 6.50% |
| Tier 1 leverage | 14.63% | 4.000% | 5.00% |
| Tier I capital (to risk-weighted assets) | 17.76% | 6.625% | 8.00% |
| Total capital (to risk-weighted assets) | 18.58% | 8.625% | 10.00% |
| As of December 31, 2015: | | | |
| Common equity Tier 1 capital (to risk-weighted assets) | 20.19% | 4.50% | 6.50% |
| Tier 1 leverage | 15.72% | 4.00% | 5.00% |
| Tier I capital (to risk-weighted assets) | 20.19% | 6.00% | 8.00% |
| Total capital (to risk-weighted assets) | 21.21% | 8.00% | 10.00% |

⁽¹⁾ Includes capital conservation buffer at June 30, 2016

On January 1, 2015, a final rule issued by the federal bank regulatory agencies became effective which revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the new rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on non-accrual status, and to certain commercial real estate facilities that finance the acquisition,

development, or construction of real property. The final rule also requires unrealized gains and losses on certain “available-for-sale” securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out election is exercised. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement is being phased in incrementally, starting at 0.625% on January 1, 2016, and increasing to 1.25% on January 1, 2017, 1.875% on January 1, 2018, and 2.5% on January 1, 2019, when the full capital conservation buffer requirement will be effective. The

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final rule also implemented consolidated capital requirements for savings and loan holding companies, such as the Company, effective January 1, 2015.

At June 30, 2016, as set forth in the following table, Northfield Bancorp, Inc. exceeded all of the regulatory capital requirements to which it was subject at such dates.

| | Actual | For Capital Adequacy Purposes ⁽¹⁾ | For Well Capitalized Under Prompt Corrective Action Provisions |
|--|--------|--|--|
| As of June 30, 2016: | | | |
| Common equity Tier 1 capital (to risk-weighted assets) | 19.12% | 5.125% | 6.50% |
| Tier 1 leverage | 15.75% | 4.000% | 5.00% |
| Tier I capital (to risk-weighted assets) | 19.12% | 6.625% | 8.00% |
| Total capital (to risk-weighted assets) | 19.95% | 8.625% | 10.00% |
| As of December 31, 2015: | | | |
| Common equity Tier 1 capital (to risk-weighted assets) | 22.15% | 4.50% | 6.50% |
| Tier 1 leverage | 17.25% | 4.00% | 5.00% |
| Tier I capital (to risk-weighted assets) | 22.15% | 6.00% | 8.00% |
| Total capital (to risk-weighted assets) | 23.17% | 8.00% | 10.00% |

⁽¹⁾ Includes capital conservation buffer at June 30, 2016

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. GAAP, are not recorded in the financial statements. These transactions primarily relate to lending commitments. These arrangements are not expected to have a material impact on the Company's results of operations or financial condition.

The following table shows the contractual obligations of the Company by expected payment period as of June 30, 2016:

| Contractual Obligation | Total | Less than One Year | One to less than Three Years | Three to less than Five Years | Five Years and greater |
|---|----------------|--------------------|------------------------------|-------------------------------|------------------------|
| | (in thousands) | | | | |
| Debt obligations (excluding capitalized leases) | \$469,130 | \$135,913 | \$268,217 | \$65,000 | \$ — |
| Commitments to originate loans | 46,190 | 46,190 | — | — | — |
| Commitments to fund unused lines of credit | 75,658 | 75,658 | — | — | — |

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 to originate loans generally have a fixed expiration or other termination clauses, which may or may not require payment of a fee. Since some of these loan commitments are expected to expire without being drawn upon, total commitments do not necessarily represent future cash requirements.

For further information regarding our off-balance sheet arrangements and contractual obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management of Market Risk

General. 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 borrowings. 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 risk committee, comprised of our Chief Investment Officer, who chairs this Committee, our Chief Executive Officer, our President/Chief Operating Officer, our Chief Financial Officer, our Chief Lending Officer, our Executive Vice President of Operations and our Executive Vice President of Branch Administration and Business Development. This committee is responsible for, among other things, evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the risk 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 multifamily loans and commercial real estate loans that generally tend to have shorter maturities than one-to-four family residential real estate loans and have higher interest rates that generally reset from five to ten years;
- investing in shorter term investment grade corporate securities and mortgage-backed securities; and
- obtaining general financing through lower-cost core deposits and longer-term FHLB advances and repurchase agreements.

Shortening the average term of our interest-earning assets by increasing our investments in shorter-term assets, as well as originating loans with variable interest rates, helps to match the maturities and interest rates of our assets and liabilities better, 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.

The following table sets forth, as of June 30, 2016, 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 (dollars in thousands). 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 repricing characteristics including decay rates, and correlations to movements in interest rates, and should not be relied on as indicative of actual results.

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| Change in Interest Rates (basis points) | NPV at June 30, 2016 | | | | | | |
|---|-----------------------------------|--|---------------|-------------------------|---------------------------|---|------------------------------------|
| | Estimated Present Value of Assets | Estimated Present Value of Liabilities | Estimated NPV | Estimated Change in NPV | Estimated Change in NPV % | Estimated NPV/Present Value of Assets Ratio | Net Interest Income Percent Change |
| +400 | \$3,318,257 | \$2,806,792 | \$511,465 | \$(170,234) | (24.97)% | 15.41 % | (15.43)% |
| +300 | 3,410,465 | 2,863,308 | 547,157 | (134,542) | (19.74) | 16.04 | (11.39) |
| +200 | 3,515,264 | 2,922,342 | 592,922 | (88,777) | (13.02) | 16.87 | (7.32) |
| +100 | 3,618,423 | 2,984,053 | 634,370 | (47,329) | (6.94) | 17.53 | (3.56) |
| — | 3,730,305 | 3,048,606 | 681,699 | — | — | 18.27 | — |
| (100) | 3,888,224 | 3,120,823 | 767,401 | 85,702 | 12.57 | 19.74 | (1.13) |
| (200) | 4,090,546 | 3,163,596 | 926,950 | 245,251 | 35.98 | 22.66 | (3.40) |

| Change in Interest Rates (basis points) | NPV at December 31, 2015 | | | | | | |
|---|-----------------------------------|--|---------------|-------------------------|---------------------------|---|------------------------------------|
| | Estimated Present Value of Assets | Estimated Present Value of Liabilities | Estimated NPV | Estimated Change In NPV | Estimated Change in NPV % | Estimated NPV/Present Value of Assets Ratio | Net Interest Income Percent Change |
| +400 | \$2,831,359 | \$2,325,221 | \$506,138 | \$(177,510) | (25.97)% | 17.88 % | (19.87)% |
| +300 | 2,919,176 | 2,375,931 | 543,245 | (140,403) | (20.54) | 18.61 | (14.74) |
| +200 | 3,015,892 | 2,428,896 | 586,996 | (96,652) | (14.14) | 19.46 | (9.61) |
| +100 | 3,116,363 | 2,484,252 | 632,111 | (51,537) | (7.54) | 20.28 | (4.73) |
| — | 3,225,792 | 2,542,144 | 683,648 | — | — | 21.19 | — |
| (100) | 3,364,070 | 2,606,262 | 757,808 | 74,160 | 10.85 | 22.53 | 0.77 |
| (200) | 3,541,395 | 2,659,965 | 881,430 | 197,782 | 28.93 | 24.89 | (0.84) |

The table above indicates that at June 30, 2016, in the event of a 200 basis point decrease in interest rates, we would experience a 35.98% increase in estimated net portfolio value and a 3.40% decrease in net interest income. In the event of a 400 basis point increase in interest rates, we would experience a 24.97% decrease in estimated net portfolio value and a 15.43% decrease in net interest income. Our policies provide that, in the event of a 200 basis point 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 400 basis point increase or less, our net present value ratio should decrease by no more than 750 basis points. In the event of a 200 basis point decrease or less, our projected net interest income should decrease by no more than 15% in year one, and in the event of a 400 basis point increase or less, our projected net interest income should decrease by no more than 37% in year one. Additionally, our policy states that our net portfolio value should be at least between 8% and 10% of total assets before and after such shock. However, when the federal funds rate is low and negative rate shocks do not produce meaningful results, management may temporarily suspend use of guidelines for negative rate shocks. At June 30, 2016, 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 net portfolio value and net interest income. Our model requires us to make certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. However, we also apply consistent parallel yield curve shifts (in both directions) to determine possible changes in net interest income if the theoretical yield curve shifts occurred gradually. Net interest income analysis also adjusts the asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts. In addition, the net portfolio value 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 portfolio value or net interest income and will differ from actual results.

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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 Exchange Act of 1934, as amended) as of June 30, 2016. 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 three months ended June 30, 2016, 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.

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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 consolidated financial condition or results of operations.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Quarterly Report on Form 10-Q, the following risk factor represents material updates and additions to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the SEC. Additional risks not presently known to us, or that we currently deem immaterial, may also adversely affect our business, financial condition or results of operations. Further, to the extent that any of the information contained in this Quarterly Report on Form 10-Q constitutes forward-looking statements, the risk factor set forth below also is a cautionary statement identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

A new accounting standard may require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for Northfield Bancorp, Inc. and Northfield Bank for our first fiscal year after December 15, 2019. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of providing allowances for loan losses that are probable, which may require us to increase our allowance for loan losses, and to greatly increase the types of data we would need to collect and review to determine the appropriate level of the allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on our financial condition and results of operations.

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 the three months ended June 30, 2016.

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Announced Plans or Programs ⁽¹⁾ | (d) Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs ⁽¹⁾ |
|-----------------------------|---|--|---|---|
| April 1, 2016 through | — | \$ — | — | — |

| | | | | |
|----------------------|--------|----------|---|---|
| April 30, 2016 | | | | |
| May 1, 2016 | | | | |
| through | 3,475 | \$ 15.97 | — | — |
| May 31, 2016 | | | | |
| June 1, 2016 | | | | |
| through | 70,037 | \$ 15.39 | — | — |
| June 30, 2016 | | | | |
| Total | 73,512 | \$ 15.42 | — | — |

(1) The repurchase program permits shares to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. There were no shares remaining to be purchased at June 30, 2016.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

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Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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

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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, 2016

/s/ John W. Alexander

John W. Alexander

Chairman and Chief Executive Officer

/s/ William R. Jacobs

William R. Jacobs

Chief Financial Officer

(Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit

Number Description

31.1 Certification of John W. Alexander, Chairman and Chief Executive Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

31.2 Certification of William R. Jacobs, Chief Financial Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)

32 Certification of John W. Alexander, Chairman and Chief Executive Officer, and William R. Jacobs, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements