Northfield Bancorp, Inc.
Form 10-Q
May 10, 2010

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

FORM 10-Q

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

For the quarterly period ended March 31, 2010

or

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

For transition period from to

Commission File Number 1-33732

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

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

Registrant s telephone number, including area code: (732) 499-7200
Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o.
Indicate by check mark whether the registrant has submitted electronically and posted on it corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required and post such files). Yes o Noo.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ.
Indicate the number of shares outstanding of each of the issuer s classes of common stock as of the latest practicable date. 43,702,587 shares of Common Stock, par value $0.01 per share, were issued and outstanding as of May 6, 2010.

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PART II OTHER INFORMATION

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PART I

ITEM 1. FINANCIAL STATEMENTS

NORTHFIELD BANCORP, INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2010, and December 31, 2009
(In thousands, except share amounts)

	March 31, 2010	December 31, 2009
	(Unaudited)	
ASSETS:		
Cash and due from banks	$ 9,646	10,183
Interest-bearing deposits in other financial institutions	41,165	32,361
Total cash and cash equivalents	50,811	42,544
Trading securities	3,706	3,403
Securities available-for-sale, at estimated fair value (encumbered $261,004 in 2010 and $219,446 in 2009)	1,216,195	1,131,803
Securities held-to-maturity, at amortized cost (estimated fair value of $6,432 in 2010 and $6,930 in 2009) (encumbered $0 in 2010 and 2009)	6,220	6,740
Loans held-for-investment, net	737,225	729,269
Allowance for loan losses	(17,146)	(15,414)
Net loans held-for-investment	720,079	713,855
Accrued interest receivable	8,042	8,054
Bank owned life insurance	44,174	43,751
Federal Home Loan Bank of New York stock, at cost	5,026	6,421
Premises and equipment, net	13,114	12,676
Goodwill	16,159	16,159
Other real estate owned	1,533	1,938
Other assets	12,744	14,930
Total assets	$ 2,097,803	2,002,274
LIABILITIES AND STOCKHOLDERS EQUITY:		
LIABILITIES:		
Deposits	$ 1,392,905	1,316,885
Borrowings	293,060	279,424
Advance payments by borrowers for taxes and insurance	2,038	757
Accrued expenses and other liabilities	13,514	13,668
Total liabilities	1,701,517	1,610,734

STOCKHOLDERS EQUITY:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued or outstanding		
Common stock, $0.01 par value: 90,000,000 shares authorized, 45,632,611 and 45,628,211 shares issued at March 31, 2010, and December 31, 2009, respectively, 43,722,522 and 43,912,148 outstanding at March 31, 2010, and December 31, 2009, respectively	456	456
Additional paid-in-capital	203,541	202,479
Unallocated common stock held by employee stock ownership plan	(15,660)	(15,807)
Retained earnings	214,779	212,196
Accumulated other comprehensive income	15,690	12,145
Treasury stock at cost; 1,910,089 and 1,716,063 shares at March 31, 2010, and December 31, 2009, respectively	(22,520)	(19,929)
Total stockholders equity	396,286	391,540
Total liabilities and stockholders equity	$ 2,097,803	2,002,274

See accompanying notes to the unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
Three months ended March 31, 2010, and 2009
(Unaudited)
(In thousands, except share data)

	Three months ended March 31,	
	2010	**2009**
Interest income:		
Loans	$ 10,293	8,571
Mortgage-backed securities	9,181	11,114
Other securities	1,384	282
Federal Home Loan Bank of New York dividends	95	80
Deposits in other financial institutions	54	435
Total interest income	21,007	20,482
Interest expense:		
Deposits	3,952	4,957
Borrowings	2,506	2,764
Total interest expense	6,458	7,721
Net interest income	14,549	12,761
Provision for loan losses	1,930	1,644
Net interest income after provision for loan losses	12,619	11,117
Non-interest income:		
Fees and service charges for customer services	660	659
Income on bank owned life insurance	423	433
Gain (loss) on securities transactions, net	615	(154)
Other	25	31
Total non-interest income	1,723	969
Non-interest expense:		
Compensation and employee benefits	4,791	3,768
Occupancy	1,194	1,120
Furniture and equipment	272	288
Data processing	607	844
FDIC insurance	430	414
Professional fees	379	526
Other	1,448	822
Total non-interest expense	9,121	7,782

Income before income tax expense	5,221	4,304
Income tax expense	1,840	1,569
Net income	$ 3,381	2,735
Basic and diluted earnings per share	$ 0.08	0.06

See accompanying notes to the unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
Three months ended March 31, 2010, and 2009
(Unaudited)
(Dollars in thousands)

	Common Stock			Unallocated common stock held by the employee stock ownership plan		Accumulated Other comprehensive income (loss)		Total stockholders' equity
	Shares	Par value	Additional paid-in capital		Retained earnings		Treasury Stock	
Balance at December 31, 2008	44,803,061	$ 448	199,453	(16,391)	203,085	(17)		386,578
Comprehensive income:								
Net income					2,735			2,735
Change in accumulated comprehensive income (loss), net of tax of $4,181						5,621		5,621
Total comprehensive income								8,356
ESOP shares allocated or committed to be released			1	146				147
Stock compensation expense			559					559
Dividends declared ($0.04 per share)					(774)			(774)
Issuance of restricted stock	832,450	8	(8)					
Treasury stock (average cost of $10.07 per share)							(3,801)	(3,801)
	45,635,511	456	200,005	(16,245)	205,046	5,604	(3,801)	391,065

Balance at March 31, 2009								
Balance at December 31, 2009	45,628,211	456	202,479	(15,807)	212,196	12,145	(19,929)	391,540
Comprehensive income:								
Net income					3,381			3,381
Change in accumulated comprehensive income, net of tax of $2,108						3,545		3,545
Total comprehensive income								6,926
ESOP shares allocated or committed to be released			55	147				202
Stock compensation expense			776					776
Additional tax benefit on stock awards			231					231
Exercise of stock options					(26)		163	137
Dividends declared ($0.04 per share)					(772)			(772)
Issuance of Restricted Stock	4,400							
Treasury stock (average cost of $13.25 per share)							(2,754)	(2,754)
Balance at March 31, 2010	45,632,611	$ 456	203,541	(15,660)	214,779	15,690	(22,520)	396,286

See accompanying notes to the unaudited consolidated financial statements.

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NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three months ended March 31, 2010, and 2009
(Unaudited) (In thousands)

	Three months ended March 31, 2010	2009
Cash flows from operating activities:		
Net income	$ 3,381	2,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,930	1,644
ESOP and stock compensation expense	978	706
Depreciation	432	412
(Accretion) of discounts, and deferred loan fees, net of amortization of premiums	123	(419)
Amortization of mortgage servicing rights	25	27
Income on bank owned life insurance	(423)	(433)
Net gain on sale of loans held-for-sale		(14)
Proceeds from sale of loans held-for-sale		1,222
Origination of loans held-for-sale		(2,267)
(Gain) loss on securities transactions, net	(615)	154
Net purchases of trading securities	(42)	185
Decrease in accrued interest receivable	12	1,768
Decrease (increase) in other assets	499	(2,666)
Decrease in accrued expenses and other liabilities	(154)	(158)
Amortization of core deposit intangible	43	95
Net cash provided by operating activities	6,189	2,991
Cash flows from investing activities:		
Net increase in loans receivable	(8,367)	(34,927)
Redemption of Federal Home Loan Bank of New York stock, net	1,395	2,295
Purchases of securities available-for-sale	(217,161)	(70,700)
Principal payments and maturities on securities available-for-sale	123,590	73,431
Principal payments and maturities on securities held-to-maturity	519	1,122
Proceeds from sale of securities available-for-sale	15,193	1,998
Proceeds from maturities of certificates of deposit in other financial institutions		46,000
Purchases and improvements of premises and equipment	(870)	(901)
Net cash (used in) provided by investing activities	(85,701)	18,318
Cash flows from financing activities:		
Net increase in deposits	76,020	90,052
Dividends paid	(772)	(774)
Exercise of stock options	137	
Purchase of treasury stock	(2,754)	(3,801)
Additional tax benefit on stock awards	231	

Increase (decrease) in advance payments by borrowers for taxes and insurance	1,281	(1,455)
Repayments under capital lease obligations	(44)	(67)
Proceeds from borrowings	69,680	20,000
Repayments related to borrowings	(56,000)	(71,000)
Net cash provided by financing activities	87,779	32,955
Net increase in cash and cash equivalents	8,267	54,264
Cash and cash equivalents at beginning of period	42,544	50,128
Cash and cash equivalents at end of period	$ 50,811	104,392
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 6,645	8,251
Income taxes	1,565	183
Non-cash transactions:		
Loans charged-off, net	198	595
Other real estate owned charged-off	146	

See accompanying notes to the unaudited consolidated financial statements.

NORTHFIELD BANCORP, INC.
Notes to Unaudited Consolidated Financial Statements

Note 1 Basis of Presentation

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

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

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

Note 2 Securities Available-for-Sale

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

	March 31, 2010			
	Amortized cost	**Gross unrealized gains**	**Gross unrealized losses**	**Estimated fair value**
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	$ 366,089	15,634		381,723
Non-GSE	56,696	1,410	2,137	55,969
Real estate mortgage investment conduits (REMICs):				
GSE	395,438	4,988	188	400,238
Non-GSE	101,799	4,048	220	105,627
	920,022	26,080	2,545	943,557
Other securities:				
Equity investments-mutual funds	5,560	63		5,623
GSE bonds	129,937	524	170	130,291
Corporate bonds	134,026	2,698		136,724
	269,523	3,285	170	272,638
Total securities available-for-sale	$ 1,189,545	29,365	2,715	1,216,195

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

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at March 31, 2010 (in thousands):

Available-for-sale	Amortized cost	Estimated fair value
Due in one year or less	$ 27,127	27,528
Due after one year through five years	236,836	239,487
	$ 263,963	267,015

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 months ended March 31, 2010, the Company had gross proceeds of $15.2 million on sales of securities available-for-sale with gross realized gains and gross realized losses of approximately $270,000 and $0, respectively. For the three months ended March 31, 2009, the Company had gross proceeds of $2.0 million on sales of securities available-for-sale with gross realized gains and gross realized losses of approximately $7,000 and $0, respectively. All impairment losses at March 31, 2010 were considered temporary.

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

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	March 31, 2010					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
Non-GSE	$		2,137	18,161	2,137	18,161
REMICs						
GSE	124	108,847	64	9,148	188	117,995
Non-GSE	220	12,749			220	12,749
GSE bonds	170	41,449			170	41,449
Total	$ 514	163,045	2,201	27,309	2,715	190,354

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

Included in the above available-for-sale security amounts at March 31, 2010, were seven pass-through, non-GSE mortgage-backed securities, and two REMIC mortgage-backed securities, in an unrealized loss position. Only three of these securities, with an estimated fair value of $13.8 million (amortized cost of $15.8 million), are rated less than AAA at March 31, 2010. Of the three securities, one had an estimated fair value of $2.6 million (amortized cost of $2.7 million), was rated A+, and had the following underlying collateral characteristics: 84% originated in 2004, and 16% originated in 2005. The second security had an estimated fair value of $6.1 million (amortized cost of $7.4 million), was rated Baa2 (subsequently downgraded to Caa2), and had the following underlying collateral characteristics: 82% originated in 2004, and 18% originated in 2005. The remaining security had an estimated fair value of $5.1 million (amortized cost of $5.7 million), was rated CCC, and was supported by collateral entirely originated in 2006. The Company continues to receive principal and interest payments in accordance with the contractual terms of each of these securities. Management has evaluated, among other things, delinquency status, location of collateral, estimated prepayment speeds, and the estimated default rates and loss severity in liquidating the underlying collateral for each of these three securities. Since management does not have the intent to sell the securities, and it is more likely than not that the Company will be required to sell the securities, before their anticipated recovery (which may be at maturity), the Company believes that the unrealized losses of $2.0 million at March 31, 2010, are temporary, and as such, are recorded as a component of accumulated other comprehensive income, net of tax.

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

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

Note 3 Net Loans Held-for-Investment

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

	March 31, 2010	December 31, 2009
Real estate loans:		
Commercial mortgage	$ 332,427	327,802
One to four family residential mortgage	90,014	90,898
Construction and land	39,523	44,548
Multifamily	187,372	178,401
Home equity and lines of credit	28,143	26,118
Total real estate loans	677,479	667,767
Commercial and industrial loans	17,833	19,252
Insurance premium loans	39,977	40,382
Other loans	1,328	1,299
Total commercial and industrial, insurance premium, and other loans	59,138	60,933
Total loans held-for-investment	736,617	728,700
Deferred loan cost, net	608	569
Loans held-for-investment, net	737,225	729,269
Allowance for loan losses	(17,146)	(15,414)
Net loans held-for-investment	$ 720,079	713,855

The Company did not have any loans-held-for-sale at March 31, 2010, or December 31, 2009.

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

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

	At or for the three months ended March 31,	
	2010	2009
Beginning balance	$ 15,414	8,778
Provision for loan losses	1,930	1,644
Charge-offs, net	(198)	(595)
Ending balance	$ 17,146	9,827

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The principal amount of these nonaccrual loans (including impaired loans of $39.5 million at March 31, 2010, and $36.8 million at December 31, 2009) was $44.3 million and $41.6 million at March 31, 2010, and December 31, 2009, respectively. Loans on non-accrual status with principal balances less than $500,000, and therefore not meeting the definition of an impaired loan, amounted to $4.9 million and $4.8 million at March 31, 2010, and December 31, 2009, respectively. Loans past due 90 days or more and still accruing interest was $5.7 million and $191,000 at March 31, 2010, and December 31, 2009, respectively. The majority of the $5.7 million relates to one loan relationship for $3.7 million that was current on interest payments in accordance with the original contractual terms of the loans but past maturity. These loans are considered well secured and in the process of collection. The loans are being refinanced by the Company to permanent real estate mortgages in accordance with our current underwriting standards. At March 31, 2010, the Company is under commitment to lend additional funds totaling $360,000 to borrowers whose loans are on non-accrual status or who are past due 90 days or more and still accruing interest.

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The following table summarizes non-performing loans (in thousands):

	March 31, 2010	December 31, 2009
Non-accruing loans	$ 31,248	30,914
Non-accruing loans subject to restructuring agreements	13,090	10,717
Total non-accruing loans	44,338	41,631
Loans 90 days or more past maturity and still accruing	5,710	191
Total non-performing loans	$ 50,048	41,822
Loans subject to restructuring agreements and still accruing	$ 8,817	7,250

The following tables summarize impaired loans (in thousands):

	March 31, 2010		
	Recorded Investment	Allowance for Loan Losses	Net Investment
Non-accruing loans	$ 26,390	(190)	26,200
Non-accruing loans subject to restructuring agreements	13,090	(422)	12,668
Accruing loans subject to restructuring agreements	8,817	(465)	8,352
Total impaired loans	$ 48,297	(1,077)	47,220

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

Included in the table above at March 31, 2010, are loans with carrying balances of $22.9 million that were not written down either by charge-offs or specific reserves in our allowance for loan losses. Included in the table above at December 31, 2009, are loans with carrying balances of $12.7 million that were not written down either by charge-offs or specific reserves in our allowance for loan losses.

The average balance of impaired loans was $46.2 million and $14.1 million for the three months ended March 31, 2010, and 2009, respectively. The Company recorded $420,000 and $10,000 of interest income on impaired loans for the three months ended March 31, 2010 and 2009, respectively.

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Note 4 Deposits

Deposits are as follows (in thousands):

	March 31, 2010	December 31, 2009
Non-interest-bearing demand	$ 108,139	110,015
Interest-bearing negotiable orders of withdrawal (NOW)	66,719	62,904
Savings-passbook, statement, tiered, and money market	591,818	564,593
Certificates of deposit	626,229	579,373
	$ 1,392,905	1,316,885

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

	Three months ended March 31,	
	2010	2009
Negotiable order of withdrawal, savings-passbook, statement, tiered, and money market	$ 1,420	1,636
Certificates of deposit	2,532	3,321
	$ 3,952	4,957

Note 5 Equity Incentive Plan

At the Special Meeting of the Stockholders of the Company (the Meeting) held on December 17, 2008, the stockholders of the Company approved the Northfield Bancorp, Inc. 2008 Equity Incentive Plan. On January 30, 2009, certain officers and employees of the Company were granted an aggregate of 1,478,900 stock options and 582,700 shares of restricted stock, and non-employee directors received an aggregate of 623,700 stock options and 249,750 shares of restricted stock. On May 29, 2009, an employee was granted 3,800 stock options and 4,200 restricted stock awards. On January 30, 2010, an employee was granted 3,000 stock options and 4,400 restricted stock awards. All stock options and restricted stock vest in equal installments over a five year period beginning one year from the date of grant. The vesting of options and restricted stock awards may accelerate in accordance with terms of the plan. Stock options were granted at an exercise price equal to the fair value of the Company s common stock on the grant date based on quoted market prices and all have an expiration period of ten years. The fair value of stock options granted on January 30, 2009, was estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years utilizing the simplified method, risk-free rate of return of 2.17%, volatility of 35.33% and a dividend yield of 1.61%. The fair value of stock options granted on May 29, 2009, was estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years utilizing the simplified method, risk-free rate of return of 2.88%, volatility of 38.39% and a dividend yield of 1.50%. The fair value of stock options granted on January 30, 2010, was estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years utilizing the simplified method, risk-free rate of return of 2.90%, volatility of 38.29% and a dividend yield of 1.81%. The Company is expensing the grant date fair value of all employee and director share-based compensation over the requisite service periods on a straight-line basis.

During the three months ended March 31, 2010 and 2009, the Company recorded $776,000 and $559,000 of stock-based compensation, respectively.

The following table is a summary of the Company s non-vested stock options as of March 31, 2010, and changes therein during the three months then ended:

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	Number of Stock Options		Weighted Average Grant Date Fair Value		Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Outstanding- December 31, 2009	2,083,400	$	3.22	$	9.94	9.08
Granted	3,000		4.66		10.98	10.00
Forfeited						
Exercised	(13,860)		3.22		9.94	
Outstanding- March 31, 2010	2,072,540	$	3.22	$	9.94	8.84
Exercisable- March 31, 2010	402,060	$	3.22	$	9.94	8.83

Expected future stock option expense related to the non-vested options outstanding as of March 31, 2010, is $5.3 million over an average period of 3.8 years.

Upon the exercise of stock options, management expects to utilize treasury stock as the source of issuance for these shares.

The following is a summary of the status of the Company s restricted share awards as of March 31, 2010, and changes therein during the three months then ended.

	Number of Shares Awarded		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2009	825,150	$	9.94
Granted	4,400		13.24
Vested	(174,830)		9.94
Forfeited			
Non-vested at March 31, 2010	654,720	$	9.97

Expected future stock award expense related to the non-vested restricted share awards as of March 31, 2010, is $6.3 million over an average period of 3.8 years. On January 30, 2010, 174,830 of restricted shares vested. In connection with the vesting, the Company repurchased 21,605 shares of common stock from employees (at their request) in satisfaction of minimum payroll taxes.

Note 6- Fair Value Measurements

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

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

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

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

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(in thousands)	March 31, 2010	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	$ 781,961		781,961	
Non-GSE	161,596		161,596	
Corporate bonds	136,724		136,724	
GSE bonds	130,291		130,291	
Equities	5,623	5,623		
Total available-for-sale	1,216,195	5,623	1,210,572	
Trading securities	3,706	3,706		
Total	$ 1,219,901	9,329	1,210,572	
Measured on a non-recurring basis:				
Assets:				
Impaired loans:				
Real estate loans:				
Commercial mortgage (CRE)	$ 17,231			17,231
Construction and land	6,219			6,219
Multifamily	835			835
Total impaired loans	24,285			24,285
Other real estate owned (CRE)	1,533			1,533
Total	$ 25,818			25,818

Fair Value Measurements at Reporting Date Using:
Quoted Prices in

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

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Available -for- Sale Securities: The estimated fair values for mortgage-backed, GSE and corporate securities are obtained from an independent nationally recognized third-party pricing service. The estimated fair values are derived primarily from cash flow models, which include assumptions for interest rates, credit losses, and prepayment speeds. Broker/dealer quotes are utilized as well when such quotes are available and deemed representative of the market. The significant inputs utilized in the cash flow models are based on market data obtained from sources independent of the Company (Observable Inputs), and are therefore classified as Level 2 within the fair value hierarchy. The estimated fair values of equity securities, classified as Level 1, are derived from quoted market prices in active markets. Equity securities consist primarily of money market mutual funds. There were no transfers of securities between Level 1 and Level 2 during the quarter ended March 31, 2010.

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

Impaired Loans: At March 31, 2010, and December 31, 2009, the Company had impaired loans with outstanding principal balances of $25.4 million and $31.4 million, that were recorded at their estimated fair value of $24.3 million and $29.0 million, respectively. The Company recorded impairment charges of $1.1 million and charge-offs of $198,000 for the three months ended March 31, 2010, compared to impairment charges of $594,000 and charge-offs of $595,000 for the same period of 2009, respectively, utilizing Level 3 inputs. Impaired assets are valued utilizing independent appraisals, if the loan is collateral dependent, adjusted downward by management, as necessary, for changes in relevant valuation factors subsequent to the appraisal date, or the present value of expected future cash flows for non-collateral dependent loans and troubled debt restructurings.

Other Real Estate Owned: At March 31, 2010, and December 31, 2009 the Company had assets acquired through foreclosure of $1.5 million and $1.9 million, respectively, recorded at estimated fair value, less estimated selling costs when acquired, thus establishing a new cost basis. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers market knowledge and experience, and are considered Level 3 inputs. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Subsequent valuation adjustments to other real estate owned totaled $146,000 for the three months ended March 31, 2010, reflective of continued deterioration in estimated fair values. The remaining reduction to REO was a result of sales. There were no subsequent valuation adjustments to other real estate owned for the three months ended March 31, 2009. Operating costs after acquisition are generally expensed.

Fair Value of Financial Instruments

The FASB Accounting Standards 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:

Fair value estimates, methods, and assumptions are set forth below for the Company s financial instruments.

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

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

(b) Securities (Held to Maturity)

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

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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.

(c) Federal Home Loan Bank of New York Stock

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

(d) Loans

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

(e) Deposits

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