

Northfield Bancorp, Inc.
Form 10-Q
August 09, 2018
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, 2018

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 or organization) (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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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.

49,492,931 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of July 31, 2018.

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, 2018	December 31, 2017
ASSETS:		
Cash and due from banks	\$ 13,538	\$ 17,446
Interest-bearing deposits in other financial institutions	45,195	40,393
Total cash and cash equivalents	58,733	57,839
Trading securities	10,167	9,597
Debt securities available-for-sale, at estimated fair value	625,279	513,782
Debt securities held-to-maturity, at amortized cost (estimated fair value of \$9,529 at June 30, 2018, and \$9,892 at December 31, 2017)	9,819	9,931
Equity securities	1,301	1,339
Originated loans held-for-investment, net	2,547,920	2,425,275
Loans acquired	650,875	692,803
Purchased credit-impaired ("PCI") loans held-for-investment	21,331	22,741
Loans held-for-investment, net	3,220,126	3,140,819
Allowance for loan losses	(26,882)	(26,160)
Net loans held-for-investment	3,193,244	3,114,659
Accrued interest receivable	11,413	10,713
Bank owned life insurance	152,298	150,604
Federal Home Loan Bank of New York stock, at cost	27,718	25,046
Premises and equipment, net	25,058	25,746
Goodwill	38,411	38,411
Other real estate owned	850	850
Other assets	33,867	32,900
Total assets	\$4,188,158	\$ 3,991,417
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits	\$2,967,281	\$ 2,836,979
Borrowed funds	524,335	471,549
Advance payments by borrowers for taxes and insurance	18,009	14,798
Accrued expenses and other liabilities	28,878	29,214
Total liabilities	3,538,503	3,352,540
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 shares issued at June 30, 2018 and December 31, 2017, 49,481,589 and 48,803,885 outstanding at June 30, 2018, and December 31, 2017, respectively	609	609
Additional paid-in-capital	544,404	548,864
Unallocated common stock held by employee stock ownership plan	(21,737)	(22,244)
Retained earnings	292,900	281,138
Accumulated other comprehensive loss	(11,648)	(5,451)

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Treasury stock at cost; 11,452,118 and 12,129,822 shares at June 30, 2018, and December 31, 2017, respectively	(154,873)	(164,039)
Total stockholders' equity	649,655	638,877
Total liabilities and stockholders' equity	\$4,188,158	\$3,991,417

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		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Interest income:				
Loans	\$31,456	\$29,653	\$62,243	\$58,661
Mortgage-backed securities	3,068	2,260	5,794	4,616
Other securities	821	283	1,323	535
Federal Home Loan Bank of New York dividends	398	325	812	696
Deposits in other financial institutions	192	139	445	221
Total interest income	35,935	32,660	70,617	64,729
Interest expense:				
Deposits	6,050	3,899	11,261	7,519
Borrowings	2,115	1,852	4,042	3,624
Total interest expense	8,165	5,751	15,303	11,143
Net interest income	27,770	26,909	55,314	53,586
Provision for loan losses	670	511	704	883
Net interest income after provision for loan losses	27,100	26,398	54,610	52,703
Non-interest income:				
Fees and service charges for customer services	1,147	1,107	2,361	2,325
Income on bank owned life insurance	914	1,010	1,868	3,468
Gains on securities transactions, net	313	256	473	664
Other	71	64	147	127
Total non-interest income	2,445	2,437	4,849	6,584
Non-interest expense:				
Compensation and employee benefits	9,121	9,774	18,238	19,746
Occupancy	2,950	2,696	6,046	5,653
Furniture and equipment	252	287	508	592
Data processing	1,150	1,120	2,374	2,281
Professional fees	909	595	1,672	1,465
FDIC insurance	274	258	571	516
Other	2,384	1,888	4,757	3,909
Total non-interest expense	17,040	16,618	34,166	34,162
Income before income tax expense	12,505	12,217	25,293	25,125
Income tax expense	1,893	3,807	4,237	6,767
Net income	\$10,612	\$8,410	\$21,056	\$18,358
Net income per common share:				
Basic	\$0.23	\$0.19	\$0.46	\$0.41
Diluted	\$0.23	\$0.18	\$0.45	\$0.39

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,	
	2018	2017	2018	2017
Net Income	\$10,612	\$8,410	\$21,056	\$18,358
Other comprehensive (loss) income:				
Unrealized (losses) gains on securities:				
Net unrealized holding (losses) gains on securities	(2,290)	2,107	(8,443)	3,086
Less: reclassification adjustment for net (gains) losses included in net income (included in gains on securities transactions, net)	(116)	4	(171)	4
Net unrealized (losses) gains	(2,406)	2,111	(8,614)	3,090
Amortization related to post retirement benefit obligation	—	27	—	54
Other comprehensive (loss) income, before tax	(2,406)	2,138	(8,614)	3,144
Income tax benefit (expense) related to net unrealized holding (losses) gains on securities	640	(844)	2,369	(1,235)
Income tax benefit (expense) related to reclassification adjustment for (losses) gains included in net income	33	(2)	48	(2)
Income tax expense related to post retirement benefit adjustment	—	(11)	—	(22)
Other comprehensive (loss) income, net of tax	(1,733)	1,281	(6,197)	1,885
Comprehensive income	\$8,879	\$9,691	\$14,859	\$20,243

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, 2018 and 2017

(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, 2016	48,526,658	\$ 609	\$547,910	\$(23,466)	\$268,226	\$ (4,332)	\$(167,751)	\$ 621,196
Net income					18,358			18,358
Other comprehensive income, net of tax						1,885		1,885
Cumulative effect of change in accounting principle - adoption of ASU No. 2016-09			(2,898)		2,898			—
ESOP shares allocated or committed to be released			608	511				1,119
Stock compensation expense			3,217					3,217
Forfeitures of restricted stock	(3,600)		47				(47)	—
Exercise of stock options, net	333,738		(4,422)				4,514	92
Cash dividends declared and paid (\$0.16 per common share)					(7,348)			(7,348)
Balance at June 30, 2017	48,856,796	\$ 609	\$544,462	\$(22,955)	\$282,134	\$ (2,447)	\$(163,284)	\$ 638,519
Balance at December 31, 2017	48,803,885	\$ 609	\$548,864	\$(22,244)	\$281,138	\$ (5,451)	\$(164,039)	\$ 638,877
Net income					21,056			21,056
Other comprehensive loss, net of tax						(6,197)		(6,197)
ESOP shares allocated or committed to be released			498	507				1,005
			2,717					2,717

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Stock compensation expense								
Forfeitures of restricted stock	(1,760)		23			(23)		—
Exercise of stock options, net	679,464		(7,698)			9,189		1,491
Cash dividends declared and paid (\$0.20 per common share)					(9,294)			(9,294)
Balance at June 30, 2018	49,481,589	\$ 609	\$ 544,404	\$(21,737)	\$ 292,900	\$(11,648)	\$(154,873)	\$ 649,655

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,	
	2018	2017
Cash flows from operating activities:		
Net income	\$21,056	\$18,358
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	704	883
ESOP and stock compensation expense	3,722	4,336
Depreciation	1,529	1,661
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	1,223	994
Amortization of intangible assets	166	196
Income on bank owned life insurance	(1,868)	(3,468)
Gains on securities transactions, net	(473)	(664)
Net purchases of trading securities	(268)	(283)
Increase in accrued interest receivable	(700)	(52)
Decrease in other assets	1,283	1,247
Decrease in accrued expenses and other liabilities	(336)	(3,113)
Net cash provided by operating activities	26,038	20,095
Cash flows from investing activities:		
Net increase in loans receivable	(42,409)	(82,339)
Purchase of loans	(37,593)	—
Purchases of Federal Home Loan Bank of New York stock	(14,045)	(10,170)
Redemptions of Federal Home Loan Bank of New York stock	11,373	8,438
Purchases of debt securities available-for-sale	(206,709)	(17,746)
Principal payments and maturities on debt securities available-for-sale	56,699	45,390
Principal payments and maturities on debt securities held-to-maturity	103	101
Proceeds from sale of debt securities available-for-sale	29,608	967
Proceeds from bank owned life insurance	174	2,043
Purchases and improvements of premises and equipment	(841)	(641)
Net cash used in investing activities	(203,640)	(53,957)
Cash flows from financing activities:		
Net increase in deposits	130,302	(35,114)
Dividends paid	(9,294)	(7,348)
Exercise of stock options	1,491	92
Increase in advance payments by borrowers for taxes and insurance	3,211	2,962
Repayments under capital lease obligations	(124)	(109)
Proceeds from securities sold under agreements to repurchase and other borrowings	415,545	179,725
Repayments related to securities sold under agreements to repurchase and other borrowings	(362,635)	(152,132)
Net cash provided by (used in) financing activities	178,496	(11,924)
Net increase (decrease) in cash and cash equivalents	894	(45,786)
Cash and cash equivalents at beginning of period	57,839	96,085
Cash and cash equivalents at end of period	\$58,733	\$50,299

See accompanying notes to unaudited consolidated financial statements.

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See accompanying notes to unaudited consolidated financial statements.

NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)

(Unaudited) (In thousands)

	Six Months Ended June 30,	
	2018	2017
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$15,222	\$10,927
Income taxes	4,747	4,500
Non-cash transactions:		
Loans recoveries, net	(18) (127)
Transfer of originated loans held-for-investment to loans held-for-sale at fair value	—	2,009

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, 2018, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2018 or for any other period. 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, 2017, of the Company as filed with the SEC.

Note 2 – Debt Securities Available-for-Sale

The following is a comparative summary of mortgage-backed and other debt securities available-for-sale at June 30, 2018, and December 31, 2017 (in thousands):

	June 30, 2018			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	\$247,743	\$ 581	\$ 5,238	\$243,086
Real estate mortgage investment conduits (REMICs):				
GSE	283,386	95	10,760	272,721
Non-GSE	76	—	1	75
	531,205	676	15,999	515,882
Other debt securities:				
Municipal bonds	276	3	—	279
Corporate bonds	109,801	215	898	109,118
	110,077	218	898	109,397
Total debt securities available-for-sale	\$641,282	\$ 894	\$ 16,897	\$625,279

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	December 31, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
GSE	\$ 179,320	\$ 1,429	\$ 2,454	\$ 178,295
REMICs:				
GSE	273,501	287	6,859	266,929
Non-GSE	80	—	1	79
	452,901	1,716	9,314	445,303
Other debt securities:				
Municipal bonds	343	6	—	349
Corporate bonds	67,927	401	198	68,130
	68,270	407	198	68,479
Total debt securities available-for-sale	\$ 521,171	\$ 2,123	\$ 9,512	\$ 513,782

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at June 30, 2018 (in thousands):

Available-for-sale	Amortized cost	Estimated fair value
Due after one year through five years	\$ 100,189	\$ 99,505
Due after five years through ten years	9,888	9,892
	\$ 110,077	\$ 109,397

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.

Certain securities available-for-sale are pledged or encumbered to secure borrowings under Pledge Agreements and Repurchase Agreements and for other purposes required by law. At June 30, 2018, the fair value of securities available-for-sale that were pledged to secure borrowings and deposits was \$441.2 million.

For the three and six months ended June 30, 2018, the Company had gross proceeds of \$10.1 million and \$29.6 million, respectively, on sales of debt securities available-for-sale, with gross realized gains of \$116,000 and \$176,000 and gross realized losses of \$0 and \$5,000. For the three and six months ended June 30, 2017, the Company had gross proceeds of \$967,000 on sales of debt securities available-for-sale, with no gross realized gains and gross realized losses of \$4,000. The Company recognized net gains of \$197,000 and \$302,000 on its trading securities portfolio during the three and six months ended June 30, 2018, respectively. The Company recognized net gains of \$260,000 and \$668,000, on its trading securities portfolio during the three and six months ended June 30, 2017, respectively.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Gross unrealized losses on mortgage-backed and other debt securities 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, 2018, and December 31, 2017, were as follows (in thousands):

	June 30, 2018					
	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	\$1,538	\$104,219	\$3,700	\$74,599	\$5,238	\$178,818
REMICs:						
GSE	2,720	120,720	8,040	120,653	10,760	241,373
Non-GSE	—	—	1	75	1	75
Other debt securities:						
Corporate bonds	514	75,010	384	14,798	898	89,808
Total	\$4,772	\$299,949	\$12,125	\$210,125	\$16,897	\$510,074
	December 31, 2017					
	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	\$439	\$48,931	\$2,015	\$76,113	\$2,454	\$125,044
REMICs:						
GSE	933	103,644	5,926	139,830	6,859	243,474
Non-GSE	—	—	1	79	1	79
Other debt securities:						
Corporate bonds	61	11,006	137	15,084	198	26,090
Total	\$1,433	\$163,581	\$8,079	\$231,106	\$9,512	\$394,687

The Company held 33 pass-through mortgage-backed securities issued or guaranteed by GSEs, 19 REMIC mortgage-backed securities issued or guaranteed by GSEs, one REMIC mortgage-backed security not issued or guaranteed by a GSE, and three corporate bonds that were in a continuous unrealized loss position of twelve months or greater at June 30, 2018. There were 40 pass-through mortgage-backed securities issued or guaranteed by GSEs, 37 REMIC mortgage-backed securities issued or guaranteed by a GSE, and 13 corporate bonds that were in an unrealized loss position of less than twelve months at June 30, 2018. All securities referred to above were rated investment grade at June 30, 2018. 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. The Company did not recognize any other-than-temporary impairment charges during the three and six months ended June 30, 2018, or June 30, 2017.

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Note 3 – Debt Securities Held-to-Maturity

The following is a summary of debt securities held-to-maturity at June 30, 2018, and December 31, 2017 (in thousands):

	June 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities:				
Pass-through certificates:				
GSEs	\$9,819	\$	—\$ 290	\$ 9,529
Total securities held-to-maturity	\$9,819	\$	—\$ 290	\$ 9,529
	December 31, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Mortgage-backed securities:				
Pass-through certificates:				
GSEs	\$9,931	\$ 17	\$ 56	\$ 9,892
Total securities held-to-maturity	\$9,931	\$ 17	\$ 56	\$ 9,892

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 and six months ended June 30, 2018, or June 30, 2017.

At June 30, 2018, debt securities held-to-maturity with a carrying value of \$7.1 million were pledged to secure borrowings and deposits.

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 June 30, 2018 and December 31, 2017, were as follows (in thousands):

	June 30, 2018					
	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:						
GSEs	\$145	\$ 5,930	\$145	\$ 3,599	\$290	\$ 9,529
Total securities held-to-maturity	\$145	\$ 5,930	\$145	\$ 3,599	\$290	\$ 9,529
	December 31, 2017					
	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:						

Mortgage-backed securities:
Pass-through certificates:

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GSEs	\$7	\$ 3,922	\$49	\$ 3,735	\$56	\$ 7,657
Total securities held-to-maturity	\$7	\$ 3,922	\$49	\$ 3,735	\$56	\$ 7,657

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

The Company held two pass-through mortgage-backed securities held-to-maturity, issued or guaranteed by GSEs that were in a continuous unrealized loss position of greater than twelve months at June 30, 2018, and four pass-through mortgage-backed securities held-to-maturity, issued or guaranteed by GSEs that were in a continuous unrealized loss position of less than twelve months at June 30, 2018. Management evaluated these securities and concluded that the declines in value relate to the general interest rate environment and are considered temporary. The securities cannot be prepaid in a manner that would result in the Company not receiving substantially all of its amortized cost. The Company neither has an intent to sell, nor is it more likely than not that the Company will be required to sell, the securities before the recovery of their amortized cost basis or, if necessary, maturity.

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the collateralized mortgage obligations or other securities deteriorates and our credit enhancement levels do not provide sufficient protections to our contractual principal and interest. As a result, there is a risk that significant other-than-temporary impairments may occur in the future given the current economic environment. The Company did not recognize any other-than-temporary impairment charges in earnings on securities held-to-maturity during the three and six months ended June 30, 2018, or June 30, 2017.

Note 4 – Equity Securities

At both June 30, 2018, and December 31, 2017, equity securities totaled \$1.3 million. Equity securities consist of money market mutual funds, recorded at fair value of \$272,000 and \$323,000, at June 30, 2018, and December 31, 2017, respectively, and an investment in a private Small Business Administration (“SBA”) Loan Fund recorded at net asset value of \$1.0 million at both June 30, 2018, and December 31, 2017. As the SBA Loan Fund operates as a private fund, its shares are not publicly traded and therefore have no readily determinable market value. The investment in the fund is recorded at net asset value as a practical expedient for reporting fair market value. Upon adoption of Accounting Standards Update (“ASU”) No. 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities as of January 1, 2018, the Company reclassified its equity securities out of available-for-sale securities to equity securities on the consolidated balance sheets for all periods presented. For further details on ASU No. 2016-01 see Note 12 - “Recently Issued and Adopted Accounting Pronouncements.”

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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, 2018	December 31, 2017
Real estate loans:		
Multifamily	\$ 1,800,421	\$ 1,735,712
Commercial mortgage	499,518	445,225
One-to-four family residential mortgage	100,257	100,942
Home equity and lines of credit	72,728	66,254
Construction and land	26,983	34,545
Total real estate loans	2,499,907	2,382,678
Commercial and industrial loans	39,682	34,828
Other loans	1,532	1,430
Total commercial and industrial and other loans	41,214	36,258
Deferred loan cost, net	6,799	6,339
Originated loans held-for-investment, net	2,547,920	2,425,275
PCI Loans	21,331	22,741
Loans acquired:		
One-to-four family residential mortgage	265,709	275,053
Multifamily	180,951	199,149
Commercial mortgage	155,250	163,962
Home equity and lines of credit	19,009	20,455
Construction and land	14,999	17,201
Total acquired real estate loans	635,918	675,820
Commercial and industrial loans	14,939	16,946
Other loans	18	37
Total loans acquired, net	650,875	692,803
Loans held-for-investment, net	3,220,126	3,140,819
Allowance for loan losses	(26,882)	(26,160)
Net loans held-for-investment	\$3,193,244	\$ 3,114,659

There were no loans held-for-sale at June 30, 2018, or December 31, 2017.

PCI loans totaled \$21.3 million at June 30, 2018, as compared to \$22.7 million at December 31, 2017. The majority of the PCI loan balance is attributable to those loans acquired as part of a Federal Deposit Insurance Corporation-assisted transaction. The Company accounts for PCI loans utilizing U.S. GAAP applicable to loans acquired with deteriorated credit quality. At June 30, 2018, PCI loans consist of approximately 27% commercial real estate loans and 50% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2017, PCI loans consist of approximately 27% commercial real estate loans and 50% commercial and industrial loans, with the remaining balance in residential and home equity loans.

The following table details the accretion of interest income for PCI loans for the three and six months ended June 30, 2018 and June 30, 2017 (in thousands):

	At or for the three months ended June 30,	At or for the six months ended June 30,

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	2018	2017	2018	2017
Balance at the beginning of period	\$23,412	\$22,763	\$24,502	\$24,215
Accretion into interest income	(1,026)	(1,321)	(2,116)	(2,773)
Balance at end of period	\$22,386	\$21,442	\$22,386	\$21,442

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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, 2018, and June 30, 2017 (in thousands):

Three Months Ended June 30, 2018

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:												
Beginning balance	\$5,213	\$ 455	\$ 463	\$ 17,412	\$ 225	\$ 1,337	\$ 113	\$ —	\$ 25,218	\$ 951	\$ 3	\$ 26,172
Charge-offs	—	—	—	—	—	—	—	—	—	—	—	—
Recoveries	12	—	—	26	—	—	—	38	—	—	2	40
Provisions (credit)	493	(71)	(25)	165	54	65	(6)	—	675	—	(5)	670
Ending balance	\$5,718	\$ 384	\$ 438	\$ 17,603	\$ 279	\$ 1,402	\$ 107	\$ —	\$ 25,931	\$ 951	\$ —	\$ 26,882

Three Months Ended June 30, 2017

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:												
Beginning balance	\$5,231	\$ 649	\$ 165	\$ 16,184	\$ 492	\$ 1,561	\$ 72	\$ —	\$ 24,354	\$ 896	\$ 34	\$ 25,284
Charge-offs	—	—	—	(178)	(104)	—	—	—	(282)	—	(8)	(290)
Recoveries	17	—	—	—	64	17	—	—	98	—	2	100
Provisions (credit)	(12)	(99)	64	630	(89)	(46)	25	—	473	—	38	511
Ending balance	\$5,236	\$ 550	\$ 229	\$ 16,636	\$ 363	\$ 1,532	\$ 97	\$ —	\$ 24,643	\$ 896	\$ 66	\$ 25,605

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Six Months Ended June 30, 2018

Real Estate

	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Other	Unallocated	Originated and Total	Purchased Credit-	Acquired Impaired	Total
Allowance for loan losses:												
Beginning balance	\$5,196	\$ 503	\$ 610	\$ 17,374	\$ 122	\$ 1,273	\$ 94	\$ —	\$ —25,172	\$ 951	\$ 37	\$ 26,160
Charge-offs	(3)	—	—	—	(60)	—	—	—	(63)	—	(1)	(64)
Recoveries	28	—	—	26	—	20	—	—	74	—	8	82
Provisions/(credit)	497	(119)	(172)	203	217	109	13	—	748	—	(44)	704
Ending balance	\$5,718	\$ 384	\$ 438	\$ 17,603	\$ 279	\$ 1,402	\$ 107	\$ —	\$ —25,931	\$ 951	\$ —	\$ 26,882

Six Months Ended June 30, 2017

Real Estate

	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Other	Unallocated	Originated and Total	Purchased Credit-	Acquired Impaired	Total
Allowance for loan losses:												
Beginning balance	\$5,432	\$ 664	\$ 172	\$ 14,952	\$ 588	\$ 1,720	\$ 96	\$ —	\$ —23,624	\$ 896	\$ 75	\$ 24,595
Charge-offs	(4)	—	—	(178)	(104)	—	—	—	(286)	—	(31)	(317)
Recoveries	34	—	—	278	64	64	—	—	440	—	4	444
Provisions/(credit)	(226)	(114)	57	1,584	(185)	(252)	1	—	865	—	18	883
Ending balance	\$5,236	\$ 550	\$ 229	\$ 16,636	\$ 363	\$ 1,532	\$ 97	\$ —	\$ —24,643	\$ 896	\$ 66	\$ 25,605

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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, 2018, and December 31, 2017 (in thousands):

June 30, 2018

Real Estate

	Commercial	One-to-Four Family	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Other	Originated Loans Total	Purchased Credit-Impaired	Acquired Impaired	Total
Allowance for loan losses: Ending balance: individually evaluated for impairment	\$ 13	\$ 18	\$ —	\$ —	\$ 10	\$ 2	\$ —	\$ 43	\$ —	\$ —	\$ 43
Ending balance: collectively evaluated for impairment	\$ 5,705	\$ 366	\$ 438	\$ 17,603	\$ 269	\$ 1,400	\$ 107	\$ 25,888	\$ 951	\$ —	\$ 26,839
Loans, net: Ending balance	\$ 500,051	\$ 101,354	\$ 27,048	\$ 1,803,834	\$ 74,324	\$ 39,776	\$ 1,533	\$ 2,547,920	\$ 21,331	\$ 650,875	\$ 3,220,126
Ending balance: individually evaluated for impairment	\$ 15,707	\$ 1,947	\$ —	\$ 1,275	\$ 65	\$ 152	\$ —	\$ 19,146	\$ —	\$ 944	\$ 20,090
Ending balance: collectively evaluated for impairment	\$ 484,344	\$ 99,407	\$ 27,048	\$ 1,802,559	\$ 74,259	\$ 39,624	\$ 1,533	\$ 2,528,774	\$ 21,331	\$ 649,931	\$ 3,200,036

December 31, 2017

Real Estate

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

Allowance for loan losses: Ending balance: individually evaluated for impairment	\$—	\$38	\$—	\$—	\$4	\$3	\$—	\$45	\$—	\$37	\$82
Ending balance: collectively evaluated for impairment	\$5,196	\$465	\$610	\$17,374	\$118	\$1,270	\$94	\$25,127	\$951	\$—	\$26,078
Loans, net: Ending balance	\$445,781	\$101,650	\$34,620	\$1,739,220	\$67,679	\$34,893	\$1,432	\$2,425,275	\$22,741	\$692,803	\$3,140,819
Ending balance: individually evaluated for impairment	\$16,008	\$1,996	\$—	\$1,310	\$69	\$159	\$—	\$19,542	\$—	\$1,543	\$21,085
Ending balance: collectively evaluated for impairment	\$429,773	\$99,654	\$34,620	\$1,737,910	\$67,610	\$34,734	\$1,432	\$2,405,733	\$22,741	\$691,260	\$3,119,734

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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, 2018, and December 31, 2017 (in thousands):

June 30, 2018

Real Estate

	Multifamily		Commercial		One-to-Four Family		Construction and Land	Home Equity and Lines of Credit	Commercial and Industrial	Other	Total
	< 35% LTV	=> 35% LTV	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV					
	Internal Risk Rating										
Pass	\$139,016	\$1,662,881	\$71,628	\$416,297	\$59,099	\$39,571	\$27,048	\$74,079	\$39,064	\$1,533	\$2,530
Special Mention	—	626	402	1,158	672	—	—	27	538	—	3,423
Substandard	—	1,311	—	10,566	1,434	578	—	218	174	—	14,281
Originated loans held-for-investment, net	\$139,016	\$1,664,818	\$72,030	\$428,021	\$61,205	\$40,149	\$27,048	\$74,324	\$39,776	\$1,533	\$2,547

December 31, 2017

Real Estate

	Multifamily		Commercial		One-to-Four Family		Construction and Land	Home Equity and Lines of Credit	Commercial and Industrial	Other	Total
	< 35% LTV	=> 35% LTV	< 35% LTV	=> 35% LTV	< 60% LTV	=> 60% LTV					
	Internal Risk Rating										
Pass	\$131,792	\$1,603,947	\$84,620	\$346,857	\$60,400	\$38,504	\$34,620	\$67,426	\$34,141	\$1,432	\$2,403
Special Mention	—	1,897	410	2,170	683	—	—	28	571	—	5,759
Substandard	—	1,584	—	11,724	1,470	593	—	225	181	—	15,777
Originated loans held-for-investment, net	\$131,792	\$1,607,428	\$85,030	\$360,751	\$62,553	\$39,097	\$34,620	\$67,679	\$34,893	\$1,432	\$2,425

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Included in loans receivable (including loans held-for-sale) 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 \$6.4 million and \$5.5 million at June 30, 2018, and December 31, 2017, 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 \$3.3 million and \$3.1 million at June 30, 2018, and December 31, 2017, 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 \$3.1 million and \$2.4 million at June 30, 2018, and December 31, 2017, respectively. There were no non-accrual loans held-for-sale at June 30, 2018 and December 31, 2017. There were no loans past due 90 days or more and still accruing interest at June 30, 2018. Loans past due 90 days or more and still accruing interest were \$28,000 at December 31, 2017, 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, 2018, and December 31, 2017, 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):

	June 30, 2018					
	Total Non-Performing Loans					
	Non-Accruing Loans					
	0-29	30-89	90		90 Days	Total
	Days	Days	Days	Total	or More	Total
	Past	Past	or		Past Due	Non-Performing
	Due	Due	Past		and	Loans
			Due		Accruing	
Loans held-for-investment:						
Real estate loans:						
Commercial						
LTV => 35%						
Substandard	\$—	\$719	\$2,304	\$3,023	\$—	\$ 3,023
Total commercial	—	719	2,304	3,023	—	3,023
One-to-four family residential						
LTV < 60%						
Substandard	—	442	77	519	—	519
Total	—	442	77	519	—	519
LTV => 60%						
Substandard	—	—	36	36	—	36
Total one-to-four family residential	—	442	113	555	—	555
Home equity and lines of credit						
Substandard	77	—	—	77	—	77
Total home equity and lines of credit	77	—	—	77	—	77
Commercial and industrial loans						
Substandard	—	—	72	72	—	72
Total commercial and industrial loans	—	—	72	72	—	72
Total non-performing loans held-for-investment, originated	77	1,161	2,489	3,727	—	3,727
Loans acquired:						
Real estate loans:						
Commercial						
LTV < 35%						
Substandard	—	—	291	291	—	291
LTV => 35%						
Substandard	519	250	537	1,306	—	1,306
Total commercial	519	250	828	1,597	—	1,597
One-to-four family residential						
LTV < 60%						
Substandard	—	200	85	285	—	285
LTV => 60%						
Substandard	—	—	124	124	—	124

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Total one-to-four family residential	—	200	209	409	—	409
Multifamily						
LTV < 35%						
Substandard	—	—	152	152	—	152
LTV => 35%						
Substandard	—	416	—	416	—	416
Total multifamily	—	416	152	568	—	568
Home equity and lines of credit						
Substandard	—	28	49	77	—	77
Total home equity and lines of credit	—	28	49	77	—	77
Total non-performing loans acquired	519	894	1,238	2,651	—	2,651
Total non-performing loans	\$596	\$2,055	\$3,727	\$6,378	\$	—\$ 6,378

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	December 31, 2017					
	Total Non-Performing Loans					
	Non-Accruing Loans			Total	90 Days or More Past Due and Accruing	Total Non-Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	90 Days or More Past Due			
Loans held-for-investment:						
Real estate loans:						
Commercial						
LTV => 35%						
Substandard	\$432	\$314	\$2,305	\$3,051	\$ —	\$ 3,051
Total commercial	432	314	2,305	3,051	—	3,051
One-to-four family residential						
LTV < 60%						
Substandard	—	206	328	534	—	534
LTV => 60%						
Substandard	—	—	39	39	—	39
Total one-to-four family residential	—	206	367	573	—	573
Home equity and lines of credit						
Substandard	79	—	—	79	—	79
Total home equity and lines of credit	79	—	—	79	—	79
Commercial and industrial loans						
Substandard	—	—	72	72	—	72
Total commercial and industrial loans	—	—	72	72	—	72
Total non-performing loans held-for-investment, originated	511	520	2,744	3,775	—	3,775
Loans acquired:						
Real estate loans:						
Commercial						
LTV < 35%						
Substandard	—	—	205	205	—	205
LTV => 35%						
Substandard	—	773	58	831	—	831
Total commercial	—	773	263	1,036	—	1,036
One-to-four family residential						
LTV < 60%						
Substandard	—	201	—	201	27	228
Total one-to-four family residential	—	201	—	201	27	228
Multifamily						
LTV => 35%						
Substandard	—	417	—	417	—	417
Total multifamily	—	417	—	417	—	417
Home equity and lines of credit						
Substandard	—	28	49	77	—	77

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Total home equity and lines of credit	—	28	49	77	—	77
Commercial and industrial loans						
Substandard	—	—	2	2	—	2
Total commercial and industrial loans	—	—	2	2	—	2
Other loans - Pass	—	—	—	—	1	1
Total non-performing loans acquired	—	1,419	314	1,733	28	1,761
Total non-performing loans	\$511	\$1,939	\$3,058	\$5,508	\$ 28	\$ 5,536

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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, 2018, and December 31, 2017 (in thousands):

	June 30, 2018				
	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	\$71,628	\$ —	\$ 71,628	\$ —	\$ 71,628
Special Mention	—	402	402	—	402
Total	71,628	402	72,030	—	72,030
LTV => 35%					
Pass	414,716	1,581	416,297	—	416,297
Special Mention	1,158	—	1,158	—	1,158
Substandard	7,543	—	7,543	3,023	10,566
Total	423,417	1,581	424,998	3,023	428,021
Total commercial	495,045	1,983	497,028	3,023	500,051
One-to-four family residential					
LTV < 60%					
Pass	56,690	2,409	59,099	—	59,099
Special Mention	—	672	672	—	672
Substandard	915	—	915	519	1,434
Total	57,605	3,081	60,686	519	61,205
LTV => 60%					
Pass	39,335	236	39,571	—	39,571
Substandard	319	223	542	36	578
Total	39,654	459	40,113	36	40,149
Total one-to-four family residential	97,259	3,540	100,799	555	101,354
Construction and land					
Pass	27,046	2	27,048	—	27,048
Total construction and land	27,046	2	27,048	—	27,048
Multifamily					
LTV < 35%					
Pass	138,715	301	139,016	—	139,016
Total	138,715	301	139,016	—	139,016
LTV => 35%					
Pass	1,662,881	—	1,662,881	—	1,662,881
Special Mention	626	—	626	—	626
Substandard	81	1,230	1,311	—	1,311
Total	1,663,588	1,230	1,664,818	—	1,664,818
Total multifamily	1,802,303	1,531	1,803,834	—	1,803,834

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Home equity and lines of credit					
Pass	73,983	96	74,079	—	74,079
Special Mention	27	—	27	—	27
Substandard	141	—	141	77	218
Total home equity and lines of credit	74,151	96	74,247	77	74,324
Commercial and industrial					
Pass	39,057	7	39,064	—	39,064
Special Mention	501	37	538	—	538
Substandard	102	—	102	72	174
Total commercial and industrial	39,660	44	39,704	72	39,776

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	June 30, 2018				
	Performing (Accruing) Loans				
	(Continued)				
	0-29 Days	30-89	Total	Non-Performing	Total Loans
	Past Due	Days		Loans	Receivable,
		Past			net
		Due			
Other loans - Pass	1,524	9	1,533	—	1,533
Total originated loans held-for-investment	2,536,988	7,205	2,544,193	3,727	2,547,920
Acquired loans:					
Real estate loans:					
One-to-four family residential					
LTV < 60%					
Pass	240,125	2,069	242,194	—	242,194
Special Mention	429	—	429	—	429
Substandard	64	13	77	285	362
Total	240,618	2,082	242,700	285	242,985
LTV => 60%					
Pass	22,068	532	22,600	—	22,600
Substandard	—	—	—	124	124
Total	22,068	532	22,600	124	22,724
Total one-to-four family residential	262,686	2,614	265,300	409	265,709
Commercial					
LTV < 35%					
Pass	52,486	—	52,486	—	52,486
Special Mention	88	70	158	—	158
Substandard	—	84	84	291	375
Total	52,574	154	52,728	291	53,019
LTV => 35%					
Pass	92,790	3,945	96,735	—	96,735
Special Mention	—	131	131	—	131
Substandard	3,639	420	4,059	1,306	5,365
Total	96,429	4,496	100,925	1,306	102,231
Total commercial	149,003	4,650	153,653	1,597	155,250
Construction and land					
Pass	14,999	—	14,999	—	14,999
Total construction and land	14,999	—	14,999	—	14,999
Multifamily					
LTV < 35%					
Pass	172,481	—	172,481	—	172,481
Special Mention	—	65	65	—	65
Substandard	—	—	—	152	152
Total	172,481	65	172,546	152	172,698
LTV => 35%					
Pass	7,837	—	7,837	—	7,837
Substandard	—	—	—	416	416
Total	7,837	—	7,837	416	8,253

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Total multifamily	180,318	65	180,383	568	180,951
Home equity and lines of credit					
Pass	18,832	18	18,850	—	18,850
Substandard	82	—	82	77	159
Total home equity and lines of credit	18,914	18	18,932	77	19,009
Commercial and industrial					
Pass	14,939	—	14,939	—	14,939
Total commercial and industrial	14,939	—	14,939	—	14,939
Other loans - Pass	18	—	18	—	18
Total loans acquired	640,877	7,347	648,224	2,651	650,875
	\$3,177,865	\$14,552	\$3,192,417	\$ 6,378	\$3,198,795

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	December 31, 2017				
	Performing (Accruing) Loans				
	0-29 Days	30-89	Total	Non-Performing	Total Loans
	Past Due	Days		Loans	Receivable,
		Past			net
		Due			
Loans held-for-investment:					
Real estate loans:					
Commercial					
LTV < 35%					
Pass	\$84,620	\$—	\$84,620	—	\$84,620
Special Mention	—	410	410	—	410
Total	84,620	410	85,030	—	85,030
LTV => 35%					
Pass	346,229	628	346,857	—	346,857
Special Mention	832	1,338	2,170	—	2,170
Substandard	7,675	998	8,673	3,051	11,724
Total	354,736	2,964	357,700	3,051	360,751
Total commercial	439,356	3,374	442,730	3,051	445,781
One-to-four family residential					
LTV < 60%					
Pass	57,907	2,493	60,400	—	60,400
Special Mention	—	683	683	—	683
Substandard	322	614	936	534	1,470
Total	58,229	3,790	62,019	534	62,553
LTV => 60%					
Pass	38,504	—	38,504	—	38,504
Substandard	554	—	554	39	593
Total	39,058	—	39,058	39	39,097
Total one-to-four family residential	97,287	3,790	101,077	573	101,650
Construction and land					
Pass	34,614	6	34,620	—	34,620
Total construction and land	34,614	6	34,620	—	34,620
Multifamily					
LTV < 35%					
Pass	131,488	304	131,792	—	131,792
Total	131,488	304	131,792	—	131,792
LTV => 35%					
Pass	1,603,714	233	1,603,947	—	1,603,947
Special Mention	638	1,259	1,897	—	1,897
Substandard	83	1,501	1,584	—	1,584
Total	1,604,435	2,993	1,607,428	—	1,607,428
Total multifamily	1,735,923	3,297	1,739,220	—	1,739,220
Home equity and lines of credit					
Pass	67,426	—	67,426	—	67,426
Special Mention	28	—	28	—	28
Substandard	146	—	146	79	225

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Total home equity and lines of credit	67,600	—	67,600	79	67,679
Commercial and industrial loans					
Pass	34,003	138	34,141	—	34,141
Special Mention	547	24	571	—	571
Substandard	109	—	109	72	181
Total commercial and industrial loans	34,659	162	34,821	72	34,893
Other loans - Pass	1,403	29	1,432	—	1,432
Total originated loans held-for-investment	\$2,410,842	\$10,658	\$2,421,500	\$ 3,775	\$2,425,275

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	December 31, 2017				
	Performing (Accruing) Loans				Total Loans
	0-29 Days	30-89	Total	Non-Performing	Receivable,
	Past Due	Days		Loans	net
		Past			
		Due			
Loans Acquired					
Real estate loans:					
One-to-four family residential					
LTV < 60%					
Pass	250,149	224	250,373	—	250,373
Special Mention	455	—	455	—	455
Substandard	417	150	567	228	795
Total	251,021	374	251,395	228	251,623
LTV => 60%					
Pass	23,295	—	23,295	—	23,295
Substandard	135	—	135	—	135
Total	23,430	—	23,430	—	23,430
Total one-to-four family residential	274,451	374	274,825	228	275,053
Commercial					
LTV < 35%					
Pass	50,035	70	50,105	—	50,105
Special Mention	91	—	91	—	91
Substandard	—	181	181	205	386
Total	50,126	251	50,377	205	50,582
LTV => 35%					
Pass	108,125	158	108,283	—	108,283
Special Mention	—	133	133	—	133
Substandard	3,703	430	4,133	831	4,964
Total	111,828	721	112,549	831	113,380
Total commercial	161,954	972	162,926	1,036	163,962
Construction and land					
Pass	17,201	—	17,201	—	17,201
Total construction and land	17,201	—	17,201	—	17,201
Multifamily					
LTV < 35%					
Pass	189,551	—	189,551	—	189,551
Special Mention	78	—	78	—	78
Substandard	153	—	153	—	153
Total	189,782	—	189,782	—	189,782
LTV => 35%					
Pass	8,950	—	8,950	—	8,950
Substandard	—	—	—	417	417
Total	8,950	—	8,950	417	9,367
Total multifamily	198,732	—	198,732	417	199,149
Home equity and lines of credit					
Pass	20,291	—	20,291	—	20,291

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Substandard	87	—	87	77	164
Total home equity and lines of credit	20,378	—	20,378	77	20,455
Commercial and industrial loans					
Pass	16,904	40	16,944	—	16,944
Substandard	—	—	—	2	2
Total commercial and industrial loans	16,904	40	16,944	2	16,946
Other	36	—	36	1	37
Total loans acquired	689,656	1,386	691,042	1,761	692,803
	\$3,100,498	\$12,044	\$3,112,542	\$ 5,536	\$3,118,078

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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, 2018, and December 31, 2017 (in thousands):

	June 30, 2018			December 31, 2017		
	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	4,632	5,519	—	6,263	7,150	—
Substandard	9,608	10,423	—	9,745	10,560	—
One-to-four family residential						
LTV < 60%						
Pass	1,571	1,640	—	1,189	1,254	—
Substandard	241	241	—	251	251	—
LTV => 60%						
Pass	132	159	—	136	161	—
Substandard	124	276	—	135	286	—
Multifamily						
LTV < 35%						
Substandard	152	152	—	153	153	—
LTV => 35%						
Pass	45	515	—	1,309	1,780	—
Substandard	1,230	1,230	—	—	—	—
Home equity and lines of credit						
Pass	31	31	—	33	33	—
Commercial and industrial loans						
Substandard	129	129	—	135	135	—
With a Related Allowance						
Recorded:						
Real estate loans:						
Commercial						
LTV => 35%						
Pass	1,467	1,467	(13)	—	—	—
One-to-four family residential						
LTV < 60%						
Pass	—	—	—	411	411	(7)
Substandard	671	671	(18)	997	997	(49)
LTV => 60%						
Pass	—	—	—	268	268	(19)
Home equity and lines of credit						
Substandard	34	34	(10)	36	36	(4)
Commercial and industrial loans						
Special Mention	23	23	(2)	24	24	(3)

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Total:

Real estate loans

Commercial	15,707	17,548	(13)	16,008	17,849	—
One-to-four family residential	2,739	2,987	(18)	3,387	3,628	(75)
Multifamily	1,427	1,897	—		1,462	1,933	—
Home equity and lines of credit	65	65	(10)	69	69	(4)
Commercial and industrial loans	152	152	(2)	159	159	(3)
	\$20,090	\$22,649	\$ (43)	\$21,085	\$23,638	\$ (82)

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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

Included in the above table at June 30, 2018, are impaired loans with carrying balances of \$13.2 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, 2017, 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, 2018, and December 31, 2017, 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 and six months ended June 30, 2018, and June 30, 2017 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment	Average Recorded Investment
	Interest Income	Interest Income	Interest Income	Interest Income
With No Allowance Recorded:				
Real estate loans:				
Commercial				
LTV < 35%				
Substandard	\$-\$	—\$ —\$ 16	\$-\$	—\$ —\$ 22
LTV => 35%				
Pass	4,665	5,836	5,197	5,194
Substandard	9,650	12,512	9,650	13,228
One-to-four family residential				
LTV < 60%				
Pass	1,373	622	1,312	626
Substandard	246	585	248	451
LTV => 60%				
Pass	267	—	223	—
Substandard	129	278	133	392
Multifamily				
LTV < 35%				
Substandard	152	154	152	155
LTV => 35%				
Pass	464	58	468	60
Substandard	1,237	—	823	—
Home equity and lines of credit				
Pass	31	37	32	38
Commercial and industrial loans				
Substandard	134	143	132	120
With a Related Allowance Recorded:				
Real estate loans:				
Commercial				
LTV => 35%				
Pass	1,476	—	984	—
Substandard	—	—	—	673

One-to-four family residential

LTV < 60%

Pass	20 2	— —	273	— —
Substandard	674	1,39 9	78 8	1,43 9 9

LTV => 60%

Pass	—	272 6	89—	273 10
Substandard	—	189 —	—	253 —

Multifamily

LTV => 35%

Pass	—	1,28 8	—	1,29 6 0
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NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	Three Months Ended				Six Months Ended			
	June 30, 2018		June 30, 2017		June 30, 2018		June 30, 2017	
	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income	Average Recorded Investment	Interest Income
Substandard	—	—	450	—	—	—	300	—
Home equity and lines of credit								
Pass	—	—	254	2	—	—	255	3
Substandard	35	—	38	—	35	1	38	1
Commercial and industrial loans								
Special Mention	23	—	26	—	23	1	26	—
Total:								
Real estate loans								
Commercial	15,790	160	18,393	213	15,862	319	19,165	410
One-to-four family residential	2,894	24	3,344	34	3,058	50	3,434	66
Multifamily	1,435	21	1,951	14	1,444	38	1,811	31
Home equity and lines of credit	66	—	329	2	67	2	331	5
Commercial and industrial loans	154	—	169	—	155	1	146	—
	\$20,339	\$ 205	\$24,186	\$ 263	\$20,586	\$ 410	\$24,887	\$ 512

There were no loans modified as troubled debt restructurings (TDRs) during the three and six months ended June 30, 2018 and 2017.

At June 30, 2018, and December 31, 2017, we had TDRs of \$17.3 million and \$18.3 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 an 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 management firm that specializes 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, 2018, there were no TDR loans that were restructured during the preceding twelve months ended June 30, 2018, that 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, 2018	December 31, 2017
Non-interest-bearing demand	\$411,427	\$ 407,267
Interest-bearing negotiable orders of withdrawal (NOW)	421,167	465,140
Savings and money market	1,162,218	1,225,643
Certificates of deposit	972,469	738,929
Total deposits	\$2,967,281	\$ 2,836,979

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

	Three Months Ended June 30, 2018		Six Months Ended June 30, 2017	
Negotiable orders of withdrawal, savings, and money market	\$2,312	\$2,079	\$4,455	\$4,109
Certificates of deposit	3,738	1,820	6,806	3,410
Total interest expense on deposit accounts	\$6,050	\$3,899	\$11,261	\$7,519

Note 7 – Equity Incentive Plan

The following table is a summary of the Company's stock options outstanding as of June 30, 2018, 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, 2017	4,620,687	\$ 3.51	\$ 11.82	5.17
Forfeited	(19,378)	2.99	9.84	—
Exercised	(1,105,157)	2.48	7.69	—
Outstanding - June 30, 2018	3,496,152	3.83	13.14	5.81
Exercisable - June 30, 2018	2,661,611	3.77	12.77	5.52

Expected future stock option expense related to the non-vested options outstanding as of June 30, 2018, is \$2.7 million over a weighted average period of 1.46 years.

The following is a summary of the status of the Company's restricted stock awards as of June 30, 2018, and changes therein during the six months then ended.

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2017	585,895	\$