

Northfield Bancorp, Inc.  
Form 10-K  
March 16, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K**

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2010**
- or**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from        to**

**Commission File No. 001-33732**

**Northfield Bancorp, Inc.**

*(Exact name of registrant as specified in its charter)*

**United States of America**  
*(State or other jurisdiction of  
incorporation or organization)*

**42-1572539**  
*(I.R.S. Employer  
Identification No.)*

**1410 St. Georges Avenue, Avenel, New Jersey**  
*(Address of Principal Executive Offices)*

**07001**  
*Zip Code*

**(732) 499-7200**

*(Registrant's telephone number, including area code)*

**Securities Registered Pursuant to Section 12(b) of the Act:**

**Title of Each Class**

**Name of Each Exchange on Which Registered**

Common Stock, par value \$0.01 per share

The NASDAQ Stock Market, LLC

**Securities Registered Pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES  NO

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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES  NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to price at which the common equity was last sold on June 30, 2010 was \$230,793,136.

As of March 10, 2011, there were outstanding 43,104,421 shares of the Registrant's common stock.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Proxy Statement for the 2011 Annual Meeting of Stockholders of the Registrant (Part III).

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**NORTHFIELD BANCORP, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
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**PART I**

**ITEM 1. BUSINESS**

**Forward Looking Statements**

This Annual Report contains certain forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, and similar expressions. These forward looking statements include:

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

These forward-looking statements are subject to significant risks, assumptions, and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- significantly increased competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our interest margins or reduce the fair value of financial instruments;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- adverse changes in the securities markets;
- legislative or regulatory changes that adversely affect our business;
- our ability to enter new markets successfully and take advantage of growth opportunities, and the possible dilutive effect of potential acquisitions or *de novo* branches, if any;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by bank regulatory agencies, the Financial Accounting Standards Board (FASB), or other promulgating authorities;
- inability of third-party providers to perform their obligations to us; and
- changes in our organization, compensation, and benefit plans.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

**Northfield Bancorp, MHC**

Northfield Bancorp, MHC is a federally-chartered mutual holding company and owns approximately 57% of the outstanding shares of common stock of Northfield Bancorp, Inc., as of December 31, 2010. Northfield Bancorp, MHC has not engaged in any significant business activity other than owning the common stock of Northfield Bancorp, Inc., and does not intend to expand its business activities at this time. So long as Northfield Bancorp, MHC exists, it is required to own a majority of the voting stock of Northfield Bancorp, Inc. The home office of Northfield Bancorp, MHC is located at 1731 Victory Boulevard, Staten Island, New York, and its telephone number is (718) 448-1000. Northfield Bancorp, MHC is subject to comprehensive regulation and examination by the Office of Thrift Supervision.

**Northfield Bancorp, Inc.**

Northfield Bancorp, Inc. is a federal corporation that completed its initial public stock offering on November 7, 2007. Northfield Bancorp, Inc.'s home office is located at 1410 St. Georges Avenue, Avenel, New Jersey 07001 and its telephone number is (732) 499-7200. Northfield Bancorp, Inc.'s significant business

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activities have been holding the common stock of Northfield Bank (the Bank) and investing the proceeds from its initial public offering. Northfield Bancorp, Inc., as the holding company of Northfield Bank, is authorized to pursue other business activities permitted by applicable laws and regulations for subsidiaries of federally-chartered mutual holding companies, which may include the acquisition of banking and financial services companies. In addition to the Bank, Northfield Bancorp, Inc. also owns Northfield Investments, Inc., a New Jersey investment company, which currently is inactive. When we use the term Company, we, or our we are referring to the activities of Northfield Bancorp, Inc. and its consolidated subsidiaries. When we refer to the holding company we are referring to the stand-alone activities of Northfield Bancorp, Inc. When we refer to the Bank we are referring to the activities of Northfield Bank and its consolidated subsidiaries.

Holding Company cash flow depends on earnings on our investments and from dividends received from Northfield Bank. Northfield Bancorp, Inc. neither owns nor leases any property from outside parties, but instead uses the premises, equipment, and furniture of Northfield Bank. At the present time, we employ as officers only certain persons who are also officers of Northfield Bank and we use the support staff of Northfield Bank from time to time. These persons are not separately compensated by Northfield Bancorp, Inc. Northfield Bancorp, Inc. reimburses Northfield Bank for significant costs incurred by the Bank on its behalf. Northfield Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its business in the future.

## **Northfield Bank**

Northfield Bank was organized in 1887 and is a federally chartered savings bank. Northfield Bank conducts business primarily from its home office located at 1731 Victory Boulevard, Staten Island, New York, its operations center located at 581 Main Street, Woodbridge, NJ, and its 19 additional branch offices located in New York and New Jersey. The branch offices are located in the New York counties of Richmond (Staten Island) and Kings (Brooklyn) and the New Jersey counties of Union and Middlesex. The telephone number at Northfield Bank's home office is (718) 448-1000.

Northfield Bank's principal business consists of gathering deposits, and to a lesser extent, borrowing funds, and using such funds to originate multifamily real estate loans and commercial real estate loans, purchase investment securities including mortgage-backed securities and corporate bonds, as well as deposit funds in other financial institutions. Northfield Bank also offers construction and land loans, commercial and industrial loans, one- to four-family residential mortgage loans, and home equity loans and lines of credit. Northfield Bank offers a variety of deposit accounts, including certificates of deposit, passbook, statement, and money market savings accounts, transaction deposit accounts (Negotiable Orders of Withdrawal (NOW) accounts and non-interest bearing demand accounts), individual retirement accounts, and to a lesser extent when it is deemed cost effective, brokered deposits. Deposits are Northfield Bank's primary source of funds for its lending and investing activities. Northfield Bank also uses borrowed funds as a source of funds, principally from the securities sold under agreements to repurchase (repurchase agreements) with third party financial institutions and Federal Home Loan Bank of New York (FHLB) advances. In addition to traditional banking services, Northfield Bank offers insurance products through NSB Insurance Agency, Inc. Northfield Bank owns 100% of NSB Services Corp., which, in turn, owns 100% of the voting common stock of a real estate investment trust, NSB Realty Trust, which holds primarily mortgage loans and other real estate related investments.

## **Available Information**

Northfield Bancorp, Inc. is a public company, and files interim, quarterly, and annual reports with the Securities and Exchange Commission. These respective reports are on file and a matter of public record with the Securities and Exchange Commission and may be read and copied at the Securities and Exchange Commission's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the

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Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (<http://www.sec.gov>).



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Our website address is [www.eNorthfield.com](http://www.eNorthfield.com). Information on our website should not be considered a part of this annual report.

## **Market Area and Competition**

We have been in business for over 123 years, offering a variety of financial products and services to meet the needs of the communities we serve. Our retail banking network consists of multiple delivery channels including full-service banking offices, automated teller machines, mobile, and telephone and internet banking capabilities. We consider our competitive products and pricing, branch network, reputation for superior customer service and financial strength, as our major strengths in attracting and retaining customers in our market areas.

We face intense competition in our market areas both in making loans and attracting deposits. Our market areas have a high concentration of financial institutions, including large money center and regional banks, community banks, and credit unions. We face additional competition for deposits from money market funds, brokerage firms, mutual funds, and insurance companies. Some of our competitors offer products and services that we do not offer, such as trust services and private banking.

Our deposit sources are primarily concentrated in the communities surrounding our banking offices in the New York Counties of Richmond (Staten Island) and Kings (Brooklyn), and Union and Middlesex Counties in New Jersey. As of June 30, 2010 (the latest date for which information is publicly available), we ranked fifth in deposit market share, with a 10.59% market share in Staten Island, and a 0.16% market share in Brooklyn, New York. In Middlesex and Union Counties in New Jersey, as of June 30, 2010, we had a combined market share of 0.82%.

While the disruption in the financial markets has negatively impacted the banking industry, it has created other opportunities for the Bank. With many lenders reducing their lending, we continued lending to qualified borrowers and increased the number of new customers and new loans. While our lending has increased in the current environment, we remain focused on maintaining our loan underwriting standards. We do not originate or purchase sub-prime loans, negative amortization loans or option ARM loans. The slow recovery of the economy could make it more difficult in the future to maintain the loan growth we experienced during 2010.

## **Lending Activities**

Our principal lending activity is the origination of multifamily real estate loans and, to a lesser extent, commercial real estate loans. We also originate one- to four-family residential real estate loans, construction and land loans, commercial and industrial loans, and home equity loans and lines of credit. In October 2009, we began to offer loans to finance premiums on insurance policies, including commercial property and casualty insurance, and professional liability insurance.

*Loan Originations, Purchases, Sales, Participations, and Servicing.* All loans we originate for our portfolio are underwritten pursuant to our policies and procedures. In addition, all loans we originate under an origination assistance agreement with PHH Mortgage (PHH), conform to secondary market underwriting standards, whereby PHH processes and underwrites one- to four-family residential real estate loans, we fund the loans at origination, and elect to either portfolio the loan or sell it to PHH. Prior to entering into the origination assistance agreement with PHH in 2010, the Bank was a participating seller/servicer with Freddie Mac, and generally underwrote its one- to four-family residential real estate loans to conform with Freddie Mac standards. We may, based on proper approvals, approve loans with exceptions to our policies and procedures. We originate both adjustable-rate and fixed-rate loans. Our ability to originate fixed- or adjustable-rate loans is dependent on the relative customer demand for such loans, which is affected by various factors including current market interest rates as well as anticipated future market interest rates. Our loan origination and sales activity may be adversely affected by a rising interest rate environment that

typically results in decreased loan demand. All of our one- to four-family residential real estate loans are now generated through the origination assistance agreement we have in place with PHH. Our home equity loans and lines of credit typically are generated through direct mail advertisements, newspaper advertisements, and referrals from

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branch personnel. A significant portion of our commercial real estate loans and multifamily real estate loans are generated by referrals from loan brokers, accountants, and other professional contacts.

We generally retain in our portfolio all adjustable-rate loans we originate, as well as shorter-term, fixed-rate residential loans (terms of 10 years or less). Loans we sell consist primarily of conforming, longer-term, fixed-rate residential loans. We sold \$5.7 million of one- to four-family residential real estate loans (generally fixed-rate loans, with terms of 15 years or longer) during the year ended December 31, 2010, and had \$1.2 million of loans held-for-sale at December 31, 2010.

We sell our loans without recourse, except for standard representations and warranties provided in secondary market transactions. Currently, we do not retain any servicing rights on one- to four-family residential real estate loans we sell. At December 31, 2010, we were servicing loans owned by others which consisted of \$52.1 million of one- to four-family residential real estate loans. Historically, the origination of loans held for sale and related servicing activity has not been material to our operations. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, contacting delinquent borrowers, supervising foreclosures and property dispositions in the event of unremediated defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. We retain a portion of the interest paid by the borrower on the loans we service as consideration for our servicing activities.

During the fourth quarter of 2009, the Company purchased approximately \$35.4 million in insurance premium loans, and began offering these loans.

*Loan Approval Procedures and Authority.* Northfield Bank's lending activities follow written, non-discriminatory underwriting standards established by the Bank's board of directors. The loan approval process is intended to assess the borrower's ability to repay the loan and value of the collateral that will secure the loan, if any. To assess the borrower's ability to repay, we review the borrower's employment and credit history, and information on the historical and projected income and expenses of the borrower.

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

The board of directors maintains a loan committee consisting of five bank directors to periodically review and recommend for approval the Company's policies related to lending (collectively, the loan policies) as prepared by management; approve or reject loan applicants meeting certain criteria; monitor loan quality including concentrations, and certain other aspects of the lending functions of the Company, as applicable. Northfield Bank's lending officers have individual lending authority that is approved by the board of directors.

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*Loan Portfolio Composition.* The following table sets forth the composition of our loan portfolio, by type of loan at the dates indicated, excluding loans held for sale of \$1.2 million, \$0, \$0, \$270,000, and \$125,000 at December 31, 2010, 2009, 2008, 2007, and 2006, respectively.

	2010		2009		At December 31, 2008		2007		2006
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	(Dollars in thousands)								
Loans:									
One-family	\$ 339,321	41.04%	\$ 327,802	44.99%	\$ 289,123	49.05%	\$ 243,902	57.50%	\$ 207,680
Two- and three-family	78,032	9.44	90,898	12.48	103,128	17.49	95,246	22.45	107,572
Commercial	35,054	4.24	44,548	6.11	52,158	8.85	44,850	10.57	52,124
Construction	283,588	34.30	178,401	24.48	108,534	18.41	14,164	3.34	13,276
Other	28,125	3.40	26,118	3.58	24,182	4.10	12,797	3.02	13,922
Loans with interest rate premium	17,020	2.06	19,252	2.64	11,025	1.87	11,397	2.69	11,022
	44,517	5.39	40,382	5.54					
	1,062	0.13	1,299	0.18	1,339	0.23	1,842	0.43	3,597
	826,719	100.00%	728,700	100.00%	589,489	100.00%	424,198	100.00%	409,193
Loan costs	872		569		495		131		(4)
Loan fees	(21,819)		(15,414)		(8,778)		(5,636)		(5,030)
Investment	\$ 805,772		\$ 713,855		\$ 581,206		\$ 418,693		\$ 404,159

*Loan Portfolio Maturities.* The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2010. Demand loans (loans having no stated repayment schedule or maturity) and overdraft loans are reported as being due in the year ending December 31, 2011. Maturities are based on the final contractual payment date and do not reflect the effect of prepayments and scheduled principal amortization.

	Commercial Real Estate		One- to Four-Family Residential		Construction and Land		Multifamily	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate

**(Dollars in thousands)**

Due during the years ending December 31,									
2011	\$ 11,132	6.38%	\$ 1,773	6.99%	\$ 24,679	6.39%	\$ 4,619	5.55%	
2012	8,425	5.50	590	5.83	1,916	6.74	1,282	6.06	
2013	2,588	6.47	629	5.14			1,846	6.58	
2014 to 2015	1,962	7.10	1,457	6.02	378	6.43	2,392	6.42	
2016 to 2020	8,795	6.29	17,838	5.25	138	7.75	6,090	6.67	
2021 to 2025	30,289	6.30	7,713	5.35	230	7.00	13,937	6.52	
2026 and beyond	276,130	6.41	48,032	5.67	7,713	5.66	253,422	5.88	
Total	\$ 339,321	6.38%	\$ 78,032	5.58%	\$ 35,054	6.26%	\$ 283,588	5.93%	

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	Home Equity and Lines of Credit		Commercial and Industrial		Insurance Premium		Other		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)									
Due during the years ending December 31,										
2011	\$ 12	4.94%	\$ 8,155	6.29%	\$ 43,521	6.54%	\$ 1,062	2.54%	\$ 94,953	6.38%
2012	1,272	6.76	300	5.72	996	5.09			14,781	5.81
2013	413	5.55	167	4.62					5,643	6.24
2014 to 2015	1,044	4.98	1,649	6.17					8,882	6.29
2016 to 2020	4,412	5.56	2,490	7.30					39,763	5.87
2021 to 2025	6,956	5.46	4,259	7.42					63,384	6.22
2026 and beyond	14,016	4.63							599,313	6.08
Total	\$ 28,125	5.10%	\$ 17,020	6.68%	\$ 44,517	6.51%	\$ 1,062	2.54%	\$ 826,719	6.11%

The Company has a total of \$599.3 million in loans due to mature in 2026 and beyond, of which \$30.8 million, or 5.14%, are fixed rate loans.

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2010, that are contractually due after December 31, 2011.

	Due After December 31, 2010		
	Fixed Rate	Adjustable Rate	Total
	(In thousands)		
Real estate loans:			
Commercial	\$ 24,578	\$ 303,611	\$ 328,189
One- to four-family residential	39,677	36,582	76,259
Construction and land	517	9,858	10,375
Multifamily	6,463	272,506	278,969
Home equity and lines of credit	15,743	12,370	28,113
Commercial and industrial loans	1,587	7,278	8,865
Insurance premium loans	996		996
Total loans	\$ 89,561	\$ 642,205	\$ 731,766

*Commercial Real Estate Loans.* Commercial real estate loans totaled \$339.3 million, or 41.04% of our loan portfolio as of December 31, 2010. Commercial real estate loans at December 31, 2010 included \$28.8 million secured primarily by hotels and motels, \$55.4 million secured by office buildings, and \$60.7 million secured by manufacturing buildings. Approximately \$152.7 million of our commercial real estate loans are owner-occupied businesses. At December 31, 2010, our commercial real estate loan portfolio consisted of 349 loans with an average loan balance of approximately \$972,000, although there are a large number of loans with balances substantially greater than this average. At December 31, 2010, our largest commercial real estate loan had a principal balance of \$9.5 million, and was secured by a hotel. At December 31, 2010, this loan was performing in accordance with its original contractual terms.

Substantially all of our commercial real estate loans are secured by properties located in our primary market areas.

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The table below sets forth the property types collateralizing our commercial real estate loans as of December 31, 2010.

	<b>At December 31, 2010</b>	
	<b>Amount</b>	<b>Percent</b>
	<b>(Dollars in thousands)</b>	
Manufacturing	\$ 60,685	17.9%
Office Building	55,398	16.3
Warehousing	32,801	9.7
Mixed Use	32,505	9.6
Accommodations	28,793	8.5
Retail	22,945	6.8
Services	19,139	5.6
Restaurant	12,095	3.6
Schools/Day Care	10,422	3.1
Recreational	4,458	1.3
Residential	2,864	0.8
Other	57,216	16.9
	<b>\$ 339,321</b>	<b>100.00%</b>

Our commercial real estate loans typically amortize over 20- to 25-years with interest rates that adjust after an initial five- or 10-year period, and every five years thereafter. Margins generally range from 275 basis points to 350 basis points above the average yield on United States Treasury securities, adjusted to a constant maturity of similar term, as published by the Federal Reserve Board. Variable rate loans originated subsequent to 2008 have generally been indexed to the five year London Interbank Offered Rate (LIBOR) swaps rate as published in the Federal Reserve Statistical Release adjusted for a negotiated margin. We also originate, to a lesser extent, 10- to 15-year fixed-rate, fully amortizing loans. In general, our commercial real estate loans have interest rate floors equal to the interest rate on the date the loan is originated, and generally have prepayment penalties if the loan is repaid in the first three to five years.

In the underwriting of commercial real estate loans, we generally lend up to the lesser of 75% of the property's appraised value or purchase price. Certain single use property types have lower loan to appraised value ratios. We base our decision to lend primarily on the economic viability of the property and the creditworthiness of the borrower. In evaluating a proposed commercial real estate loan, we emphasize the ratio of the property's projected net cash flow to the loan's debt service requirement (generally requiring a minimum ratio of 125%), computed after deduction for a vacancy factor, where applicable, and property expenses we deem appropriate. Personal guarantees are usually obtained from commercial real estate borrowers. We require title insurance, fire and extended coverage casualty insurance, and, if appropriate, flood insurance, in order to protect our security interest in the underlying property. Although a significant portion of our commercial real estate loans are referred by brokers, we underwrite all commercial real estate loans in accordance with our underwriting standards.

Commercial real estate loans generally carry higher interest rates and have shorter terms than one- to four-family residential real estate loans. Commercial real estate loans generally have greater credit risk compared to one- to four-family residential real estate loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. In addition, the payment of loans secured by income-producing properties typically depends on the successful operation of the property, as repayment of the loan generally largely depends on



sufficient income from the property to cover operating expenses and debt service. Changes in economic conditions that are not in the control of the borrower or lender may affect the value of the collateral for the loan or the future cash flow of the property. Additionally, any decline in real estate values may be more pronounced for commercial real estate than for residential properties.

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*Multifamily Real Estate Loans.* In recent years, the Company has focused on originating multifamily real estate loans. Loans secured by multifamily and mixed use properties totaled approximately \$283.6 million, or 34.30% of our total loan portfolio at December 31, 2010. Mixed use properties classified as multifamily are defined by the Company as having more than four residential family units and a business or businesses. At December 31, 2010, we had 323 multifamily real estate loans with an average loan balance of approximately \$878,000. At December 31, 2010, our largest multifamily real estate loan had a principal balance of \$7.7 million and was performing in accordance with its original contractual terms. Substantially all of our multifamily real estate loans are secured by properties located in our market areas.

Our multifamily real estate loans typically amortize over 20- to 30-years with interest rates that adjust after an initial five- or 10-year period, and every five years thereafter. Margins generally range from 275 basis points to 350 basis points above the average yield on United States Treasury securities, adjusted to a constant maturity of similar term, as published by the Federal Reserve Board. Variable rate loans originated subsequent to 2008 generally have been indexed to the five year LIBOR swaps rate as published in the Federal Reserve Statistical Release adjusted for a negotiated margin. We also originate, to a lesser extent, 10- to 15-year fixed-rate, fully amortizing loans. In general, our multifamily real estate loans have interest rate floors equal to the interest rate on the date the loan is originated, and have prepayment penalties should the loan be prepaid in the first three to five years.

In underwriting multifamily real estate loans, we consider a number of factors, including the projected net cash flow to the loan's debt service requirement (generally requiring a minimum ratio of 115%), the age and condition of the collateral, the financial resources and income level of the borrower, and the borrower's experience in owning or managing similar properties. Multifamily real estate loans generally are originated in amounts up to 75% of the appraised value of the property securing the loan. Due to competitor considerations, we typically do not obtain personal guarantees from multifamily real estate borrowers.

Loans secured by multifamily real estate properties generally have greater credit risk than one- to four-family residential real estate loans. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties, and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multifamily real estate properties typically depends on the successful operation of the property. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired.

In a ruling that was contrary to a 1996 advisory opinion from the New York State Division of Housing and Community Renewal that owners of housing units who benefited from the receipt of J-51 tax incentives under the Rent Stabilization Law are eligible to decontrol apartments, the New York State Court of Appeals ruled, on October 22, 2009, that residential housing units located in two major housing complexes in New York City had been illegally decontrolled by the current and previous property owners. This ruling may subject other property owners that have previously or are currently benefiting from a J-51 tax incentive to litigation, possibly resulting in a significant reduction to property cash flows. Based on management's assessment of its multifamily loan portfolio, it believes that only one loan may be affected by the recent ruling regarding J-51. The loan has a principal balance of \$7.7 million at December 31, 2010, and is current to its original contractual terms.

*Construction and Land Loans.* At December 31, 2010, construction and land loans totaled \$35.1 million, or 4.24% of total loans receivable. At December 31, 2010, the additional un-advanced portion of these construction loans totaled \$7.1 million. At December 31, 2010, we had 33 construction and land loans with an average loan balance of approximately \$1.1 million. At December 31, 2010, our largest construction and land loan had a principal balance of \$4.7 million and was for the purpose of refinancing a land loan. This loan is performing in accordance with its original contractual terms.

Our construction and land loans typically are interest only loans with interest rates that are tied to a prime rate index as published by the Wall Street Journal. Margins generally range from zero basis points to 200 basis points above the prime rate index. We also originate, to a lesser extent, 10- to 15-year fixed-rate, fully

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amortizing land loans. In general, our construction and land loans have interest rate floors equal to the interest rate on the date the loan is originated, and we do not typically charge prepayment penalties.

We grant construction and land loans to experienced developers for the construction of single-family residences including condominiums, and commercial properties. Construction and land loans also are made to individuals for the construction of their personal residences. Advances on construction loans are made in accordance with a schedule reflecting the cost of construction, but are generally limited to a loan-to-completed-appraised-value ratio of 70%. Repayment of construction loans on residential properties normally is expected from the sale of units to individual purchasers, or in the case of individuals building their own, with a permanent mortgage. In the case of income-producing property, repayment usually is expected from permanent financing upon completion of construction. We typically offer the permanent mortgage financing on our construction loans on income-producing properties.

Land loans also help finance the purchase of land intended for future development, including single-family housing, multifamily housing, and commercial property. In some cases, we may make an acquisition loan before the borrower has received approval to develop the land. In general, the maximum loan-to-value ratio for a land acquisition loan is 50% of the appraised value of the property, and the maximum term of these loans is two years. Generally, if the maturity of the loan exceeds two years, the loan must be an amortizing loan.

Construction and land loans generally carry higher interest rates and have shorter terms than one- to four- family residential real estate loans. Construction and land loans have greater credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the value of the real estate at completion of construction as compared to the estimated cost (including interest) of construction and other assumptions. If the estimate of construction costs is inaccurate, we may decide to advance additional funds beyond the amount originally committed in order to protect the value of the real estate. However, if the estimated value of the completed project is inaccurate, the borrower may hold the real estate with a value that is insufficient to assure full repayment of the construction loan upon its sale. In the event we make a land acquisition loan on real estate that is not yet approved for the planned development, there is a risk that approvals will not be granted or will be delayed. Construction loans also expose us to a risk that improvements will not be completed on time in accordance with specifications and projected costs. In addition, the ultimate sale or rental of the real estate may not occur as anticipated and the market value of collateral, when completed, may be less than the outstanding loans against the real estate. Substantially all of our construction and land loans are secured by real estate located in our primary market areas.

*Commercial and Industrial Loans.* At December 31, 2010, commercial and industrial loans totaled \$17.0 million, or 2.06% of the total loan portfolio. As of December 31, 2010, we had 84 commercial and industrial loans with an average loan balance of approximately \$203,000, although we originate these types of loans in amounts substantially greater and smaller than this average. At December 31, 2010, our largest commercial and industrial loan had a principal balance of \$2.9 million and was performing in accordance with its original contractual terms.

Our commercial and industrial loans typically amortize over 10 years with interest rates that are tied to a prime rate index as published in the Wall Street Journal. Margins generally range from zero basis points to 300 basis points above the prime rate index. We also originate, to a lesser extent, 10 year fixed-rate, fully amortizing loans. In general, our commercial and industrial loans have interest rate floors equal to the interest rate on the date the loan is originated and have prepayment penalties.

We make various types of secured and unsecured commercial and industrial loans to customers in our market area for the purpose of working capital and other general business purposes. The terms of these loans generally range from less than one year to a maximum of 15 years. The loans either are negotiated on a fixed-rate basis or carry adjustable

interest rates indexed to a market rate index.

Commercial credit decisions are based on our credit assessment of the applicant. We evaluate the applicant's ability to repay in accordance with the proposed terms of the loan and assess the risks involved.

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Personal guarantees of the principals are typically obtained. In addition to evaluating the loan applicant's financial statements, we consider the adequacy of the secondary sources of repayment for the loan, such as pledged collateral and the financial stability of the guarantors. Credit agency reports of the guarantors' personal credit history supplement our analysis of the applicant's creditworthiness. We also attempt to confirm with other banks and conduct trade investigations as part of our credit assessment of the borrower. Collateral supporting a secured transaction also is analyzed to determine its marketability.

Commercial and industrial loans generally carry higher interest rates than one- to four- family residential real estate loans of like maturity because they have a higher risk of default since their repayment generally depends on the successful operation of the borrowers' business. Commercial and industrial loans have greater credit risk than one- to four- family residential real estate loans.

*Insurance premium loans.* At December 31, 2010, insurance premium loans totaled \$44.5 million, or 5.39% of the total loan portfolio. As of December 31, 2010, we had 5,479 insurance premium loans with an average loan balance of approximately \$8,000, although we originate these types of loans in amounts substantially greater and smaller than this average. At December 31, 2010, our largest insurance premium loan had a principal balance of \$1.4 million and was performing in accordance with its original contractual terms.

Our insurance premium loans typically amortize over nine to twelve months at fixed rates and typically require a down payment of 15 to 20%. These loans are structured (down payment and repayment term) such that the unpaid loan balance is generally fully secured by the unearned premiums refundable by insurance carriers. Insurance premium loan credit decisions generally are based on our credit assessment of the insurance carrier, and in some instances, the credit assessment of the borrower. Because the agent or broker is the primary contact to the ultimate borrowers who are located nationwide, and because proceeds and our collateral may be handled by the agent or brokers during the term of the loan, we may be more susceptible to third party (i.e., agent or broker) fraud. The Company performs ongoing credit and other reviews of the agents and brokers, and performs various internal audit steps to mitigate against the risk of any fraud.

*One- to Four-Family Residential Real Estate Loans.* At December 31, 2010, we had 490 one- to four-family residential real estate loans outstanding with an aggregate balance of \$78.0 million, or 9.44% of our total loan portfolio. As of December 31, 2010, the average balance of one- to four-family residential real estate loans was approximately \$159,000, although we have originated this type of loan in amounts substantially greater and smaller than this average. At December 31, 2010, our largest loan of this type had a principal balance of \$2.4 million and was performing in accordance with its original contractual terms.

We offer first and second residential real estate loans secured primarily by owner-occupied, one- to four-family residences through an origination assistance agreement with an independent lending institution, PHH Mortgage (PHH), whereby PHH processes and underwrites one- to four-family loans, we fund the loans at origination, and elect to either portfolio the loan or sell it to PHH. PHH retains full servicing of all loans, regardless of our ownership election. Prior to entering into an origination assistance agreement with PHH in 2010, the Bank was a participating seller/servicer with Freddie Mac, and generally underwrote its one- to four-family residential mortgage loans to conform with Freddie Mac standards.

For all one- to four-family loans originated through the origination assistance agreement with PHH, upon receipt of a completed loan application from a prospective borrower: (1) a credit report is reviewed; (2) income, assets, indebtedness and certain other information are reviewed; (3) if necessary, additional financial information is required of the borrower; and (4) an appraisal of the real estate intended to secure the proposed loan is ordered by PHH from an independent appraiser. One to four-family loans sold to PHH under a Loan and Servicing Rights Purchase and Sale Agreement totaled \$5.7 million during the year ended December 31, 2010. As of December 31, 2010, the Bank's

portfolio of one- to four-family mortgage loans serviced for others totaled \$52.1 million. The Bank does not retain servicing on loans sold to PHH.

We do not offer interest only mortgage loans on one- to four-family residential properties, where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan. We also do not offer loans that provide for negative amortization of principal, such as Option ARM loans, where the borrower can pay less than the interest owed on their loan, resulting in an increased principal balance during the

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life of the loan. We do not offer subprime loans (loans that generally target 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).

*Home Equity Loans and Lines of Credit.* At December 31, 2010, we had 482 home equity loans and lines of credit with an aggregate outstanding balance of \$28.1 million, or 3.40% of our total loan portfolio. Of this total, there were outstanding home equity lines of credit of \$13.5 million, or 1.63% of our total loan portfolio. At December 31, 2010, the average home equity loans and lines of credit balance was approximately \$58,000, although we originate these types of loans in amounts substantially greater and lower than this average. At December 31, 2010, our largest home equity line of credit outstanding was \$1.5 million and our largest home equity loan was \$307,000 and both were performing in accordance with their original contractual terms.

We offer home equity loans and home equity lines of credit that are secured by the borrower's primary residence or second home. Home equity lines of credit are variable rate loans tied to a prime rate index as published in the Wall Street Journal adjusted for a margin, and have a maximum term of 20 years during which time the borrower is required to make principal payments based on a 20-year amortization. Home equity lines generally have interest rate floors and ceilings. The borrower is permitted to draw against the line during the entire term. Our home equity loans typically are fully amortizing with fixed terms to 20 years. Home equity loans and lines of credit generally are underwritten with the same criteria we use to underwrite fixed-rate, one- to four-family residential real estate loans. Home equity loans and lines of credit may be underwritten with a loan-to-value ratio of 80% when combined with the principal balance of the existing mortgage loan. We appraise (or obtain an automated valuation model for) the property securing the loan at the time of the loan application to determine the value of the property. At the time we close a home equity loan or line of credit, we record a mortgage to perfect our security interest in the underlying collateral.

## **Non-Performing and Problem Assets**

When a loan is over 15 days delinquent, we generally send the borrower a late charge notice. When the loan is 30 days past due, we generally mail the borrower a letter reminding the borrower of the delinquency and, except for loans secured by one- to four-family residential real estate, we attempt personal, direct contact with the borrower to determine the reason for the delinquency, to ensure that the borrower correctly understands the terms of the loan, and to emphasize the importance of making payments on or before the due date. If necessary, additional late charges and delinquency notices are issued and the account will be monitored periodically. After the 90th day of delinquency, we will send the borrower a final demand for payment and generally refer the loan to legal counsel to commence foreclosure and related legal proceedings. Our loan officers can shorten these time frames in consultation with the Chief Lending Officer.

Generally, loans are placed on non-accrual status when payment of principal or interest is 90 days or more delinquent unless the loan is considered well-secured and in the process of collection. Loans also are placed on non-accrual status at any time if the ultimate collection of principal or interest in full is in doubt. When loans are placed on non-accrual status, unpaid accrued interest is reversed, and further income is recognized only to the extent received, and only if the principal balance is deemed fully collectible. The loan may be returned to accrual status if both principal and interest payments are brought current and factors indicating doubtful collection no longer exist, including performance by the borrower under the loan terms for a six-month period. Our Chief Lending Officer reports monitored loans, including all loans rated watch, special mention, substandard, doubtful or loss, to the loan committee of the board of directors on a monthly basis.

For economic reasons and to maximize the recovery of loans, the Company works with borrowers experiencing financial difficulties, and will consider modifications to a borrower's existing loan terms and conditions that it would



not otherwise consider, commonly referred to as troubled debt restructurings ( TDR ). The Company records an impairment loss associated with TDRs, if any, based on the present value of expected future cash flows discounted at the original loan s effective interest rate or the underlying collateral value, less cost to sell, if the loan is collateral dependent. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate (a rate equal to or greater than the rate the Company was willing to accept at the time of the restructuring for

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a new loan with comparable risk), until the year subsequent to the year in which the restructuring takes place, provided the borrower has performed under the modified terms for a six-month period.

*Non-Performing and Restructured Loans.* The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At December 31, 2010, 2009, 2008, 2007, and 2006, we had troubled debt restructurings of \$20.0 million, \$10.7 million, \$1.0 million, \$1.3 million, and \$1.7 million, respectively, which are included in the appropriate categories which appear within non-accrual loans. Additionally, we had \$11.2 million and \$7.3 million of troubled debt restructurings on accrual status at December 31, 2010 and 2009, respectively, which do not appear in the table below. We had no troubled debt restructurings on accrual status at December 31, 2008, 2007, and 2006. Generally, the types of concession that we make to troubled borrowers include reduction in interest rates and payment extensions. At December 31, 2010, 69% of TDRs are commercial real estate loans, 13% are construction loans, 12% are multifamily loans, and 6% are one- to four-family residential loans. At December 31, 2010, \$23.5 million, or 75.4% of loans subject to restructuring agreements were performing in accordance with their restructured terms. All of the \$11.2 million of accruing troubled debt restructurings, and \$12.3 million of the \$20.0 million of non-accruing troubled debt restructurings, were performing in accordance with their restructured terms.

	<b>2010</b>	<b>2009</b>	<b>At December 31, 2008</b>	<b>2007</b>	<b>2006</b>
	<b>(Dollars in thousands)</b>				
Non-accrual loans:					
Real estate loans:					
Commercial	\$ 46,388	\$ 28,802	\$ 4,416	\$ 4,792	\$ 5,167
One- to four-family residential	1,275	2,066	1,093	231	234
Construction and land	5,122	6,843	2,675	3,436	
Multifamily	4,863	2,118	1,131		
Home equity and lines of credit	181	62	100	104	36
Commercial and industrial loans	1,323	1,740	86	43	905
Insurance premium loans	129				
Other loans			1		
<b>Total non-accrual loans</b>	<b>59,281</b>	<b>41,631</b>	<b>9,502</b>	<b>8,606</b>	<b>6,342</b>
Loans delinquent 90 days or more and still accruing:					
Real estate loans:					
Commercial					
One- to four-family residential	1,108				
Construction and land	404			753	275
Multifamily			137		
Home equity and lines of credit	59				
	38	191		475	498

Commercial and industrial  
loans  
Insurance premium loans  
Other loans

Total loans delinquent  
90 days or more and still  
accruing

Total non-performing loans

Other real estate owned

Total non-performing assets

Ratios:

Non-performing loans to total  
loans held-for-investment, net

Non-performing assets to total  
assets

Total assets

Loans held-for-investment,  
net

	1,609	191	137	1,228	773
	60,890	41,822	9,639	9,834	7,115
	171	1,938	1,071		
	\$ 61,061	\$ 43,760	\$ 10,710	\$ 9,834	\$ 7,115
	7.36%	5.73%	1.63%	2.32%	1.74%
	2.72	2.19	0.61	0.71	0.55
	\$ 2,247,167	\$ 2,002,274	\$ 1,757,761	\$ 1,386,918	\$ 1,294,747
	827,591	729,269	589,984	424,329	409,189

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The table below sets forth the property types collateralizing non-accrual commercial real estate loans at December 31, 2010.

	<b>At December 31, 2010</b>	
	<b>Amount</b>	<b>Percent</b>
	<b>(In thousands)</b>	
Manufacturing	\$ 17,341	37.4%
Office building	8,589	18.5
Restaurant	4,802	10.4
Retail	3,994	8.6
Services	3,019	6.5
Warehouse	2,443	5.3
Recreational	792	1.7
Other	5,408	11.6
<b>Total</b>	<b>\$ 46,388</b>	<b>100.0%</b>

*Other Real Estate Owned.* Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned. On the date property is acquired it is recorded at the lower of cost or estimated fair value, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions, less the estimated costs to sell the property. Holding costs and declines in estimated fair value result in charges to expense after acquisition. At December 31, 2010, the Company owned seven properties with a combined carrying value of \$171,000. The properties consist of seven single family and mixed use properties located in Trenton, New Jersey. The Company currently is renting certain of the properties and has contracted with a third party to assist in disposing of all properties.

*Potential Problem Loans and Classification of Assets.* The current economic environment continues to negatively affect certain borrowers. Our loan officers continue to monitor their loan portfolios, including evaluation of borrowers business operations, current financial condition, underlying values of any collateral, and assessment of their financial prospects in the current and deteriorating economic environment. Based on this evaluation, we determine an appropriate strategy to assist borrowers, with the objective of maximizing the recovery of the related loan balances.

Our policies, consistent with regulatory guidelines, provide for the classification of loans and other assets that are considered to be of lesser quality as substandard, doubtful, or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those assets characterized by the distinct possibility that we 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, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets (or portions of assets) classified as loss are those considered uncollectible and of such little value that their continuance as assets is not warranted. Assets that do not expose us to risk sufficient to warrant classification in one of the aforementioned categories, but which possess potential weaknesses that deserve our close attention, are designated as special mention. On the basis of our review of our assets at December 31, 2010, classified assets (which are not reported as non-performing assets in the preceding table) consisted of substandard assets of \$29.6 million and no doubtful or loss assets. We also had \$10.9 million of assets designated as special mention.

Our determination as to the classification of our assets (and the amount of our loss allowances) will be subject to review by our principal federal regulator, the Office of Thrift Supervision, which can require that we adjust our classification and related loss allowances. We regularly review our asset portfolio to determine whether any assets require classification in accordance with applicable regulations.

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**Allowance for Loan Losses**

We provide for loan losses based on the consistent application of our documented allowance for loan loss methodology. Loan losses are charged to the allowance for loans losses and recoveries are credited to it. Additions to the allowance for loan losses are provided by charges against income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. We regularly review the loan portfolio and make adjustments for loan losses in order to maintain the allowance for loan losses in accordance with U.S. generally accepted accounting principles ( GAAP ). The allowance for loan losses consists primarily of the following two components:

(1) Allowances are established for impaired loans (generally defined by the company as non-accrual loans with an outstanding balance of \$500,000 or greater). The amount of impairment provided for as an allowance is represented by the deficiency, if any, between the present value of expected future cash flows discounted at the original loan s effective interest rate or the underlying collateral value (less estimated costs to sell,) if the loan is collateral dependent, and the carrying value of the loan. Impaired loans that have no impairment losses are not considered for general valuation allowances described below.

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

The adjustments to our loss experience are based on our evaluation of several environmental factors, including:

changes in local, regional, national, and international economic and business conditions and developments that affect the collectibility of our portfolio, including the condition of various market segments;

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

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

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

changes in the quality of our loan review system;

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

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

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

In evaluating the estimated loss factors to be utilized for each loan group, management also reviews actual loss history over an extended period of time as reported by the OTS and FDIC for institutions both nationally and in our market

area for periods that are believed to have been under similar economic conditions.

We evaluate the allowance for loan losses based on the combined total of the impaired and general components. Generally when the loan portfolio increases, absent other factors, our allowance for loan loss methodology results in a higher dollar amount of estimated probable losses than would be the case without the increase. Generally when the loan portfolio decreases, absent other factors, our allowance for loan loss

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methodology results in a lower dollar amount of estimated probable losses than would be the case without the decrease.

Each quarter we evaluate the allowance for loan losses and adjust the allowance as appropriate through a provision or recovery for loan losses. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of their examination process, the Office of Thrift Supervision will periodically review the allowance for loan losses. The Office of Thrift Supervision may require us to adjust the allowance based on their analysis of information available to them at the time of their examination. Our last regulatory examination was as of September 30, 2010.

The Company also maintains an unallocated component related to the general loss allocation. Management does not target a specific unallocated percentage of the total general allocation, or total allowance for loan losses. The primary purpose of the unallocated component is to account for the inherent imprecision of the loss estimation process related primarily to periodic updating of appraisals on impaired loans, as well as periodic updating of commercial loan credit risk ratings by loan officers and the Company's internal credit audit process. Generally, management will establish higher levels of unallocated reserves between independent credit audits, and between appraisal reviews for larger impaired loans. Adjustments to the provision for loans due to the receipt of updated appraisals is mitigated by management's quarterly review of real estate market index changes, and reviews of property valuation trends noted in current appraisals being received on other impaired and unimpaired loans. These changes in indicators of value are applied to impaired loans that are awaiting updated appraisals.

The following table sets forth activity in our allowance for loan losses for the years indicated.

	<b>2010</b>	<b>At or for the Years Ended December 31,</b>			<b>2006</b>
		<b>2009</b>	<b>2008</b>	<b>2007</b>	
		<b>(Dollars in thousands)</b>			
Balance at beginning of year	\$ 15,414	\$ 8,778	\$ 5,636	\$ 5,030	\$ 4,795
Charge-offs:					
Commercial real estate	(987)	(1,348)	(1,002)		
One- to four-family residential		(63)			
Construction and land	(443)	(686)	(761)		
Multifamily	(2,132)	(164)			
Insurance premium finance loans	(101)				
Commercial and industrial	(36)	(141)	(165)	(814)	
Other			(12)	(22)	
Total charge-offs	(3,699)	(2,402)	(1,940)	(836)	
Recoveries:					
Insurance premium finance loans	20				
Total recoveries	20				
Net (charge-offs) recoveries	(3,679)	(2,402)	(1,940)	(836)	
Provision for loan losses	10,084	9,038	5,082	1,442	235



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Balance at end of year	\$ 21,819	\$ 15,414	\$ 8,778	\$ 5,636	\$ 5,030
Ratios:					
Net charge-offs to average loans outstanding	0.47%	0.37%	0.38%	0.20%	%
Allowance for loan losses to non-performing loans at end of year	35.83	36.86	91.07	57.31	70.70
Allowance for loan losses to loans held-for-investment, net at end of year	2.64	2.11	1.49	1.33	1.23

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*Allocation of Allowance for Loan Losses.* The following tables set forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	2010		At December 31, 2009		2008	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses (Dollars in thousands)	Percent of Loans in Each Category to Total Loans	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
Real estate loans:						
Commercial	\$ 12,654	41.04%	\$ 8,403	44.99%	\$ 5,176	49.05%
One- to four-family residential	570	9.44	163	12.48	131	17.49
Construction and land	1,855	4.24	2,409	6.11	1,982	8.85
Multifamily	5,137	34.30	1,866	24.48	788	18.41
Home equity and lines of credit	242	3.40	210	3.58	146	4.10
Commercial and industrial	719	2.06	1,877	2.64	523	1.87
Insurance premium loans	111	5.39	101	5.54		
Other	28	0.13	34	0.18	32	0.23
Total allocated allowance	21,316	100.00%	15,063	100.00%	8,778	100.00%
Unallocated	503		351			
Total	\$ 21,819		\$ 15,414		\$ 8,778	

	2007		At December 31, 2006	
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans (Dollars in thousands)	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans
Real estate loans:				

Real estate loans:

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Commercial	\$	3,456	57.50%	\$	2,421	50.75%
One- to four-family residential		60	22.45		189	26.29
Construction and land		1,461	10.57		1,303	12.74
Multifamily		99	3.34		113	3.24
Home equity and lines of credit		38	3.02		46	3.40
Commercial and industrial		484	2.69		891	2.70
Insurance premium finance loans						
Other		38	0.43		25	0.88
Total allocated allowance		5,636	100.00%		4,988	100.00%
Unallocated					42	
Total	\$	5,636		\$	5,030	

### Securities

We conduct investment transactions in accordance with our board approved investment policy which is reviewed at least annually by the risk committee, and any changes to the policy are subject to ratification by the full board of directors. This policy dictates that investment decisions give consideration to the safety of the investment, liquidity requirements, potential returns, the ability to provide collateral for pledging requirements, and consistency with our interest rate risk management strategy. Our Treasurer executes our securities portfolio transactions, within policy requirements, with the approval of either the Chief Executive Officer or the Chief Financial Officer. NSB Services Corp. s and NSB Realty Trust s Investment Officers execute security portfolio

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transactions in accordance with investment policies that substantially mirror the Bank's investment policy. All purchase and sale transactions are reviewed by the risk committee at least quarterly.

Our current investment policy permits investments in mortgage-backed securities, including pass-through securities and real estate mortgage investment conduits ( REMICs ). The investment policy also permits, with certain limitations, investments in debt securities issued by the United States Government, agencies of the United States Government or United States Government-sponsored enterprises (GSEs), asset-backed securities, money market mutual funds, federal funds, investment grade corporate bonds, reverse repurchase agreements, and certificates of deposit.

The Bank's investment policy does not permit investment in municipal bonds, preferred and common stock of other entities including U.S. Government sponsored enterprises or equity securities other than our required investment in the common stock of the Federal Home Loan Bank of New York, or as permitted for community reinvestment purposes or for the purposes of funding the Bank's deferred compensation plan. Northfield Bancorp, Inc. may invest in equity securities of other financial institutions up to certain limitations. As of December 31, 2010, we held no asset-backed securities other than mortgage-backed securities. Our board of directors may change these limitations in the future.

Our current investment policy does not permit hedging through the use of such instruments as financial futures, interest rate options, and swaps.

At the time of purchase, the Company must designate a security as either held-to-maturity, available-for-sale, or trading, based upon our ability and intent to hold such securities. Trading securities and securities available-for-sale are reported at estimated fair value, and securities held-to-maturity are reported at amortized cost. A periodic review and evaluation of the available-for-sale and held-to-maturity securities portfolios is conducted to determine if the estimated fair value of any security has declined below its carrying value and whether such impairment is other-than-temporary. If such impairment is deemed to be other-than-temporary, the security is written down to a new cost basis and the resulting loss is charged against earnings. The estimated fair values of our securities are obtained from an independent nationally recognized pricing service (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies for further discussion). At December 31, 2010, our investment portfolio consisted primarily of mortgage-backed securities guaranteed by GSEs and to a lesser extent private label mortgage-backed securities, mutual funds, corporate securities, and agency bonds. The market for these securities primarily consists of other financial institutions, insurance companies, real estate investment trusts, and mutual funds.

We purchase mortgage-backed securities issued or guaranteed primarily by Fannie Mae, Freddie Mac, or Ginnie Mae, and to a lesser extent, we acquire securities issued by private companies (private label). We invest in mortgage-backed securities to achieve positive interest rate spreads with minimal administrative expense, and to lower our credit risk as a result of the guarantees provided by Fannie Mae, Freddie Mac, or Ginnie Mae. In September 2008, the Federal Housing Finance Agency placed Freddie Mac and Fannie Mae into conservatorship. The U.S. Treasury Department has established financing agreements to ensure that Freddie Mac and Fannie Mae meet their obligations to holders of mortgage-backed securities that they have issued or guaranteed.

Mortgage-backed securities are securities sold in the secondary market that are collateralized by pools of mortgages. Certain types of mortgage-backed securities are commonly referred to as pass-through certificates because the principal and interest of the underlying loans is passed through pro rata to investors, net of certain costs, including servicing and guarantee fees, in proportion to an investor's ownership in the entire pool. The issuers of such securities pool mortgages and resell the participation interests in the form of securities to investors. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. Ginnie Mae, a United States Government agency, and GSEs, such as Fannie Mae and Freddie Mac, may guarantee the payments or guarantee the timely payment of principal and interest to investors.



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Mortgage-backed securities are more liquid than individual mortgage loans since there is a more active market for such securities. In addition, mortgage-backed securities may be used to collateralize our specific liabilities and obligations. Investments in mortgage-backed securities issued or guaranteed by GSEs involve a risk that actual payments will be greater or less than estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. We periodically review current prepayment speeds to determine whether prepayment estimates require modification that could cause adjustment of amortization or accretion.

REMICs are a type of mortgage-backed security issued by special-purpose entities that aggregate pools of mortgages and mortgage-backed securities and create different classes of securities with varying maturities and amortization schedules, as well as a residual interest, with each class possessing different risk characteristics. The cash flows from the underlying collateral are generally divided into tranches or classes that have descending priorities with respect to the distribution of principal and interest cash flows, while cash flows on pass-through mortgage-backed securities are distributed pro rata to all security holders.

The timely payment of principal and interest on these REMICs is generally supported (credit enhanced) in varying degrees by either insurance issued by a financial guarantee insurer, letters of credit, over collateralization, or subordination techniques. Substantially all of these securities are rated AAA by Standard & Poor's or Moody's at the time of purchase. Privately issued REMICs and pass-throughs can be subject to certain credit-related risks normally not associated with U.S. Government agency and U.S. Government-sponsored enterprise mortgage-backed securities. The loss protection generally provided by the various forms of credit enhancements is limited, and losses in excess of certain levels are not protected. Furthermore, the credit enhancement itself may be subject to the creditworthiness of the credit enhancer. Thus, in the event a credit enhancer does not fulfill its obligations, the holder could be subject to risk of loss similar to a purchaser of a whole loan pool. Management believes that the credit enhancements are adequate to protect us from material losses on our privately issued mortgage-backed securities.

At December 31, 2010, our corporate bond portfolio consisted of investment grade securities with maturities generally shorter than three years. Our investment policy provides that we may invest up to 15% of our tier-one risk-based capital in corporate bonds from individual issuers which, at the time of purchase, are within the three highest investment-grade ratings from Standard & Poor's or Moody's. The maturity of these bonds may not exceed 10 years, and there is no aggregate limit for this security type. Corporate bonds from individual issuers with investment-grade ratings, at the time of purchase, below the top three ratings are limited to the lesser of 1% of our total assets or 15% of our tier-one risk-based capital and must have a maturity of less than one year. Aggregate holdings of this security type cannot exceed 5% of our total assets. Bonds that subsequently experience a decline in credit rating below investment grade are monitored at least monthly.

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The following table sets forth the amortized cost and estimated fair value of our available-for-sale and held-to-maturity securities portfolios (excluding Federal Home Loan Bank of New York common stock) at the dates indicated. As of December 31, 2010, 2009, and 2008, we also had a trading portfolio with a market value of \$4.1 million, \$3.4 million, and \$2.5 million, respectively, consisting of mutual funds quoted in actively traded markets. These securities are utilized to fund non-qualified deferred compensation obligations.

	2010		At December 31, 2009		2008	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<b>Securities available-for-sale:</b>						
Mortgage-backed securities:						
Pass-through certificates:						
GSEs	\$ 342,316	\$ 355,795	\$ 404,128	\$ 418,060	\$ 532,870	\$ 546,244
Non-GSEs	27,801	27,878	65,363	62,466	65,040	55,778
REMICs:						
GSEs	622,582	622,077	344,150	349,088	242,557	245,492
Non-GSEs	65,766	69,389	111,756	114,194	90,446	83,695
Equity investments(1)	12,437	12,353	21,820	21,872	9,025	9,025
GSE bonds	34,988	35,033	28,994	28,983		
Corporate bonds	119,765	121,788	134,595	137,140	17,319	17,351
Total securities available-for-sale	\$ 1,225,655	\$ 1,244,313	\$ 1,110,806	\$ 1,131,803	\$ 957,257	\$ 957,585

(1) Mutual funds

	2010		At December 31, 2009		2008	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
<b>Securities held-to-maturity:</b>						
Mortgage-backed securities:						
Pass-through certificates:						
GSEs	\$ 854	\$ 899	\$ 874	\$ 901	\$ 6,132	\$ 6,273
REMICs:						
GSEs	4,206	4,374	5,866	6,029	8,347	8,315
Total securities held-to-maturity	\$ 5,060	\$ 5,273	\$ 6,740	\$ 6,930	\$ 14,479	\$ 14,588

The following table sets forth the amortized cost and estimated fair value of securities as of December 31, 2010, that exceeded 10% of our stockholders' equity as of that date.

	<b>At December 31, 2010</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
	<b>(In thousands)</b>	
Mortgage-backed securities		
Freddie Mac	\$ 556,982	\$ 559,951
Fannie Mae	\$ 396,159	\$ 405,929
JP Morgan Chase	\$ 45,317	\$ 47,436



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*Portfolio Maturities and Yields.* The composition and maturities of the investment securities portfolio at December 31, 2009, are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the effect of scheduled principal repayments, prepayments, or early redemptions that may occur. All of our securities at December 31, 2010, were taxable securities.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Amortized Cost	Total Fair Value
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield		
<b>Available-for-sale:</b>										
Securities:										
Indicates:	\$	%	\$	%	\$	%	\$	%	\$	\$
			86,561	4.22%	155,039	4.47%	100,716	3.80%	342,316	3,000,000
					16,938	5.05%	10,863	5.53%	27,801	0
	2,494	3.67%	133,392	1.55%	191,507	2.17%	295,189	2.31%	622,582	6,000,000
					61,992	4.97%	3,774	3.05%	65,766	0
	12,437	3.90%							12,437	0
			34,988	2.14%					34,988	0
	64,393	2.69%	55,372	2.80%					119,765	1,000,000
	\$ 79,324	2.91%	\$ 310,313	2.59%	\$ 425,476	3.53%	\$ 410,542	2.77%	\$ 1,225,655	\$ 1,200,000
<b>Available-for-sale:</b>										
Securities:										
Indicates:	\$	%	\$	%	\$	%	\$	%	\$	\$
							854	5.36%	854	0
							4,206	3.79%	4,206	0
	\$	%	\$	%	\$	%	\$	%	\$	\$
							5,060	4.06%	5,060	0

**Sources of Funds**

*General.* Deposits traditionally have been our primary source of funds for our securities and lending activities. We also borrow from the Federal Home Loan Bank of New York and other financial institutions to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk management purposes, and to manage our cost of funds. Our additional sources of funds are the proceeds of loan sales, scheduled loan payments, maturing investments, loan prepayments, and retained income on other earning assets.

*Deposits.* We accept deposits primarily from the areas in which our offices are located. We rely on our convenient locations, customer service, and competitive products and pricing to attract and retain deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposit accounts consist of transaction accounts (NOW and non-interest bearing checking accounts), savings accounts (money market, passbook, and statement savings), and certificates of deposit, including individual retirement accounts. We accept brokered deposits on a limited basis, when it is deemed cost effective. At December 31, 2010 and 2009, we had brokered certificates of deposits totaling \$68.4 million and \$54.8 million, respectively.

Interest rates offered generally are established weekly, while maturity terms, service fees, and withdrawal penalties are reviewed on a periodic basis. Deposit rates and terms are based primarily on current operating strategies and market interest rates, liquidity requirements, and our deposit growth goals.

At December 31, 2010, we had a total of \$553.0 million in certificates of deposit, of which \$474.0 million had remaining maturities of one year or less. Based on our experience and current pricing strategy, we believe we will retain a significant portion of these accounts at maturity.

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The following tables set forth the distribution of our average total deposit accounts, by account type, for the years indicated.

	For the Year Ended December 31,					
	2010			2009		
	Average Balance	Percent	Weighted Average Rate (Dollars in thousands)	Average Balance	Percent	Weighted Average Rate
Non-interest bearing demand	\$ 114,450	8.28%	%	\$ 99,950	8.50%	%
NOW	71,130	5.15	1.39	51,336	4.36	1.48
Money market accounts	243,612	17.64	1.05	157,620	13.40	1.56
Savings	361,592	26.18	0.44	357,938	30.43	0.79
Certificates of deposit	590,445	42.75	1.43	509,610	43.31	2.39
Total deposits	\$ 1,381,229	100.00%	0.98%	\$ 1,176,454	100.00%	1.55%

	For the Year Ended December 31, 2008		
	Average Balance	Percent	Weighted Average Rate
	(Dollars in thousands)		
Non-interest bearing demand	\$ 94,499	10.41%	%
NOW	63,512	7.00	1.97
Money market accounts	64,444	7.10	2.95
Savings accounts	317,426	34.97	0.86
Certificates of deposit	367,806	40.52	3.44
Total deposits	\$ 907,687	100.00%	2.04%

As of December 31, 2010, the aggregate amount of our outstanding certificates of deposit in amounts greater than or equal to \$100,000 was \$280.8 million. The following table sets forth the maturity of these certificates at December 31, 2010.

	At December 31, 2010 (In thousands)
Three months or less	\$ 94,776

Over three months through six months	66,510
Over six months through one year	77,398
Over one year to three years	6,818
Over three years	35,267
Total	\$ 280,769

*Borrowings.* Our borrowings consist primarily of securities sold under agreements to repurchase (repurchase agreements) with third party financial institutions, as well as advances from the Federal Home Loan Bank of New York and the Federal Reserve Bank. As of December 31, 2010, our repurchase agreements totaled \$243.0 million, or 13.1% of total liabilities, capitalized lease obligations totaled \$1.9 million, or 0.10% of total liabilities, and our Federal Home Loan Bank advances totaled \$146.3 million, or 7.9% of total liabilities. At December 31, 2010, the Company has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window of approximately \$398.2 million, utilizing unencumbered securities of \$442.4 million at December 31, 2010. Repurchase agreements are primarily secured by mortgage-backed securities. Advances from the Federal Home Loan Bank of New York are secured by our investment in

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the common stock of the Federal Home Loan Bank of New York as well as by pledged mortgage-backed securities.

The following table sets forth information concerning balances and interest rates on our borrowings at and for the years indicated:

	<b>At or for the Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(Dollars in thousands)</b>		
Balance at end of year	\$ 391,237	\$ 279,424	\$ 332,084
Average balance during year	\$ 330,693	\$ 297,365	\$ 277,227
Maximum outstanding at any month end	\$ 391,237	\$ 345,506	\$ 382,107
Weighted average interest rate at end of year	2.97%	3.63%	3.70%
Average interest rate during year	3.28%	3.62%	3.51%

**Employees**

As of December 31, 2010, we had 225 full-time employees and 36 part-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

**Subsidiary Activities**

Northfield Bancorp, Inc. owns 100% of Northfield Investments, Inc., an inactive New Jersey investment company, and 100% of Northfield Bank. Northfield Bank owns 100% of NSB Services Corp., a Delaware corporation, which in turn owns 100% of the voting common stock of NSB Realty Trust. NSB Realty Trust is a Maryland real estate investment trust that holds mortgage loans, mortgage-backed securities and other investments. These entities enable us to segregate certain assets for management purposes, and promote our ability to raise regulatory capital in the future through the sale of preferred stock or other capital-enhancing securities or borrow against assets or stock of these entities for liquidity purposes. At December 31, 2010, Northfield Bank's investment in NSB Services Corp. was \$586.4 million, and NSB Services Corp. had assets of \$586.6 million and liabilities of \$132,000 at that date. At December 31, 2010, NSB Services Corp.'s investment in NSB Realty Trust was \$587.7 million, and NSB Realty Trust had \$587.7 million in assets, and liabilities of \$14,000 at that date. NSB Insurance Agency, Inc. is a New York corporation that receives nominal commissions from the sale of life insurance by employees of Northfield Bank. At December 31, 2010, Northfield Bank's investment in NSB Insurance Agency was \$1,000.

**SUPERVISION AND REGULATION****General**

Northfield Bank is regulated and supervised by the Office of Thrift Supervision and also is subject to examination by the Federal Deposit Insurance Corporation. This regulation and supervision establishes a comprehensive framework of activities in which an institution may engage and is intended primarily for the protection of the Federal Deposit Insurance Corporation's deposit insurance fund and the institution's depositors. Under this system of federal regulation, financial institutions are periodically examined to ensure that they satisfy applicable standards with respect to capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk. Following completion of its examination, the federal agency critiques the institution's operations and assigns its rating (known as an institution's CAMELS rating). In addition, the Office of Thrift Supervision formally evaluated risk and risk management practices

of the institution. Under federal law, an institution may not disclose its CAMELS rating to the public. Northfield Bank also is regulated to a lesser extent by the Board of Governors of the Federal Reserve System, governing reserves to be maintained against deposits and other matters. The Office of Thrift Supervision periodically examines Northfield Bank and prepares reports of its findings for the consideration of its board of directors. Northfield Bank's relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to

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a much lesser extent, state law, especially in matters concerning the ownership of deposit accounts and the form and content of Northfield Bank's loan documents.

Northfield Bancorp, Inc. and Northfield Bancorp, MHC, are savings and loan holding companies, and are required to file certain reports with, be examined by, and otherwise comply with the rules and regulations of the Office of Thrift Supervision. Northfield Bancorp, Inc. also is subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in the laws or regulations applicable to Northfield Bank, Northfield Bancorp, Inc. or Northfield Bancorp, MHC, whether by the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, or Congress, could have a material adverse effect on their operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) made extensive changes in the regulation of federal savings banks such as Northfield Bank. Under the Dodd-Frank Act, the Office of Thrift Supervision will be eliminated. Responsibility for the supervision and regulation of federal savings banks will be transferred to the Office of the Comptroller of the Currency, which is the agency that is currently primarily responsible for the regulation and supervision of national banks. The Office of the Comptroller of the Currency will assume responsibility for implementing and enforcing many of the laws and regulations applicable to federal savings banks. The transfer of regulatory functions will take place over a transition period of up to one year from the Dodd-Frank Act enactment date of July 21, 2010, subject to a possible six-month extension. At the same time, responsibility for the regulation and supervision of savings and loan holding companies, such as Northfield Bancorp, MHC and Northfield Bancorp, Inc. will be transferred to the Federal Reserve Board, which currently supervises bank holding companies. Additionally, the Dodd-Frank Act created the Consumer Financial Protection Bureau as an independent bureau of the Federal Reserve Board. The Consumer Financial Protection Bureau will assume responsibility for the implementation of the federal financial consumer protection and fair lending laws and regulations, a function currently assigned to prudential regulators, and will have authority to impose new requirements. However, institutions of less than \$10 billion in assets, such as Northfield Bank, will continue to be examined for compliance with consumer protection and fair lending laws and regulations by, and be subject to the primary enforcement authority of, their prudential regulator rather than the Consumer Financial Protection Bureau.

Certain of the regulatory requirements that are or will be applicable to Northfield Bank, Northfield Bancorp, Inc., and Northfield Bancorp, MHC are described below. This description of statutes and regulations is not intended to be a complete explanation of such statutes and regulations and their effect on Northfield Bank, Northfield Bancorp, Inc. and Northfield Bancorp, MHC and is qualified in its entirety by reference to the actual statutes and regulations.

### **Federal Banking Regulation**

*Business Activities.* A federal savings bank derives its lending and other investment powers from the Home Owners Loan Act, as amended, and the regulations of the Office of Thrift Supervision. Under these laws and regulations, Northfield Bank may invest in mortgage loans secured by one- to four-residential real estate without limitation as a percentage of assets, and may invest in non-residential real estate loans up to 400% of capital in the aggregate, commercial business loans up to 20% of assets in the aggregate and consumer loans up to 35% of assets in the aggregate, and in certain types of debt securities and certain other assets. Northfield Bank also may establish subsidiaries that may engage in activities not otherwise permissible for Northfield Bank, including real estate investment, and securities and insurance brokerage.

*Capital Requirements.* Office of Thrift Supervision regulations requires savings banks to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% (core) capital ratio, and an 8% total risk-based capital ratio.

The risk-based capital standard for savings banks requires the maintenance of total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 8%. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet obligations, are multiplied by a risk-weight factor assigned by the Office of Thrift Supervision, based on the risks believed inherent in the type



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of asset. Core capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries, less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses (limited to a maximum of 1.25% of risk-weighted assets) and up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, a savings bank that retains credit risk in connection with an asset sale may be required to maintain additional regulatory capital because of the possible recourse to the savings bank.

At December 31, 2010, Northfield Bank's capital exceeded all applicable requirements. The Office of Thrift Supervision currently does not mandate capital standards for Northfield Bancorp, Inc. or Northfield Bancorp, MHC.

*Loans-to-One Borrower.* Generally, a federal savings bank may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2010, Northfield Bank's largest lending relationship with a single or related group of borrowers totaled \$17.5 million, which represented 5.6% of unimpaired capital and surplus. Therefore, Northfield Bank was in compliance with the loans-to-one borrower limitations at December 31, 2010.

*Qualified Thrift Lender Test.* As a federal savings bank, Northfield Bank must satisfy the qualified thrift lender, or QTL, test. Under the QTL test, Northfield Bank must maintain at least 65% of its portfolio assets in qualified thrift investments (primarily residential mortgages and related investments, including mortgage-backed securities) in at least nine months of the most recent 12-month period. Portfolio assets generally means total assets of a savings bank, less the sum of specified liquid assets up to 20% of total assets, goodwill, and other intangible assets, and the value of property used in the conduct of the savings bank's business.

A savings bank that fails the qualified thrift lender test is subject to certain restrictions on operations. The Dodd-Frank Act made noncompliance with the QTL Test potentially subject to agency enforcement action for a violation of law. At December 31, 2010, Northfield Bank maintained approximately 79.6% of its portfolio assets in qualified thrift investments and, therefore, satisfied the QTL test.

*Capital Distributions.* Office of Thrift Supervision regulations govern capital distributions by a federal savings bank, including cash dividends, stock repurchases, and other transactions charged to the capital account. A savings bank must file an application for approval of a capital distribution if:

the total capital distributions for the applicable calendar year exceed the sum of the savings bank's net income for that year to date plus the savings bank's retained net income for the preceding two years;

the savings bank would not be at least adequately capitalized following the distribution;

the distribution would violate any applicable statute, regulation, agreement, or Office of Thrift Supervision-imposed condition; or

the savings bank is not eligible for expedited treatment of its application or notice filings.

Even if an application is not otherwise required, every savings bank that is a subsidiary of a holding company must file a notice with the Office of Thrift Supervision at least 30 days before the board of directors declares a dividend or

approves a capital distribution.

The Office of Thrift Supervision may disapprove a notice or application if:

the savings bank would be undercapitalized following the distribution;

the proposed capital distribution raises safety and soundness concerns; or

the capital distribution would violate a prohibition contained in any statute, regulation, or agreement.

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In addition, the Federal Deposit Insurance Act provides that an insured depository institution shall not make a capital distribution if, after making the distribution, the institution would be undercapitalized.

*Liquidity.* A federal savings bank is required to maintain a sufficient amount of liquidity to ensure its safe and sound operation. We seek to maintain a ratio of liquid assets not subject to pledge as a percentage of deposits and borrowings not subject to pledge of 35% or greater. At December 31, 2010, this ratio was 67.9%.

*Assessments.* The Office of Thrift Supervision charges assessments to recover the costs of regulating and supervising savings banks and their affiliates. These assessments are based on three components: the size of the savings bank on which the basic assessment is based; the savings bank's supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings bank with a composite rating of 3, 4, or 5 in its most recent safety and soundness examination; and the complexity of the bank's operations. For 2010, the Company's total assessment was approximately \$390,000.

The Office of the Comptroller of the Currency, which will assume the primary regulation of savings banks as part of the Dodd-Frank Act regulatory restructuring, also supports its operations through assessments on regulated institutions.

*Community Reinvestment Act and Fair Lending Laws.* All Federal Deposit Insurance Corporation insured institutions have a responsibility under the Community Reinvestment Act and related regulations of the Office of Thrift Supervision to help meet the credit needs of their communities, including low- and moderate-income areas. Further, in connection with its examination of a federal savings bank, the Office of Thrift Supervision is required to assess the savings bank's record of compliance with the Community Reinvestment Act. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. A savings bank's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the Office of Thrift Supervision, as well as other federal regulatory agencies including the Department of Justice. Northfield Bank received a satisfactory Community Reinvestment Act rating in its most recent examination conducted by the Office of Thrift Supervision.

*Transactions with Related Parties.* A federal savings bank's authority to engage in transactions with its affiliates is limited by Office of Thrift Supervision regulations and by Sections 23A and 23B of the Federal Reserve Act and its implementing Regulation W. An affiliate is a company that controls, is controlled by, or is under common control with an insured depository institution such as Northfield Bank. Northfield Bancorp, Inc. and Northfield Bancorp, MHC are affiliates of Northfield Bank. In general, loan transactions between an insured depository institution and its affiliates are subject to certain quantitative and collateral requirements. In this regard, transactions between an insured depository institution and its affiliates are limited to 10% of the institution's unimpaired capital and unimpaired surplus for transactions with any one affiliate and 20% of unimpaired capital and unimpaired surplus for transactions in the aggregate with all affiliates. Collateral in specified amounts ranging from 100% to 130% of the amount of the transaction must usually be provided by affiliates in order to receive loans from the savings bank. In addition, Office of Thrift Supervision regulations prohibit a savings bank from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies, and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve low-quality assets, and be on terms that are as favorable to the institution as comparable transactions with non-affiliates. The Office of Thrift Supervision requires savings banks to maintain detailed records of all transactions with affiliates.

Northfield Bank's authority to extend credit to its directors, executive officers, and principal stockholders, as well as to entities controlled by such persons, is governed by the requirements of Sections 22(g) and 22(h)

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of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions require that extensions of credit to insiders:

(i) be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons, and that do not involve more than the normal risk of repayment or present other unfavorable features (except for extensions of credit made pursuant to lending programs are widely available to the employees of the institution and do not give preference to insiders); and

(ii) not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of Northfield Bank's capital.

In addition, extensions of credit in excess of certain limits to any director, executive officer, or principal stockholder must be approved by Northfield Bank's board of directors.

Section 402 of the Sarbanes-Oxley Act of 2002, prohibits the extension of personal loans to directors and executive officers of issuers (as defined by in Sarbanes-Oxley). The prohibition, however, does not apply to any loans made or maintained by an insured depository institution, such as Northfield Bank, that is subject to the insider lending restrictions of the Federal Reserve Act and other applicable rules and regulations.

*Enforcement.* The Office of Thrift Supervision has primary enforcement responsibility over federal savings banks and has the authority to bring enforcement action against all institution-affiliated parties, including stockholders, attorneys, appraisers, and accountants who knowingly or recklessly participate in wrongful actions likely to have an adverse effect on an insured institution. Formal enforcement action by the Office of Thrift Supervision may range from the issuance of a capital directive or cease and desist order, to removal of officers or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to \$25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as \$1 million per day. The Federal Deposit Insurance Corporation also has the authority to terminate deposit insurance or to recommend to the Director of the Office of Thrift Supervision that enforcement action be taken with respect to a particular savings institution. If action is not taken by the Director, the Federal Deposit Insurance Corporation has authority to take actions under specified circumstances.

The Office of the Comptroller of the Currency will assume the Office of Thrift Supervision's enforcement authority over federal savings banks as part of the Dodd-Frank Act regulatory restructuring.

*Standards for Safety and Soundness.* Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation, and other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted Interagency Guidelines Prescribing Standards for Safety and Soundness to implement the safety and soundness standards required under federal law. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to submit a compliance plan.

*Prompt Corrective Action Regulations.* Under the prompt corrective action regulations, the Office of Thrift Supervision is required and authorized to take supervisory actions against undercapitalized savings banks. For this

purpose, a savings bank is placed in one of the following five categories based on the savings bank's capital:

well-capitalized (at least 5% (core) capital, 6% Tier 1 risk-based capital and 10% total risk-based capital);

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adequately capitalized (at least 4% leverage capital, 4% Tier 1 risk-based capital and 8% total risk-based capital);

undercapitalized (less than 3% leverage capital, 4% Tier 1 risk-based capital or 8% total risk-based capital);

significantly undercapitalized (less than 3% leverage capital, 3% Tier 1 risk-based capital or 6% total risk-based capital); and

critically undercapitalized (less than 2% tangible capital).

Generally, the banking regulator is required to appoint a receiver or conservator for a savings bank that is critically undercapitalized within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of Thrift Supervision within 45 days of the date a savings bank receives notice that it is undercapitalized, significantly undercapitalized, or critically undercapitalized. The criteria for an acceptable capital restoration plan include, among other things, the establishment of the methodology and assumptions for attaining adequately capitalized status on an annual basis, procedures for ensuring compliance with restrictions imposed by applicable federal regulations, the identification of the types and levels of activities the savings bank will engage in while the capital restoration plan is in effect, and assurances that the capital restoration plan will not appreciably increase the current risk profile of the savings bank. Any holding company for the savings bank required to submit a capital restoration plan must guarantee the lesser of an amount equal to 5% of the savings bank's assets at the time it was notified or deemed to be undercapitalized by the Office of Thrift Supervision, or the amount necessary to restore the savings bank to adequately capitalized status. This guarantee remains in place until the Office of Thrift Supervision notifies the savings bank that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the Office of Thrift Supervision has the authority to require payment and collect payment under the guarantee. Failure by a holding company to provide the required guarantee will result in certain operating restrictions on the savings bank, such as restrictions on the ability to declare and pay dividends, pay executive compensation and management fees, and increase assets or expand operations. The Office of Thrift Supervision may also take any one of a number of discretionary supervisory actions against undercapitalized associations, including the issuance of a capital directive and the replacement of senior executive officers and directors.

At December 31, 2010, Northfield Bank met the criteria for being considered well-capitalized.

*Federal Reserve System.* The Federal Reserve System requires all depository institutions to maintain noninterest-bearing reserves at specified levels against transaction accounts and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve System may be used to satisfy the Office of Thrift Supervision liquidity requirements.

Savings institutions have authority to borrow from the Federal Reserve System discount window. Northfield Bank maintains a primary credit facility at the Federal Reserve's discount window. Northfield Bank had no borrowings from the Federal Reserve's discount window as of December 31, 2010.

*Insurance of Deposit Accounts.* Northfield Bank's deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation. The Deposit Insurance Fund is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006.

Under the Federal Deposit Insurance Corporation's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels, and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it

is assigned and certain adjustments specified by Federal Deposit Insurance Corporation regulations. Assessment rates currently range from seven to 77.5 basis points of assessable deposits. The Federal Deposit Insurance Corporation may adjust the scale uniformly, except that no adjustment can deviate more than three basis points from the base scale without notice and comment. No institution may pay a dividend if in default of the federal deposit insurance assessment.



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The Dodd-Frank Act requires the Federal Deposit Insurance Corporation to amend its procedures to base assessments on total average assets less average tangible equity rather than deposits. The Federal Deposit Insurance Corporation has finalized the rule on February 7, 2011, and it will be effective for the second quarter 2011, assessment.

The Federal Deposit Insurance Corporation imposed on all insured institutions a special emergency assessment of five basis points of total assets minus Tier 1 capital, as of June 30, 2009 (capped at ten basis points of an institution's deposit assessment base), in order to cover losses to the Deposit Insurance Fund. That special assessment was collected on September 30, 2009. The Federal Deposit Insurance Corporation provided for similar assessments during the final two quarters of 2009, if deemed necessary. In lieu of further special assessments, however, the Federal Deposit Insurance Corporation required insured institutions to prepay estimated quarterly risk-based assessments for the fourth quarter of 2009 through the fourth quarter of 2012. That pre-payment, which included an assumed assessment base increase of 5%, was due on December 30, 2009. The prepayment was recorded as a prepaid expense (an asset) as of December 30, 2009. As of December 31, 2009 and each quarter thereafter, a charge to earnings is recorded for each regular assessment with an offsetting credit to the prepaid expense.

Due to the recent difficult economic conditions, deposit insurance per account owner has been raised to \$250,000 for all types of accounts. That coverage was made permanent by the Dodd-Frank Act. In addition, the Federal Deposit Insurance Corporation adopted an optional Temporary Liquidity Guarantee Program by which, for a fee, noninterest bearing transaction accounts would receive unlimited insurance coverage until June 30, 2010, subsequently extended to December 31, 2010, and certain senior unsecured debt issued by institutions and their holding companies between October 13, 2008 and December 31, 2009 would be guaranteed by the Federal Deposit Insurance Corporation through June 30, 2012, or in some cases, December 31, 2012. Northfield Bank opted not to participate in the unlimited coverage for noninterest bearing transaction accounts and Northfield Bank, Northfield Bancorp, Inc. and Northfield Bancorp, MHC also did not participate in the debt guarantee program. The Dodd-Frank Act adopted unlimited coverage for certain non-interest bearing transactions accounts for January 1, 2011 through December 31, 2012, with no opt out option.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation to recapitalize a predecessor deposit insurance fund. That payment is established quarterly and during the four quarters ended December 31, 2010, averaged 1.045 basis points of assessable deposits.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The Federal Deposit Insurance Corporation must seek to achieve the 1.35% ratio by September 30, 2020. Insured institutions with assets of \$10 billion or more are targeted to fund the increase. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the Federal Deposit Insurance Corporation and the Federal Deposit Insurance Corporation has recently exercised that discretion by establishing a long range fund ratio of 2%.

The Federal Deposit Insurance Corporation has authority to increase insurance assessments. A significant increase in insurance premiums would likely have an adverse effect on the operating expenses and results of operations of Northfield Bank. We cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or regulatory condition imposed in writing. We do not know of any practice, condition, or violation that might lead to termination of Northfield Bank's deposit insurance.

## **Federal Home Loan Bank System**

Northfield Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions. As a member of the Federal Home Loan Bank of New York, Northfield Bank is

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required to acquire and hold shares of capital stock in the Federal Home Loan Bank of New York. As of December 31, 2010, Northfield Bank was in compliance with its ownership requirement, holding \$9.8 million of Federal Home Loan Bank of New York stock.

## **Other Regulations**

Some interest and other charges collected or contracted by Northfield Bank are subject to state usury laws and federal laws concerning interest rates and charges. Northfield Bank's operations also are subject to federal laws applicable to credit transactions, such as the:

Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

Real Estate Settlement Procedures Act, requiring that borrowers for mortgage loans for one- to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;

Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;

Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed, or other prohibited factors in extending credit;

Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies;

Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies; and

Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The operations of Northfield Bank also are subject to the:

Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

Electronic Funds Transfer Act and Regulation E promulgated thereunder, that govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;

Title III of The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (referred to as the USA PATRIOT Act), which significantly expanded the responsibilities of financial institutions, in preventing the use of the United States financial system to fund terrorist activities. Among other things, the USA PATRIOT Act and the related regulations of the Office of Thrift Supervision require savings banks operating in the United States to develop anti-money laundering compliance programs, due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement existing compliance requirements, also applicable to financial institutions, under the Bank Secrecy Act and the Office of Foreign Assets Control

Regulations; and

The Gramm-Leach-Bliley Act, which places limitations on the sharing of consumer financial information by financial institutions with unaffiliated third parties. Specifically, the Gramm-Leach-Bliley Act requires all financial institutions offering financial products or services to retail customers to provide such customers with the financial institution's privacy policy and provide such customers the opportunity to opt out of the sharing of certain personal financial information with unaffiliated third parties, if the financial institution customarily shares such information.

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**Holding Company Regulation**

*General.* Northfield Bancorp, MHC and Northfield Bancorp, Inc. are non-diversified savings and loan holding companies within the meaning of the Home Owners Loan Act. As such, Northfield Bancorp, MHC and Northfield Bancorp, Inc. are registered with the Office of Thrift Supervision and subject to Office of Thrift Supervision regulations, examinations, supervision, and reporting requirements. In addition, the Office of Thrift Supervision has enforcement authority over Northfield Bancorp, MHC and Northfield Bancorp, Inc. and their subsidiaries. Among other things, this authority permits the Office of Thrift Supervision to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution. As federal corporations, Northfield Bancorp, MHC and Northfield Bancorp, Inc. generally are not subject to state business organization laws.

The Dodd-Frank Act transfers to the Federal Reserve Board the responsibility for regulating, and supervising savings and loan holding companies. The Federal Reserve Board will assume the regulation and supervision of Northfield Bancorp, MHC, and Northfield Bancorp, Inc. on July 21, 2011 (subject to a possible six-month extension).

*Permitted Activities.* Pursuant to Section 10(o) of the Home Owners Loan Act and Office of Thrift Supervision regulations and policy, a mutual holding company and a federally chartered mid-tier holding company, such as Northfield Bancorp, Inc., may, with appropriate regulatory approvals, engage in the following activities:

- (i) investing in the stock of a savings bank;
- (ii) acquiring a mutual association through the merger of such association into a savings bank subsidiary of such holding company or an interim savings bank subsidiary of such holding company;
- (iii) merging with or acquiring another holding company, one of whose subsidiaries is a savings bank;
- (iv) investing in a corporation, the capital stock of which is available for purchase by a savings bank under federal law or under the law of any state where the subsidiary savings bank or association share their home offices;
- (v) furnishing or performing management services for a savings bank subsidiary of such company;
- (vi) holding, managing, or liquidating assets owned or acquired from a savings bank subsidiary of such company;
- (vii) holding or managing properties used or occupied by a savings bank subsidiary of such company;
- (viii) acting as trustee under deeds of trust;
- (ix) any other activity:
  - (a) that the Federal Reserve Board, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, unless the Director, by regulation, prohibits or limits any such activity for savings and loan holding companies;
  - (b) in which multiple savings and loan holding companies were authorized (by regulation) to directly engage on March 5, 1987; or
  - (x) any activity permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act, including securities and insurance underwriting, provided that the mutual holding company meets the qualitative

criteria applicable to financial holding companies and otherwise complies with the requirements that would apply to a financial holding company's conduct of the activity involved, and

(xi) purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock by such savings and loan holding company is approved by the Director.

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(xii) If a mutual holding company acquires or merges with another holding company, the holding company acquired or the holding company resulting from such merger or acquisition may only invest in assets and engage in activities listed in (i) through (x) above, and has a period of two years to cease any nonconforming activities and divest any nonconforming investments.

The Home Owners Loan Act prohibits a savings and loan holding company, including Northfield Bancorp, Inc. and Northfield Bancorp, MHC, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or savings and loan holding company, without prior written approval of the Office of Thrift Supervision. It also prohibits the acquisition or retention of, with certain exceptions, more than 5% of a nonsubsidiary company engaged in activities other than those permitted by the Home Owners Loan Act or acquiring or retaining control of an institution that is not federally insured. In evaluating applications by holding companies to acquire savings institutions, the Office of Thrift Supervision must consider such things as the financial and managerial resources, future prospects of the company and institution involved, the effect of the acquisition on the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors.

The Office of Thrift Supervision is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions:

- (i) the approval of interstate supervisory acquisitions by savings and loan holding companies; and
- (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisition.

The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

*Waivers of Dividends by Northfield Bancorp, MHC.* Office of Thrift Supervision regulations require Northfield Bancorp, MHC to notify the Office of Thrift Supervision of any proposed waiver of its receipt of dividends from Northfield Bancorp, Inc. The Office of Thrift Supervision reviews dividend waiver notices on a case-by-case basis, and, in general, does not object to any such waiver if:

- (i) the waiver would not be detrimental to the safe and sound operation of the subsidiary savings bank; and
- (ii) the mutual holding company's board of directors determines that such waiver is consistent with such directors' fiduciary duties to the mutual holding company's members. Northfield Bancorp, MHC waived approximately \$4.7 million in dividends declared in 2010.

Recently, the Office of Thrift Supervision has required a mutual holding company seeking a dividend waiver to have at least \$50,000 in liquid assets.

The Dodd-Frank Act addressed the issue of dividend waivers in the context of the transfer of the supervision of savings and loan holding companies from the Office of Thrift Supervision to the Federal Reserve Board. The Dodd-Frank Act specified that dividends may be waived if certain conditions are met, including that the Federal Reserve Board does not object after being given written notice of the dividend and proposed waiver. The Dodd-Frank Act indicates that the Federal Reserve Board may not object to such a waiver (i) if the mutual holding company involved has, prior to December 1, 2009, reorganized into a mutual holding company structure, engaged in a minority stock offering and waived dividends; (ii) the board of directors of the mutual holding company expressly determines that a waiver of the dividend is consistent with its fiduciary duties to members and (iii) the waiver would not be detrimental to the safe and sound operation of the savings association subsidiaries of the holding company. The Federal Reserve Board has not previously permitted dividend waivers by mutual bank holding companies and may

object to dividend waivers involving mutual savings and loan holding companies, notwithstanding the referenced language in the Dodd-Frank Act. Northfield Bancorp, MHC was formed, engaged in a minority stock offering (through Northfield Bancorp, Inc.), and waived dividends prior to December 1, 2009.



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*Capital.* Savings and loan holding companies are not currently subject to specific regulatory capital requirements. The Dodd-Frank Act, however, requires the Federal Reserve Board to promulgate consolidated capital requirements for depository institution holding companies that are no less stringent, both quantitatively and in terms of components of capital, than those applicable to institutions themselves. That will eliminate the inclusion of certain instruments, such as trust preferred securities, from tier 1 capital. Instruments issued by mutual holding companies before May 19, 2010 will be grandfathered. There is a five year transition period from the July 21, 2010 date of enactment of the Dodd-Frank Act before the capital requirements will apply to savings and loan holding companies.

*Source of Strength.* The Dodd-Frank Act also extends the source of strength doctrine to savings and loan holding companies. The regulatory agencies must promulgate regulations implementing the source of strength policy that requires holding companies act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

*Conversion of Northfield Bancorp, MHC to Stock Form.* Office of Thrift Supervision regulations permit Northfield Bancorp, MHC to convert from the mutual form of organization to the capital stock form of organization. There can be no assurance when, if ever, a conversion transaction will occur, and the board of directors has no current intention or plan to undertake a conversion transaction. In a conversion transaction, a new stock holding company would be formed as the successor to Northfield Bancorp, Inc., Northfield Bancorp, MHC's corporate existence would end, and certain depositors of Northfield Bank would receive the right to subscribe for additional shares of the new holding company. In a conversion transaction, each share of common stock held by stockholders other than Northfield Bancorp, MHC would be automatically converted into a number of shares of common stock of the new holding company determined pursuant to an exchange ratio that ensures that stockholders other than Northfield Bancorp, MHC own the same percentage of common stock in the new holding company as they owned in Northfield Bancorp, Inc. immediately prior to the conversion transaction, subject to adjustment for any assets held by Northfield Bancorp, MHC. Any such transaction would require the approval of our stockholders, including, under current Office of Thrift Supervision regulations, stockholders other than Northfield Bancorp, Inc., as well as depositors of Northfield Bank.

The Dodd-Frank Act provides that waived dividends will not be considered in determining the appropriate exchange ratio after the transfer of responsibilities to the Federal Reserve Board, provided that the mutual holding company involved was formed, engaged in a minority offering and waived dividends prior to December 1, 2009. Northfield Bancorp, MHC was formed, engaged in a minority stock offering (through Northfield Bancorp, Inc.), and waived dividends prior to December 1, 2009.

*Liquidation Rights.* Each depositor of Northfield Bank has both a deposit account in Northfield Bank and a pro rata ownership interest in the net worth of Northfield Bancorp, MHC based on the deposit balance in his or her account. This ownership interest is tied to the depositor's account and has no tangible market value separate from the deposit account. This interest may only be realized in the unlikely event of a complete liquidation of Northfield Bank. Any depositor who opens a deposit account obtains a pro rata ownership interest in Northfield Bancorp, MHC without any additional payment beyond the amount of the deposit. A depositor who reduces or closes his or her account receives a portion or all, respectively, of the balance in the deposit account but nothing for his or her ownership interest in the net worth of Northfield Bancorp, MHC, which is lost to the extent that the balance in the account is reduced or closed.

In the unlikely event of a complete liquidation of Northfield Bank, all claims of creditors of Northfield Bank, including those of depositors of Northfield Bank (to the extent of their deposit balances), would be paid first. Thereafter, if there were any assets of Northfield Bank remaining, these assets would be distributed to Northfield Bancorp, Inc. as Northfield Bank's sole stockholder. Then, if there were any assets of Northfield Bancorp, Inc. remaining, depositors of Northfield Bank would receive those remaining assets, pro rata, based upon the deposit balances in their deposit account in Northfield Bank immediately prior to liquidation.



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**Regulatory Restructuring Legislation**

On July 21, 2010, President Obama signed the Dodd-Frank Act into law. In addition to eliminating the Office of Thrift Supervision and creating the Consumer Financial Protection Bureau, the Dodd-Frank Act, among other things, directs changes in the way that institutions are assessed for deposit insurance, mandates the imposition of consolidated capital requirements on savings and loan holding companies, requires originators of securitized loans to retain a percentage of the risk for the transferred loans, regulatory rate-setting for certain debit card interchange fees, repeals restrictions on the payment of interest on commercial demand deposits and contains a number of reforms related to mortgage originations. Many of the provisions of the Dodd-Frank Act are subject to delayed effective dates and/or require the issuance of implementing regulations. Their impact on operations cannot yet be fully assessed. However, there is significant possibility that the Dodd-Frank Act will, at a minimum, result in increased regulatory burden, compliance costs, and interest expense for Northfield Bank, Northfield Bancorp, Inc. and Northfield Bancorp, MHC.

**Federal Securities Laws**

Northfield Bancorp, Inc.'s common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Northfield Bancorp, Inc. is subject to the information, proxy solicitation, insider trading restrictions, and other requirements under the Securities Exchange Act of 1934.

**Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 addresses, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. As directed by the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports do not contain any untrue statement of a material fact. The rules adopted by the Securities and Exchange Commission under the Sarbanes-Oxley Act have several requirements, including having these officers certify that: (i) they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal control over financial reporting; (ii) they have made certain disclosures to our auditors and the audit committee of the board of directors about our internal control over financial reporting; and (iii) they have included information in our quarterly and annual reports about their evaluation and whether there have been changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

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**TAXATION**

**Federal Taxation**

*General.* Northfield Bancorp, Inc. and Northfield Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. Northfield Bancorp, Inc. and Northfield Bank are part of a consolidated tax group and file consolidated tax returns including Northfield Bank's wholly-owned subsidiaries. Northfield Bancorp, MHC does not own at least 80% of the common stock of Northfield Bancorp, Inc. and therefore files a separate federal tax return.

Northfield Bancorp, Inc.'s consolidated federal tax returns are not currently under audit, and have not been audited during the past five years. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to Northfield Bancorp, MHC, Northfield Bancorp, Inc., or Northfield Bank.

*Method of Accounting.* For federal income tax purposes, Northfield Bancorp, MHC reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal and state income tax returns.

*Bad Debt Reserves.* Historically, Northfield Bank was subject to special provisions in the tax law applicable to qualifying savings banks regarding allowable tax bad debt deductions and related reserves. Tax law changes were enacted in 1996 that eliminated the ability of savings banks to use the percentage of taxable income method for computing tax bad debt reserves for tax years after 1995, and required recapture into taxable income over a six-year period of all bad debt reserves accumulated after a savings bank's last tax year beginning before January 1, 1988. Northfield Bank recaptured its post December 31, 1987, bad-debt reserve balance over the six-year period ended December 31, 2004.

The State of New York passed legislation in August of 2010 to conform the bad debt deduction allowed under Article 32 of the New York State tax law to the bad debt deduction allowed for federal income tax purposes. As a result, Northfield Bank no longer establishes, or maintains, a New York reserve for losses on loans, and is required to claim a deduction for bad debts in an amount equal to its actual loan loss experience. In addition, this legislation eliminated the potential recapture of the New York tax bad debt reserve that could have otherwise occurred in certain circumstances under New York State tax law prior to August of 2010. As a result of this new legislation, the Company reversed approximately \$738,000 in deferred tax liabilities during the third quarter of 2010.

*Taxable Distributions and Recapture.* Prior to 1996, bad debt reserves created prior to 1988 were subject to recapture into taxable income if Northfield Bank failed to meet certain thrift asset and definitional tests or made certain distributions. Tax law changes in 1996 eliminated thrift-related recapture rules. However, under current law, pre-1988 tax bad debt reserves remain subject to recapture if Northfield Bank makes certain non-dividend distributions, repurchases any of its common stock, pays dividends in excess of earnings and profits, or fails to qualify as a bank for tax purposes.

At December 31, 2010, the total federal pre-base year bad debt reserve of Northfield Bank was approximately \$5.9 million.

*Alternative Minimum Tax.* The Internal Revenue Code of 1986, as amended, imposes an alternative minimum tax at a rate of 20% on a base of regular taxable income plus certain tax preferences, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the regular income tax. Net operating losses can offset no more than 90% of alternative taxable income. Certain payments of alternative minimum tax may be used as credits

against regular tax liabilities in future years. Northfield Bancorp, Inc.'s consolidated group has not been subject to the alternative minimum tax and has no such amounts available as credits for carryover.

*Net Operating Loss Carryovers.* A financial institution may carry back net operating losses to the preceding two taxable years and forward to the succeeding 20 taxable years. At December 31, 2010, Northfield Bancorp Inc.'s consolidated group had no net operating loss carryforwards for federal income tax purposes.

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*Corporate Dividends-Received Deduction.* Northfield Bancorp, Inc. may exclude from its federal taxable income 100% of dividends received from Northfield Bank as a wholly-owned subsidiary by filing consolidated tax returns. The corporate dividends-received deduction is 80% when the corporation receiving the dividend owns at least 20% of the stock of the distributing corporation. The dividends-received deduction is 70% when the corporation receiving the dividend owns less than 20% of the distributing corporation.

## **State/City Taxation**

Northfield Bancorp, MHC and Northfield Bank report income on a calendar year basis to New York State. New York State franchise tax on corporations is imposed in an amount equal to the greater of (a) 7.1% (for 2007 and forward) of entire net income allocable to New York State, (b) 3% of alternative entire net income allocable to New York State, or (c) 0.01% of the average value of assets allocable to New York State plus nominal minimum tax of \$250 per company. Entire net income is based on federal taxable income, subject to certain modifications. Alternative entire net income is equal to entire net income without certain modifications.

Northfield Bancorp, MHC and Northfield Bank report income on a calendar year basis to New York City. New York City franchise tax on corporations is imposed in an amount equal to the greater of (a) 9.0% of entire net income allocable to New York State, (b) 3% of alternative entire net income allocable to New York City, or (c) 0.01% of the average value of assets allocable to New York City plus nominal minimum tax of \$250 per company. Entire net income is based on federal taxable income, subject to certain modifications. Alternative entire net income is equal to entire net income without certain modifications.

Northfield Bancorp, Inc. and Northfield Bank file New Jersey Corporation Business Tax returns on a calendar year basis. Generally, the income derived from New Jersey sources is subject to New Jersey tax. Northfield Bancorp, Inc. and Northfield Bank pay the greater of the corporate business tax ( CBT ) at 9% of taxable income or the minimum tax of \$1,200 per entity.

At December 31, 2005, Northfield Bank did not meet the definition of a domestic building and loan association for New York State and City tax purposes. As a result, we were required to recognize a \$2.2 million deferred tax liability for state and city thrift-related base-year bad debt reserves accumulated after December 31, 1987.

Our state tax returns are not currently under audit or have not been subject to an audit during the past five years, except as follows. Our New York state tax returns for the years ended December 31, 2000, through December 31, 2006, were subject to an audit by the State of New York with respect to our operation of NSB Services Corp. as a Delaware corporation not subject to New York State taxation. In 2007, the Company concluded the audit by the State of New York with respect to the Company's combined state tax returns for years 2000 through 2006.

## **ITEM 1A. RISK FACTORS**

The material risks and uncertainties that management believes affect us are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors. See also, Forward-Looking Statements.

## **Our Concentration in Multifamily Loans, Commercial Real Estate Loans, and Construction and Land Lending Could Expose Us to Increased Lending Risks and Related Loan Losses**

Our current business strategy is to continue to emphasize multifamily loans and to a lesser extent commercial real estate loans. At December 31, 2010, \$658.0 million, or 79.6% of our total loan portfolio, consisted of multifamily, commercial real estate, and construction and land loans. As a result, our credit risk profile may be higher than traditional thrift institutions that have higher concentrations of one- to four-family

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residential mortgage loans. In addition, at December 31, 2010, our largest industry concentration of commercial real estate loans was hotels and motels, which totaled \$28.8 million, or 8.5% of commercial real estate loans at that date.

### **A Significant Portion of Our Loan Portfolio is Unseasoned**

Our loan portfolio has grown to \$826.7 million at December 31, 2010, from \$409.2 million at December 31, 2006. It is difficult to assess the future performance of these recently originated loans because of our relatively limited history in commercial real estate, multifamily, and construction lending. These loans may experience higher delinquency or charge-off levels above our historical experience, which could adversely affect our future performance.

### **If Our Allowance for Loan Losses is Not Sufficient to Cover Actual Loan Losses, Our Earnings Could Decrease**

We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans and our loss and delinquency experience, as well as the experience of other similarly situated institutions, and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance. Material additions to our allowance would materially decrease our net income. In addition, bank regulators periodically review our allowance for loan losses and, based on information available to them at the time of their review, may require us to increase our allowance for loan losses or recognize further loan charge-offs. An increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on our financial condition and results of operations.

### **Because Most of Our Borrowers are Located in the New York Metropolitan Area, a Prolonged Downturn in the Local Economy, and a Decline in Local Real Estate Values Could Cause an Increase in Nonperforming Loans, or a Decrease in Loan Demand, Which Would Reduce our Profits**

Substantially all loans are secured by real estate located in our primary market areas. Continued weakness in our economy and our real estate markets could adversely affect the ability of our borrowers to repay their loans and the value of the collateral securing our loans. Real estate values are affected by various other factors, including supply and demand, changes in general or regional economic conditions, interest rates, governmental rules or policies, natural disasters, and terrorist attacks. Continued negative economic conditions also could result in reduced loan demand and a decline in loan originations.

### **Declines in Real Estate Values Could Decrease Our Loan Originations and Increase Delinquencies and Defaults**

Declines in real estate values in our market area could adversely affect our results from operations. Like all financial institutions, we are subject to the effects of any economic downturn. In particular, a significant decline in real estate values would likely lead to a decrease in new multifamily, commercial real estate, and home equity loan originations and increased delinquencies and defaults in our real estate loan portfolio. Declines in the average sale prices of real estate in our primary markets could lead to higher loan losses.

### **Continued Increases in Loan Delinquencies and Defaults Could Result in Further Deterioration of Our Asset Quality Ratios**

If delinquencies do not improve, and non-accrual and non-performing loans continue to increase, our asset quality ratios, such as non-performing loans to total loans held-for-investment, net, could deteriorate.





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**We Could Record Future Losses on Our Securities Portfolio**

During the year ended December 31, 2010, we recognized total other-than-temporary impairment on our securities portfolio of \$962,000, of which \$154,000 was considered to be credit-related and, therefore, recorded as a loss through a reduction of non-interest income. A number of factors or combinations of factors could require us to conclude in one or more future reporting periods that an unrealized loss that exists with respect to our securities portfolio constitutes additional impairment that is other than temporary, which could result in material losses to us. These factors include, but are not limited to, a continued failure by an issuer to make scheduled interest payments, an increase in the severity of the unrealized loss on a particular security, an increase in the continuous duration of the unrealized loss without an improvement in value or changes in market conditions and/or industry or issuer specific factors that would render us unable to forecast a full recovery in value. In addition, the fair values of securities could decline if the overall economy and the financial condition of some of the issuers continue to deteriorate and there remains limited liquidity for these securities.

**If the Company's Investment in the Common Stock of the Federal Home Loan Bank of New York is Classified as Other-Than-Temporarily Impaired or as Permanently Impaired, Earnings and Stockholders' Equity Could Decrease**

The Company owns stock of the Federal Home Loan Bank of New York (FHLB-NY), which is part of the Federal Home Loan Bank System. The FHLB-NY common stock is held to qualify for membership in the FHLB-NY and to be eligible to borrow funds under the FHLB-NY's advance programs. The aggregate cost of our FHLB-NY common stock as of December 31, 2010, was \$9.8 million based on its par value. There is no market for FHLB-NY common stock.

Although the FHLB-NY is not reporting current operating difficulties, recent published reports indicate that certain member banks of the Federal Home Loan Bank System may be subject to accounting rules and asset quality risks that could result in materially lower regulatory capital levels. In an extreme situation, it is possible that the capital of the Federal Home Loan Bank System, including the FHLB-NY, could be substantially diminished. Consequently, there is a risk that the Company's investment in FHLB-NY common stock could be deemed other-than-temporarily impaired at some time in the future, and if this occurs, it would cause earnings and stockholders' equity to decrease by the impairment charge.

**A Significant Amount of Our Securities Portfolio is Guaranteed or Issued by Fannie Mae or Freddie Mac**

Both Fannie Mae and Freddie Mac are under conservatorship with the Federal Housing Finance Agency. On February 11, 2011, the Obama administration presented the U.S. Congress with a report of its proposals for reforming America's housing finance market with the goal of scaling back the role of the U.S. government in, and promoting the return of private capital to, the mortgage markets and ultimately winding down Fannie Mae and Freddie Mac. Without mentioning a specific time frame, the report calls for the reduction of the role of Fannie Mae and Freddie Mac in the mortgage markets by, among other things, reducing conforming loan limits, increasing guarantee fees, and requiring larger down payments by borrowers. The report presents three options for the long-term structure of housing finance, all of which call for the unwinding of Fannie Mae and Freddie Mac and a reduced role of the government in the mortgage market: (1) a system with U.S. government insurance limited to a narrowly targeted group of borrowers; (2) a system similar to (1) above except with an expanded guarantee during times of crisis; and (3) a system where the U.S. government offers catastrophic reinsurance for the securities of a targeted range of mortgages behind significant private capital. We cannot be certain if or when Fannie Mae and Freddie Mac will be wound down, if or when reform of the housing finance market will be implemented or what the future role of the U.S. government will be in the mortgage market, and, accordingly, we will not be able to determine the effect that any such reform may have on us until a definitive reform plan is adopted.



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### **Changes in Our Accounting Policies or in Accounting Standards Could Materially Affect How We Report Our Financial Results and Condition**

Our accounting policies are essential to understanding our financial results and condition. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses.

From time to time, the Financial Accounting Standards Board (FASB) and the Securities Exchange Commission (SEC) change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our external financial statements. These changes are beyond our control, can be hard to predict and could materially impact how we report our results of operations and financial condition. We could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements in material amounts.

### **The Need to Account for Certain Assets at Estimated Fair Value May Adversely Affect Our Results of Operations**

We report certain assets, including securities, at fair value. Generally, for assets that are reported at fair value, we use quoted market prices or valuation models that utilize observable market inputs to estimate fair value. Because we carry these assets on our books at their estimated fair value, we may incur losses even if the asset in question presents minimal credit risk. Elevated delinquencies, defaults, and estimated losses from the disposition of collateral in our private-label mortgage-backed securities portfolio may require us to recognize additional other-than-temporary impairments in future periods with respect to our securities portfolio. The amount and timing of any impairment recognized will depend on the severity and duration of the decline in the estimated fair value of the securities and our estimation of the anticipated recovery period.

### **We Hold Certain Intangible Assets that Could Be Classified as Impaired in The Future. If These Assets Are Considered To Be Either Partially or Fully Impaired in the Future, Our Earnings and the Book Values of These Assets Would Decrease**

We are required to test our goodwill for impairment on a periodic basis. The impairment testing process considers a variety of factors, including the current market price of our common shares, the estimated net present value of our assets and liabilities and information concerning the terminal valuation of similarly situated insured depository institutions. It is possible that future impairment testing could result in a partial or full impairment of the value of our goodwill. If an impairment determination is made in a future reporting period, our earnings and the book value of goodwill will be reduced by the amount of the impairment. If an impairment loss is recorded, it will have little or no impact on the tangible book value of our shares of common stock or our regulatory capital levels.

### **Because the Nature of the Financial Services Business Involves a High Volume of Transactions, We Face Significant Operational Risks**

We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such

losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. In the event of a breakdown in

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the internal control system, improper operation of systems or improper employee actions, we could suffer financial loss, face regulatory action, and suffer damage to our reputation.

### **Northfield Bank is Required to Maintain a Significant Percentage of its Total Assets in Residential Mortgage Loans and Investments Secured by Residential Mortgage Loans, Which Restricts Our Ability to Diversify Our Loan Portfolio**

A federal savings bank or thrift differs from a commercial bank in that it is required to maintain at least 65% of its total assets in qualified thrift investments which generally include loans and investments, for the purchase, refinance, construction, improvement, or repair of residential real estate, as well as home equity loans, education loans and small business loans. To maintain our federal savings bank charter we have to be a qualified thrift lender or QTL in nine out of each 12 immediately preceding months. The QTL requirement limits the extent to which we can grow our commercial loan portfolio, and as a result of Dodd-Frank, failing the QTL test can result in an enforcement action. However, a loan that does not exceed \$2 million (including a group of loans to one borrower) that is for commercial, corporate, business, or agricultural purposes is included in our qualified thrift investments. Because of the QTL requirement, we may be limited in our ability to change our asset mix and increase the yield on our earning assets by growing our commercial loan portfolio.

In addition, if we continue to grow our commercial loan portfolio and our single-family residential mortgage loan portfolio decreases, it is possible that in order to maintain our QTL status, we could be forced to buy mortgage-backed securities or other qualifying assets at times when the terms of such investments may not be attractive. Alternatively, we may find it necessary to pursue different structures, including converting Northfield Bank's savings bank charter to a commercial bank charter.

### **Risks Associated with System Failures, Interruptions, or Breaches of Security Could Negatively Affect Our Earnings**

Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, but there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition any compromise of our systems could deter customers from using our products and services. Although we rely on security systems to provide security and authentication necessary to effect the secure transmission of data, these precautions may not protect our systems from compromises or breaches of security.

In addition, we outsource a majority of our data processing to certain third-party providers. If these third-party providers encounter difficulties, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel.

The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business thereby subjecting us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations.

### **We Are Subject to Extensive Regulatory Oversight**

We are subject to extensive supervision, regulation, and examination by the OTS and by the FDIC. As a result, we are limited in the manner in which we conduct our business, undertake new investments and activities, and obtain financing. This regulatory structure is designed primarily for the protection of the Deposit Insurance Fund and our depositors, and not to benefit our stockholders. This regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement actions and examination policies, including policies with respect to capital levels, the timing, and amount of dividend payments, the classification of assets, adequacy of our community reinvestment activities, and the

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establishment of adequate loan loss reserves for regulatory purposes. In addition, we must comply with significant anti-money laundering and anti-terrorism laws. Government agencies have the authority to impose monetary penalties and other sanctions on institutions which fail to comply with these laws and regulations.

### **Legislative or Regulatory Responses to Perceived Financial and Market Problems Could Impair Our Rights Against Borrowers**

Current and future proposals made by members of Congress would reduce the amount distressed borrowers are otherwise contractually obligated to pay under their mortgage loans, and may limit the ability of lenders to foreclose on mortgage collateral. If proposals such as these, or other proposals limiting the bank's rights as creditor, were to be implemented, we could experience increased credit losses on our loans and mortgage-backed securities, or increased expense in pursuing our remedies as a creditor.

### **Financial Reform Legislation Recently Enacted by Congress Will, Among Other Things, Eliminate the Office of Thrift Supervision, Tighten Capital Standards, Create a New Consumer Financial Protection Bureau and Result in New Laws and Regulations that are Expected to Increase Our Costs of Operations**

The President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) which will significantly change the current bank regulatory structure and affect the lending, investment, trading, and operating activities of financial institutions and their holding companies. The Dodd-Frank Act will eliminate our current primary federal regulator, the Office of Thrift Supervision, and require Northfield Bank to be regulated by the Office of the Comptroller of the Currency (the primary federal regulator for national banks). The Dodd-Frank Act also authorizes the Board of Governors of the Federal Reserve System to supervise and regulate all savings and loan holding companies, in addition to bank holding companies which it currently regulates. As a result, the Federal Reserve Board's current regulations applicable to bank holding companies, including holding company capital requirements, will apply to savings and loan holding companies like Northfield Bancorp, Inc. These capital requirements are substantially similar to the capital requirements currently applicable to Northfield Bank, as described in Supervision and Regulation Federal Banking Regulation Capital Requirements. The Dodd-Frank Act also requires the Federal Reserve Board to set minimum capital levels for bank holding companies that are as stringent as those required for the insured depository subsidiaries, and the components of Tier 1 capital would be restricted to capital instruments that are currently considered to be Tier 1 capital for insured depository institutions. Bank holding companies with assets of less than \$500 million are exempt from these capital requirements. Under the Dodd-Frank Act, the proceeds of trust preferred securities are excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by bank or savings and loan holding companies with less than \$15 billion of assets. The legislation also establishes a floor for capital of insured depository institutions that cannot be lower than the standards in effect today, and directs the federal banking regulators to implement new leverage and capital requirements within 18 months that take into account off-balance sheet activities and other risks, including risks relating to securitized products and derivatives.

The Dodd-Frank Act also creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions such as Northfield Bank, including the authority to prohibit unfair, deceptive, or abusive acts and practices. The Consumer Financial Protection Bureau has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets. Banks and savings institutions with \$10 billion or less in assets will be examined by their applicable bank regulators. The new legislation also weakens the federal preemption available for national banks and federal savings associations, and gives state attorneys general the ability to enforce applicable federal consumer protection laws.



The legislation also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31,

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2013. Lastly, the Dodd-Frank Act will increase stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and by authorizing the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company's proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

**The Value of Our Deferred Tax Assets (DTAs) Could be Reduced if Corporate Tax Rates in the United States are Decreased.**

There have been recent discussions in Congress and by the Obama Administration regarding potentially decreasing the United States corporate tax rate. While we may benefit in some respects from any decreases in these corporate tax rates, any reduction in the United States corporate tax rate would result in a decrease to the value of our DTAs, which could be significant.

**Recent Health Care Legislation Could Increase Our Expenses or Require us to Pass Further Costs on to Our Employees, Which Could Adversely Affect Our Operations, Financial Condition and Results of Operations**

Legislation enacted in 2010 requires companies to provide expanded health care coverage to their employees, such as affordable coverage to part-time employees and coverage to dependent adult children of employees. Companies will also be required to enroll new employees automatically into one of their health plans. Compliance with these and other new requirements of the health care legislation will increase our employee benefits expense, and may require us to pass these costs on to our employees, which could give us a competitive disadvantage in hiring and retaining qualified employees.

**We Have Been Negatively Affected by Current Market and Economic Conditions. A Continuation or Worsening of These Conditions Could Adversely Affect Our Operations, Financial Condition, and Earnings**

The severe economic recession of 2008 and 2009 and the weak economic recovery since then have resulted in continued uncertainty in the financial markets and the expectation of weak general economic conditions, including high levels of unemployment, continuing through 2010. The resulting economic pressure on consumers and businesses has adversely affected our business, financial condition, and results of operations. The credit quality of loan and investment securities portfolios has deteriorated at many financial institutions and the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Our commercial and multi-family real estate loan customers have experienced increases in vacancy rates and declines in rental rates for both multi-family and commercial properties. Financial companies' stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets. A continuation or worsening of these conditions could result in reduced loan demand and further increases in loan delinquencies, loan losses, loan loss provisions, costs associated with monitoring delinquent loans and disposing of foreclosed property, and otherwise negatively affect our operations, financial condition, and earnings.

**Current Market and Economic Conditions and Related Government Responses May Significantly Affect Our Operations, Financial Condition, and Earnings**

The severe economic recession of 2008 and 2009 and the weak economic recovery since then have resulted in continued uncertainty in the financial markets and the expectation of weak general economic conditions, including high levels of unemployment, continuing through 2011. The resulting economic pressure on consumers and businesses could adversely affect our business, financial condition, and results of operations. The credit quality of loan and investment securities portfolios has deteriorated at many financial institutions and the values of real estate

collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Financial companies' stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt markets.

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In addition, deflationary pressures, while possibly lowering our operating costs, could have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our financial performance.

### **Strong Competition Within Our Market Areas May Limit Our Growth and Profitability**

Competition in the banking and financial services industry is intense. In our market areas, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, money market funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Some of our competitors have greater name recognition and market presence which benefit them in attracting business and offer certain services that we do not or cannot provide. In addition, larger competitors may be able to price loans and deposits more aggressively than we do.

In addition, the recent crises in the financial services industry have resulted in a number of financial services companies such as investment banks and automobile and real estate finance companies electing to become bank holding companies. These financial services companies traditionally have generated funds from sources other than insured bank deposits. Many of the alternative funding sources traditionally utilized by these companies are no longer available. This has resulted in these companies relying more on insured bank deposits to fund their operations, which has increased competition for deposits and the related costs of such deposits. Our profitability depends on our continued ability to compete successfully in our market areas. For additional information, see Business Northfield Bank Market Area and Competition.

### **Changes in Market Interest Rates Could Adversely Affect Our Financial Condition and Results of Operations**

Our financial condition and results of operations are significantly affected by changes in market interest rates. Our results of operations substantially depend on our net interest income, which is the difference between the interest income we earn on our interest-earning assets and the interest expense we pay on our interest-bearing liabilities. Our interest-bearing liabilities generally reprice or mature more quickly than our interest-earning assets. If rates increase rapidly, we may have to increase the rates we pay on our deposits and borrowed funds more quickly than any changes in interest rates earned on our loans and investments, resulting in a negative effect on interest spreads and net interest income. In addition, the effect of rising rates could be compounded if deposit customers move funds from savings accounts to higher rate certificate of deposit accounts. Conversely, should market interest rates fall below current levels, our net interest margin could also be negatively affected if competitive pressures keep us from further reducing rates on our deposits, while the yields on our assets decrease more rapidly through loan prepayments and interest rate adjustments.

We also are subject to reinvestment risk associated with changes in interest rates. Changes in interest rates may affect the average life of loans and mortgage-related securities. Decreases in interest rates often result in increased prepayments of loans and mortgage-related securities, as borrowers refinance their loans to reduce borrowings costs. Under these circumstances, we are subject to reinvestment risk to the extent we are unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Additionally, increases in interest rates may decrease loan demand and/or may make it more difficult for borrowers to repay adjustable rate loans. Changes in interest rates also affect the value of our interest earning assets and in particular our securities portfolio. Generally, the value of securities fluctuates inversely with changes in interest rates.

### **Our Financial Condition and Results of Operations Could be Negatively Affected if We Fail to Grow or Fail to Manage our Growth Effectively**

Our business strategy includes significant growth plans. We intend to continue pursuing a profitable growth strategy. Our prospects must be considered carefully in light of risks, expenses and difficulties frequently encountered by companies in significant growth strategies. We cannot assure you that we will be able to expand our market presence in our existing markets or that any such expansion will not adversely affect our results of operations. Failure to effectively grow could have a material adverse effect on our

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business, future prospects, financial condition, or results of operations and could adversely affect our ability to successfully implement our business strategy. In addition, if we grow more slowly than anticipated, our operating results could be adversely affected.

Our ability to grow successfully will depend on a variety of factors including the continued availability of desirable business opportunities, the competitive responses from other financial institutions in our market areas and our ability to manage our growth. While we believe we have the management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or growth will be successfully managed.

### **Acquisitions may Disrupt our Business and Dilute Shareholder Value**

We regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, negotiations may take place and future mergers or acquisitions involving cash, debt, or equity securities may occur at any time. We seek merger or acquisition partners that are culturally similar, have experienced management, and possess either significant market presence or have potential for improved profitability through financial management, economies of scale, or expanded services.

Acquiring other banks, businesses, or branches involves potential adverse impact to our financial results and various other risks commonly associated with acquisitions, including, among other things:

- difficulty in estimating the value of the target company;

- payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term;

- potential exposure to unknown or contingent liabilities of the target company;

- exposure to potential asset quality issues of the target company;

- there may be volatility in reported income as goodwill impairment losses could occur irregularly and in varying amounts;

- difficulty and expense of integrating the operations and personnel of the target company;

- inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits;

- potential disruption to our business;

- potential diversion of our management's time and attention;

- the possible loss of key employees and customers of the target company; and

- potential changes in banking or tax laws or regulations that may affect the target company.

### **We may Eliminate Dividends on Our Common Stock**

Although we have been paying a quarterly cash dividend to our stockholders, stockholders are not entitled to receive dividends. Downturns in domestic and global economies or the inability to waive dividends to Northfield Bancorp, MHC, could cause our board of directors to consider, among other things, the elimination of dividends paid on our common stock.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

No unresolved staff comments.

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**ITEM 2. PROPERTIES**

The Bank operates from our home office in Staten Island, New York, our operations center located at 581 Main Street, Woodbridge, NJ, and our additional 19 branch offices located in New York and New Jersey. Our branch offices are located in the New York Counties of Richmond, and Kings and the New Jersey Counties of Middlesex and Union. The Bank also has a customer service center in Norcross, Georgia related to insurance premium financing. The net book value of our premises, land, and equipment was \$16.1 million at December 31, 2010.

**ITEM 3. LEGAL PROCEEDINGS**

In the normal course of business, we may be party to various outstanding legal proceedings and claims. In the opinion of management, the consolidated financial statements will not be materially affected by the outcome of such legal proceedings and claims as of December 31, 2010.

**ITEM 4. [RESERVED]**



**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

(a) Our shares of common stock are traded on the NASDAQ Global Select Market under the symbol NFBK. The approximate number of holders of record of Northfield Bancorp, Inc.'s common stock as of December 31, 2010, was 4,599. Certain shares of Northfield Bancorp, Inc. are held in nominee or street name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number. The following table presents quarterly market information for Northfield Bancorp, Inc.'s common stock for the year ended December 31, 2010 and 2009. The following information was provided by the NASDAQ Global Stock Market.

	<b>High</b>	<b>Low</b>	<b>Dividends</b>
Quarter ended December 31, 2010	\$ 13.49	\$ 10.80	\$ 0.05
Quarter ended September 30, 2010	\$ 13.81	\$ 10.51	\$ 0.05
Quarter ended June 30, 2010	\$ 15.30	\$ 12.80	\$ 0.05
Quarter ended March 31, 2010	\$ 15.00	\$ 12.29	\$ 0.04
Quarter ended December 31, 2009	\$ 13.94	\$ 12.09	\$ 0.04
Quarter ended September 30, 2009	\$ 13.10	\$ 11.01	\$ 0.04
Quarter ended June 30, 2009	\$ 12.19	\$ 10.25	\$ 0.04
Quarter ended March 31, 2009	\$ 11.25	\$ 8.18	\$ 0.04

The sources of funds for the payment of a cash dividend are the retained proceeds from the initial sale of shares of common stock and earnings on those proceeds, interest, and principal payments on Northfield Bancorp, Inc.'s investments, including its loan to Northfield Bank's Employee Stock Ownership Plan, and dividends from Northfield Bank.

For a discussion of Northfield Bank's ability to pay dividends, see Supervision and Regulation Federal Banking Regulation.

**Table of Contents****Stock Performance Graph**

Set forth below is a stock performance graph (Source: SNL Financial) comparing (a) the cumulative total return on the Company's Common Stock for the period November 8, 2007, through December 31, 2010, (b) the cumulative total return of the stocks included in the NASDAQ Composite Index over such period, and, (c) the cumulative total return on stocks included in the NASDAQ Bank Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of \$100.

**Total Return Performance**

Index	Period Ending							
	11/08/07	12/31/07	06/30/08	12/31/08	06/30/09	12/31/09	06/30/10	12/31/10
Northfield Bancorp, Inc. (MHC)	100.00	103.54	102.87	108.02	112.40	131.61	127.19	131.57
NASDAQ Composite Index	100.00	98.50	85.52	59.12	69.16	85.93	80.25	101.53
NASDAQ Bank Index	100.00	97.42	76.23	76.44	59.16	63.97	65.78	73.03

The Company had in effect at December 31, 2010, 2009, and 2008, the 2008 Equity Incentive Plan which was approved by stockholders on December 17, 2008. The 2008 Equity Incentive Plan provides for the issuance of up to 3,073,488 equity awards. On January 30, 2009, the Compensation Committee of the Board of Directors awarded 832,450 shares of restricted stock, and 2,102,600 stock options with tandem stock appreciation rights. In addition, on May 29, 2009, an employee was granted 3,800 stock options and 4,200 restricted stock awards, and on January 30, 2010, an employee was granted 3,000 stock options and 4,400 restricted stock awards.

**Table of Contents****Issuer Purchases of Equity Securities**

The following table shows the Company's repurchase of its common stock for each calendar month in the three months ended December 31, 2010.

<b>Period</b>	<b>(a) Total Number of Shares Purchased</b>	<b>(b) Average Price Paid per Share</b>	<b>(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</b>	<b>(d) Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs(1)</b>
October 1, 2010, through October 31, 2010				2,177,033
November 1, 2010, through November 30, 2010	96,700	12.47	96,700	2,080,333
December 1, 2010, through December 31, 2010	127,867	12.98	127,867	1,952,466
<b>Total</b>	<b>224,567</b>	<b>12.76</b>	<b>224,567</b>	

(1) On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company is conducting such repurchases in accordance with a Rule 10b5-1 trading plan.

As of December 31, 2010, the Company has repurchased (under its current and prior repurchase plans) 2,308,511 shares of its stock at an average price of \$12.06 per share.

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The summary information presented below at the dates or for each of the years presented is derived in part from our consolidated financial statements. The following information is only a summary, and should be read in conjunction with our consolidated financial statements and notes included in this Annual Report.

	<b>At December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>				
<b>Selected Financial Condition Data:</b>					
Total assets	\$ 2,247,167	\$ 2,002,274	\$ 1,757,761	\$ 1,386,918	\$ 1,294,747
Cash and cash equivalents	43,852	42,544	50,128	25,088	60,624
Certificates of deposit			53,653	24,500	5,200
Trading securities	4,095	3,403	2,498	3,605	2,667
Securities available-for-sale, at estimated market value	1,244,313	1,131,803	957,585	802,417	713,098
Securities held-to-maturity	5,060	6,740	14,479	19,686	26,169
Loans held for sale	1,170			270	125
Loans held-for-investment, net	827,591	729,269	589,984	424,329	409,189
Allowance for loan losses	(21,819)	(15,414)	(8,778)	(5,636)	(5,030)
Net loans held-for-investment	805,772	713,855	581,206	418,693	404,159
Bank owned life insurance	74,805	43,751	42,001	41,560	32,866
Federal Home Loan Bank of New York stock, at cost	9,784	6,421	9,410	6,702	7,186
Other real estate owned	171	1,938	1,071		
Deposits	1,372,842	1,316,885	1,024,439	877,225	989,789
Borrowed funds	391,237	279,424	332,084	124,420	128,534
Total liabilities	1,850,450	1,610,734	1,371,183	1,019,578	1,130,753
Total stockholders' equity	396,717	391,540	386,578	367,340	163,994

	<b>Years Ended December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>(In thousands)</b>				
<b>Selected Operating Data:</b>					
Interest income	\$ 86,495	\$ 85,568	\$ 75,049	\$ 65,702	\$ 64,867
Interest expense	24,406	28,977	28,256	28,836	28,406
Net interest income before provision for loan losses	62,089	56,591	46,793	36,866	36,461
Provision for loan losses	10,084	9,038	5,082	1,442	235
Net interest income after provision for loan losses	52,005	47,553	41,711	35,424	36,226
Non-interest income	6,842	5,393	6,153	9,478	4,600
Non-interest expense	38,684	34,254	24,852	35,950	23,818

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Income before income taxes	20,163	18,692	23,012	8,952	17,008
Income tax expense (benefit)	6,370	6,618	7,181	(1,555)	6,166
Net income	\$ 13,793	\$ 12,074	\$ 15,831	\$ 10,507	\$ 10,842
Net income (loss) per common share basic and diluted(1)	\$ 0.33	\$ 0.28	\$ 0.37	\$ (0.03)	NA
Weighted average basic shares outstanding(1)	41,387,106	42,405,774	43,133,856	43,076,586	NA
Weighted average diluted shares outstanding	41,669,006	42,532,568			NA

(1) Net loss per share in 2007 is calculated for the period that the Company's shares of common stock were outstanding (November 8, 2007, through December 31, 2007). The net loss for this period was \$1,500,000.

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	<b>At or for the Years Ended December 31,</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Selected Financial Ratios and Other Data:</b>					
<b>Performance Ratios:</b>					
Return on assets (ratio of net income to average total assets)(1)	0.65%	0.64%	1.01%	0.78%	0.80%
Return on equity (ratio of net income to average equity)(1)	3.46%	3.09%	4.22%	5.27%	7.01%
Interest rate spread(1)(3)	2.78%	2.66%	2.37%	2.34%	2.40%
Net interest margin(1)(2)	3.10%	3.16%	3.13%	2.87%	2.81%
Dividend payout ratio(6)	23.98%	24.54%	4.66%		
Efficiency ratio(1)(4)	56.12%	55.26%	46.94%	77.57%	58.01%
Non-interest expense to average total assets(1)	1.82%	1.82%	1.58%	2.66%	1.77%
Average interest-earning assets to average interest-bearing liabilities	125.52%	130.44%	136.94%	123.33%	118.89%
Average equity to average total assets	18.81%	20.82%	23.84%	14.73%	11.47%
<b>Asset Quality Ratios:</b>					
Non-performing assets to total assets	2.72%	2.19%	0.61%	0.71%	0.55%
Non-performing loans to total loans	7.36%	5.73%	1.63%	2.32%	1.74%
Allowance for loan losses to non-performing loans	35.83%	36.86%	91.07%	57.31%	70.70%
Allowance for loan losses to total loans	2.64%	2.11%	1.49%	1.33%	1.23%
<b>Capital Ratios:</b>					
Total capital (to risk-weighted assets)(5)	27.39%	28.52%	34.81%	38.07%	25.03%
Tier I capital (to risk-weighted assets)(5)	26.12%	27.24%	33.68%	37.23%	24.25%
Tier I capital (to adjusted assets (OTS), average assets FDIC)(5)	13.43%	14.35%	15.98%	18.84%	12.38%
<b>Other Data:</b>					
Number of full service offices	20	18	18	18	19
Full time equivalent employees	243	223	203	192	208

- (1) 2010 performance ratios include a \$1.8 million charge (\$1.2 million after-tax) related to costs associated with the Company's postponed second-step offering, and a \$738,000 benefit related to the elimination of deferred tax liabilities associated with a change in New York state tax law. 2009 performance ratios include a \$770,000 expense (\$462,000 after-tax) related to a special FDIC deposit insurance assessment. 2008 performance ratios include a \$2.5 million tax-exempt gain from the death of an officer and \$463,000 (\$292,000, net of tax) in costs associated with the Bank's conversion to a new core processing system that was completed in January 2009. 2007 performance ratios include the after-tax effect of: a charge of \$7.8 million due to the Company's contribution to the Northfield Bank Foundation; a gain of \$2.4 million as a result of the sale of two branch locations, and associated deposit relationships; net interest income of approximately \$800,000 (after-tax), for the year ended December 31, 2007, as it relates to short-term investment returns earned on subscription proceeds (net of interest paid during the stock offering); and the reversal of state and local tax liabilities of approximately \$4.5 million, net of federal taxes. 2006 performance ratios include a \$931,000 (after-tax) charge related to a supplemental retirement agreement entered into by the Company with its former president.

- (2) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.
- (3) The interest rate spread represents the difference between the weighted-average yield on interest earning assets and the weighted-average costs of interest-bearing liabilities.
- (4) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.
- (5) Capital ratios are presented for Northfield Bank only. Ratios for 2006 were determined pursuant to Federal Deposit Insurance Corporation regulations. Beginning November 6, 2007, Northfield Bank became subject to the capital requirements under Office of Thrift Supervision regulations, while the capital regulations of these two agencies are substantially similar, they are not identical.
- (6) Dividend payout ratio is calculated as total dividends declared for the year (excluding dividends waived by Northfield Bancorp, MHC) divided by net income for the year.

**Table of Contents****ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the Consolidated Financial Statements of Northfield Bancorp, Inc. and the Notes thereto included elsewhere in this report (collectively, the "Financial Statements").

**Overview**

On November 7, 2007, Northfield Bancorp, Inc. completed its initial stock offering whereby the Company sold 19,265,316 shares of common stock, for a price of \$10.00 per share. The transaction closed at the adjusted maximum level of shares permitted by the offering. The shares sold represented 43.0% of the shares of the Company's common stock outstanding following the stock offering. The Company also contributed 2.0% of the shares of our outstanding common stock, or 896,061 shares, and \$3.0 million in cash, to the Northfield Bank Foundation, a charitable foundation established by Northfield Bank. Northfield Bancorp, MHC, the Company's federally chartered mutual holding company parent, owns 57% of the Company's outstanding common stock as of December 31, 2010.

Net income amounted to \$13.8 million for 2010, as compared to \$12.1 million for 2009. For 2010, our return on average assets and average shareholders' equity were 0.65% and 3.46%, respectively, as compared to 0.64% and 3.09% for 2009. The increases in our return on average equity and average assets were due primarily to the increase in our net income during 2010 as compared to 2009. Net income for 2010 included an after-tax charge of \$1.2 million related to costs associated with the Company's postponed, second-step offering, and a \$738,000 benefit related to the elimination of deferred tax liabilities associated with a change in New York State tax laws. Net income in 2009 included a \$462,000 after-tax charge related to a special FDIC deposit insurance assessment.

We grew our assets by 12.2% to \$2.247 billion at December 31, 2010, from \$2.002 billion at December 31, 2009. The increase in total assets reflected increases in securities of \$111.5 million, 9.8%, and loans held for investment, net, of \$98.3 million, or 13.5%. In addition, bank owned life insurance increased \$31.1 million, primarily resulting from the purchase of \$28.8 million of insurance policies during the year ended December 31, 2010, coupled with \$2.3 million of income earned on bank owned life insurance for the year ended December 31, 2010. The increase in our total assets during 2010 was funded primarily by an increase in customer deposits and borrowings. Deposits increased \$56.0 million to \$1.373 billion at December 31, 2010, from \$1.317 billion at December 31, 2009. The increase in deposits was attributable to growth in transaction and savings accounts. Borrowed funds increased \$111.8 million to \$391.2 million at December 31, 2010, from \$279.4 million at December 31, 2009.

**Critical Accounting Policies**

Critical accounting policies are defined as those that involve significant judgments and uncertainties, and could potentially result in materially different results under different assumptions and conditions. We believe that the most critical accounting policies upon which our financial condition and results of operation depend, and which involve the most complex subjective decisions or assessments, are the following:

*Allowance for Loan Losses, Impaired Loans, and Other Real Estate Owned.* The allowance for loan losses is the estimated amount considered necessary to cover probable and reasonably estimable credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses that is charged against income. In determining the allowance for loan losses, we make significant estimates and judgments. The determination of the allowance for loan losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.



The allowance for loan losses has been determined in accordance with GAAP. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our

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allowance for loan losses is adequate to cover identifiable losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Management performs a formal quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has a component for impaired loan losses, and a component for general loan losses, including unallocated reserves. Management has defined an impaired loan to be a loan for which it is probable, based on current information, that the Company will not collect all amounts due in accordance with the contractual terms of the loan agreement. We have defined the population of impaired loans to be all non-accrual loans with an outstanding balance of \$500,000 or greater, and all loans subject to a troubled debt restructuring. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the estimated fair value of the collateral (less cost to sell), if the loan is collateral dependent, or the present value of the expected future cash flows, if the loan is not collateral dependent. Management performs a detailed evaluation of each impaired loan and generally obtains updated appraisals as part of the evaluation. In addition, management adjusts estimated fair values down to appropriately consider recent market conditions, our willingness to accept lower sales price to effect a quick sale, and costs to dispose of any supporting collateral. Determining the estimated fair value of underlying collateral (and related costs to sell) can be difficult in illiquid real estate markets and is subject to significant assumptions and estimates. Management employs an independent third party expert in appraisal preparation and review to ascertain the reasonableness of updated appraisals. Projecting the expected cash flows under troubled debt restructurings 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, and could have a material effect on our financial results.

The second component of the allowance for loan losses is the general loss allocation. This assessment is performed on a portfolio basis, excluding impaired and trouble debt restructured loans, with loans being grouped into similar risk characteristics, primarily loan type, loan-to-value (if collateral dependent) and internal credit risk rating. We apply an estimated loss rate to each loan group. The loss rates applied are based on our loss experience as adjusted for our qualitative assessment of relevant changes related to: underwriting standards; delinquency trends; collection, charge-off and recovery practices; the nature or volume of the loan group; lending staff; concentration of loan type; current economic conditions; and other relevant factors considered appropriate by management. In evaluating the estimated loss factors to be utilized for each loan group, management also reviews actual loss history over an extended period of time as reported by the OTS and FDIC for institutions both nationally and in our market area, for periods that are believed to have been under similar economic conditions. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revisions based on changes in economic and real estate market conditions. Actual loan losses may be significantly different than the allowance for loan losses we have established, and could have a material effect on our financial results. The Company also maintains an unallocated component related to the general loss allocation. Management does not target a specific unallocated percentage of the total general allocation, or total allowance for loan losses. The primary purpose of the unallocated component is to account for the inherent imprecision of the loss estimation process related primarily to periodic updating of appraisals on impaired loans, as well as periodic updating of commercial loan credit risk ratings by loan officers and the Company's internal credit audit process. Generally, management will establish higher levels of unallocated reserves between independent credit audits, and between appraisal reviews for larger impaired loans. Adjustments to the provision for loans due to the receipt of updated appraisals is mitigated by management's quarterly review of real estate market index changes, and reviews of property valuation trends noted in current appraisals being received on other impaired and unimpaired loans. These changes in indicators of value are applied to impaired loans that are awaiting updated appraisals.

This quarterly process is performed by the accounting department, in conjunction with the credit administration department, and approved by the Senior Vice President (SVP) and Controller. The Chief Financial Officer performs a final review of the calculation. All supporting documentation with regard to



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the evaluation process is maintained by the accounting department. Each quarter a summary of the allowance for loan losses is presented by the SVP and Controller to the audit committee of the board of directors.

We have a concentration of loans secured by real property located in New York and New Jersey. As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are reviewed by management and an independent third party appraiser to determine that the resulting values reasonably reflect amounts realizable on the collateral. Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a decline in the economy generally, and a decline in real estate market values in New York or New Jersey. Any one or a combination of these events may adversely affect our loan portfolio resulting in delinquencies, increased loan losses, and future loan loss provisions.

Although we believe we have established and maintained the allowance for loan losses at adequate levels, changes may be necessary if future economic or other conditions differ substantially from our estimation of the current operating environment. Although management uses the information available, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. In addition, the Office of Thrift Supervision, as an integral part of their examination process, will periodically review our allowance for loan losses. Such agency may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

We also maintain an allowance for estimated losses on off-balance sheet credit risks related to loan commitments and standby letters of credit. Management utilizes a methodology similar to its allowance for loan loss methodology to estimate losses on these items. The allowance for estimated credit losses on these items is included in other liabilities and any changes to the allowance are recorded as a component of other non-interest expense.

Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned. When the Company acquires other real estate owned, it generally obtains a current appraisal to substantiate the net carrying value of the asset. The asset is recorded at the lower of cost or estimated fair value, establishing a new cost basis. Holding costs and declines in estimated fair value result in charges to expense after acquisition.

*Goodwill.* Business combinations accounted for under the acquisition method require us to record as assets on our financial statements goodwill, an unidentifiable intangible asset which is equal to the excess of the purchase price which we pay for another company over the estimated fair value of the net assets acquired. Net assets acquired include identifiable intangible assets such as core deposit intangibles and non-compete agreements. We evaluate goodwill for impairment annually on December 31, and more often if circumstances warrant, and we will reduce its carrying value through a charge to earnings if impairment exists. Future events or changes in the estimates that we use to determine the carrying value of our goodwill or which otherwise adversely affect its value could have a material adverse impact on our results of operations. As of December 31, 2010, goodwill had a carrying value of \$16.2 million.

*Securities Valuation and Impairment.* Our securities portfolio is comprised of mortgage-backed securities and to a lesser extent corporate bonds, agency bonds, and mutual funds. Our available-for-sale securities portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in stockholders' equity. Our trading securities portfolio is reported at estimated fair value. Our held-to-maturity securities portfolio, consisting of debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. We conduct a quarterly review and evaluation of the available-for-sale and held-to-maturity securities portfolios to determine if the estimated fair value of any security has declined below its



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amortized cost, and whether such decline is other-than-temporary. If such decline is deemed other-than-temporary, we adjust the cost basis of the security by writing down the security to estimated fair value through a charge to current period operations. The estimated fair values of our securities are primarily affected by changes in interest rates, credit quality, and market liquidity.

Management is responsible for determining the estimated fair value of the Company's securities. In determining estimated fair values, management utilizes the services of an independent third party recognized as a specialist in pricing securities. The independent pricing service utilizes market prices of same or similar securities whenever such prices are available. Prices involving distressed sellers are not utilized in determining fair value. Where necessary, the independent third party pricing service estimates fair value using models employing techniques such as discounted cash flow analyses. The assumptions used in these models typically include assumptions for interest rates, credit losses, and prepayments, utilizing observable market data, where available. Where the market price of the same or similar securities is not available, the valuation becomes more subjective and involves a high degree of judgment. On a quarterly basis, we review the pricing methodologies utilized by the independent third party pricing service for each security type. In addition, we compare securities prices to a second independent pricing service that is utilized as part of our asset liability risk management process. At December 31, 2010, and for each quarter end in 2010, all securities were priced by an independent third party pricing service, and management made no adjustment to the prices received.

Determining that a security's decline in estimated fair value is other-than-temporary is inherently subjective, and becomes increasingly difficult as it relates to mortgage-backed securities that are not guaranteed by the U.S. Government, or a U.S. Government Sponsored Enterprise (e.g., Fannie Mae and Freddie Mac). In performing our evaluation of securities in an unrealized loss position, we consider among other things, the severity, and duration of time that the security has been in an unrealized loss position and the credit quality of the issuer. As it relates to mortgage-backed securities not guaranteed by the U.S. Government, Fannie Mae, or Freddie Mac, we perform a review of the key underlying loan collateral risk characteristics including, among other things, origination dates, interest rate levels, composition of variable and fixed rates, reset dates (including related pricing indices), current loan to original collateral values, locations of collateral, delinquency status of loans, and current credit support. In addition, for securities experiencing declines in estimated fair values of over 10%, as compared to its amortized cost, management also reviews published historical and expected prepayment speeds, underlying loan collateral default rates, and related historical and expected losses on the disposal of the underlying collateral on defaulted loans. This evaluation is inherently subjective as it requires estimates of future events, many of which are difficult to predict. Actual results could be significantly different than our estimates and could have a material effect on our financial results.

*Federal Home Loan Bank Stock Impairment Assessment.* Northfield Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional Federal Home Loan Banks. As a member of the Federal Home Loan Bank of New York (FHLB-NY), Northfield Bank is required to acquire and hold shares of capital stock in the FHLB-NY in an amount determined by a membership investment component and an activity-based investment component. As of December 31, 2010, Northfield Bank was in compliance with its ownership requirement. At December 31, 2010, Northfield Bank held \$9.8 million of FHLB-NY common stock. In performing our evaluation of our investment in FHLB-NY stock, on a quarterly basis, management reviews the most recent financial statements of the FHLB of New York and determines whether there have been any adverse changes to its capital position as compared to the trailing period. In addition, management reviews the FHLB-NY's most recent President's Report in order to determine whether or not a dividend has been declared for the current reporting period. Furthermore, management obtains the credit rating of the FHLB-NY from an accredited credit rating industry to ensure that no downgrades have occurred. At December 31, 2010, it was determined by management that the Bank's investment in FHLB stock was not impaired.

*Deferred Income Taxes.* We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the

financial statement carrying amounts of existing assets and

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liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If it is determined that it is more likely than not that the deferred tax assets will not be realized, a valuation allowance is established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed quarterly as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amounts of taxes recoverable through loss carry backs decline, or if we project lower levels of future taxable income. Such a valuation allowance would be established and any subsequent changes to such allowance would require an adjustment to income tax expense that could adversely affect our operating results.

*Stock Based Compensation.* We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value.

We estimate the per share fair value of options on the date of grant using the Black-Scholes option pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are based on our judgments regarding future option exercise experience and market conditions. These assumptions are subjective in nature, involve uncertainties, and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets.

The per share fair value of options is highly sensitive to changes in assumptions. In general, the per share fair value of options will move in the same direction as changes in the expected stock price volatility, risk-free interest rate and expected option term, and in the opposite direction of changes in the expected dividend yield. For example, the per share fair value of options will generally increase as expected stock price volatility increases, risk-free interest rate increases, expected option term increases and expected dividend yield decreases. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

As our Company's stock does not have a significant amount of historical price volatility, we utilized the historical stock price volatility of a peer group when pricing stock options.

### **Comparison of Financial Condition at December 31, 2010 and 2009**

Total assets increased \$244.9 million, or 12.2%, to \$2.2 billion at December 31, 2010, from \$2.0 billion at December 31, 2009. The increase in total assets reflected increases in loans held for investment, net, of \$98.3 million, or 13.5%, and securities of \$111.5 million, or 9.8%. In addition, bank owned life insurance increased \$31.1 million, primarily resulting from the purchase of \$28.8 million of insurance policies during the year ended December 31, 2010, coupled with \$2.3 million of income earned on bank owned life insurance for the year ended December 31, 2010.

Cash and cash equivalents increased modestly, up \$1.3 million, or 3.1%, to \$43.9 million at December 31, 2010, from \$42.5 million at December 31, 2009. We continue to deploy funds into higher yielding investments such as loans and securities with risk and return characteristics that we deem acceptable.

Securities available-for-sale increased \$112.5 million, or 9.9%, to \$1.2 billion at December 31, 2010, from \$1.1 billion at December 31, 2009. The increase was primarily attributable to purchases of \$916.5 million, partially offset by a decrease of \$2.3 million in net unrealized gains, maturities and paydowns of \$581.5 million, and sales of \$221.2 million. The Company routinely sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such security, and when smaller balance securities become cost prohibitive to carry. The securities purchases were funded primarily by increased deposits, pay-downs, sales, and maturities of



securities.

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Securities held-to-maturity decreased \$1.7 million, or 24.9%, to \$5.1 million at December 31, 2010, from \$6.7 million at December 31, 2009. The decrease was attributable to maturities and paydowns during the year ended December 31, 2010.

The Company's securities portfolio totaled \$1.3 billion at December 31, 2010, as compared to \$1.1 billion at December 31, 2009, an increase of \$111.5 million, or 9.8%. At December 31, 2010, \$982.9 million of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. The Company also held residential mortgage-backed securities not guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae, referred to as private label securities. The private label securities had an amortized cost of \$93.6 million and an estimated fair value of \$97.3 million at December 31, 2010. These private label securities were in a net unrealized gain position of \$3.7 million at December 31, 2010, consisting of gross unrealized gains of \$4.5 million and gross unrealized losses of \$788,000. In addition to the above mortgage-backed securities, the Company held \$121.8 million in securities issued by corporate entities which were all rated investment grade (A- or better) at December 31, 2010.

Of the \$97.3 million of private label securities, two securities with an estimated fair value of \$10.1 million (amortized cost of \$10.9 million) were rated less than AAA at December 31, 2010. Of the two securities, one had an estimated fair value of \$4.4 million (amortized cost of \$4.4 million) and was rated CC, and the other had an estimated fair value of \$5.7 million (amortized cost of \$6.5 million) and was rated Caa2. The ratings of the securities detailed above represent the lowest rating for each security received from the rating agencies of Moody's, Standard & Poor's, and Fitch. During the quarter ended September 30, 2010, the Company recognized other-than-temporary impairment charges of \$962,000 on the \$5.7 million security that was rated Caa2. Since management does not have the intent to sell the security, and believes it is more likely than not that the Company will not be required to sell the security, before its anticipated recovery, the credit component of \$154,000 was recognized in earnings for the quarter ended September 30, 2010, and the non-credit component of \$808,000 was recorded as a component of accumulated other comprehensive income, net of tax. 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 securities. As a result of management's evaluation of these securities, the Company believes that unrealized losses at December 31, 2010, are temporary, and as such, are recorded as a component of accumulated other comprehensive income, net of tax.

Loans held-for-investment, net of deferred loan fees, increased \$98.3 million, or 13.5%, to \$827.6 million at December 31, 2010, from \$729.3 million at December 31, 2009. We continue to focus on originating multifamily loans to the extent such loan demand exists while meeting our underwriting standards. Multi-family real estate loans increased \$105.2 million, or 59.0%, to \$283.6 million, from \$178.4 million at December 31, 2009. Commercial real estate loans increased \$11.5 million, or 3.5%, to \$339.3 million, insurance premium loans increased \$4.1 million, or 10.2%, to \$44.5 million, and home equity loans increased \$2.0 million, or 7.7%, to \$28.1 million at December 31, 2010. These increases were partially offset by decreases in residential, construction and land, and commercial and industrial loans.

Bank owned life insurance increased \$31.1 million, or 71.0%, to \$74.8 million at December 31, 2010. The increase resulted from the purchase of \$28.8 million of insurance policies during the year ended December 31, 2010, coupled with \$2.3 million of income earned on bank owned life insurance for the year ended December 31, 2010.

Federal Home Loan Bank of New York stock, at cost, increased \$3.4 million, or 52.4%, to \$9.8 million at December 31, 2010, from \$6.4 million at December 31, 2009. This increase was attributable to an increase in borrowings outstanding with the Federal Home Loan Bank of New York over the same time period.

Premises and equipment, net, increased \$3.4 million, or 26.7%, to \$16.1 million at December 31, 2010, from \$12.7 million at December 31, 2009. This increase was primarily attributable to leasehold improvements made to new branches and the renovation of existing branches.

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Other real estate owned decreased \$1.8 million, or 91.2%, to \$171,000 at December 31, 2010, from \$1.9 million at December 31, 2009. This decrease was attributable to downward valuation adjustments of \$146,000 recorded against the carrying balances of the properties during 2010, reflecting deterioration in estimated fair values, coupled with the sale of other real estate owned properties.

Other assets increased \$3.1 million, or 20.9%, to \$18.1 million at December 31, 2010, from \$14.9 million at December 31, 2009. The increase in other assets was primarily attributable to an increase in net deferred tax assets, partially offset by amortization of prepaid FDIC assessment.

Deposits increased \$56.0 million, or 4.3%, to \$1.4 billion at December 31, 2010, from \$1.3 billion at December 31, 2009. The increase in deposits for the year ended December 31, 2010, was due in part to an increase of \$13.7 million in short-term certificates of deposit originated through the CDARS® Network. We utilize this funding supply as a cost effective alternative to other short-term funding sources. In addition, money market deposits and transaction accounts increased \$98.9 million and \$14.7 million, respectively, from December 31, 2009, to December 31, 2010. These increases were partially offset by a decrease of \$31.4 million in savings accounts and a decrease of \$40.0 million in certificates of deposit (issued by the Bank) over the same time period. The Company continues to focus on its marketing and pricing of its products, which it believes promotes longer-term customer relationships.

Borrowings, consisting primarily of Federal Home Loan Bank advances and repurchase agreements, increased \$111.8 million, or 40.0%, to \$391.2 million at December 31, 2010, from \$279.4 million at December 31, 2009. The increase in borrowings was primarily the result of the Company increasing longer-term borrowings, taking advantage of, and locking in, lower interest rates, partially offset by maturities during the year ended December 31, 2010.

Accrued expenses and other liabilities increased \$72.0 million, to \$85.7 million at December 31, 2010, from \$13.7 million at December 31, 2009. The increase was primarily a result of \$70.7 million of due to securities brokers which resulted from securities purchases occurring prior to December 31, 2010, and settling shortly after the year end.

Total stockholders' equity increased to \$396.7 million at December 31, 2010, from \$391.5 million at December 31, 2009. The increase was primarily attributable to net income of \$13.8 million for the year ended December 31, 2010, and an increase of \$3.4 million in additional paid-in capital primarily related to the recognition of compensation expense associated with equity awards. These increases were partially offset by \$8.2 million in stock repurchases, net of stock options exercised, consisting of 614,322 shares at an average cost of \$13.37 per share, the declaration and payment of approximately \$3.3 million in cash dividends, and a decrease in accumulated other comprehensive income of \$1.2 million for the year ended December 31, 2010.

On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then-outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company is conducting such repurchases in accordance with a Rule 10b5-1 trading plan. Through December 31, 2010, the Company had repurchased 224,567 shares of common stock at an average cost of \$12.76 per share under this plan. As of December 31, 2010, the Company has repurchased (under its current and prior repurchase plans) 2,308,511 shares of its stock at an average price of \$12.06 per share.

**Comparison of Operating Results for the Years Ended December 31, 2010 and 2009**

*Net Income.* Net income increased \$1.7 million or 14.2%, to \$13.8 million for the year ended December 31, 2010, from \$12.1 million for the year ended December 31, 2009, due primarily to an increase of \$5.5 million in net interest

income, an increase of \$1.4 million in non-interest income, and a decrease of \$248,000 in income tax expense, partially offset by an increase of \$4.4 million in non-interest expense, and an increase of \$1.0 million in provision for loan losses.

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*Interest Income.* Interest income increased by \$927,000, or 1.1%, to \$86.5 million for the year ended December 31, 2010, as compared to \$85.6 million for the year ended December 31, 2009. The increase was primarily the result of an increase in average interest-earning assets of \$213.0 million, or 11.9%. The increase in average interest-earning assets was primarily attributable to an increase in average loans of \$121.7 million, or 18.6%, an increase in average mortgage-backed securities of \$16.2 million, or 1.8%, and an increase in securities (other than mortgage-backed securities) of \$112.9 million, or 88.9%, partially offset by a decrease in average interest-earning deposits of \$37.2 million, or 44.7%. The effect of the increase in average interest-earning assets was partially offset by a decrease in the yield earned to 4.31% for the year ended December 31, 2010, from 4.77% for the year ended December 31, 2009. The rates earned on all asset categories, other than loans, decreased due to the general decline in market interest rates for these asset types. The rate earned on loans increased from 5.95% for the year ended December 31, 2009, to 6.02% for the year ended December 31, 2010, primarily as a result of fewer loans migrating to non-accrual status during the 2010, as compared to the amount of loans that migrated to non-accrual status during 2009.

*Interest Expense.* Interest expense decreased \$4.6 million, or 15.8%, to \$24.4 million for the year ended December 31, 2010, from \$29.0 million for the year ended December 31, 2009. The decrease was attributable to a decrease in interest expense on deposits of \$4.6 million, or 25.5%, partially offset by a modest increase in interest expense on borrowings of \$70,000, or 0.7%. The decrease in interest expense on deposits was attributable to a decrease in the cost of interest-bearing deposits of 62 basis points, or 36.7%, to 1.07% for the year ended December 31, 2010, from 1.69% for the year ended December 31, 2009, reflecting lower market interest rates for short-term deposits. The decrease in the cost of deposits was partially offset by an increase of \$190.3 million, or 17.7%, in average interest-bearing deposits outstanding. The increase in interest expense on borrowings was primarily attributable to an increase of \$33.3 million, or 11.2%, in average borrowings outstanding, partially offset by a decrease of 34 basis points, or 9.4%, in the cost of borrowings, reflecting lower market interest rates for borrowed funds.

*Net Interest Income.* Net interest income increased \$5.5 million, or 9.7%, due primarily to interest earning assets increasing \$213.0 million, or 11.9%, partially offset by a decrease in the net interest margin of six basis points, or 1.9%, over the prior year. The net interest margin decreased for the year ended December 31, 2010, as the average yield earned on interest earning assets decreased, which was partially offset by a decrease in the average rate paid on interest-bearing liabilities. The general decline in yields was due to the overall low interest rate environment and was driven by decreases in yields earned on mortgage-backed securities, as principal repayments were reinvested into lower yielding securities. The decline in yield on interest-earning assets was also due to declining yields on other securities and interest-earning deposits in other financial institutions. These decreases were partially offset by an increase in yield earned on loans due primarily to fewer loans migrating to non-accrual status during 2010, as compared to the amount of loans that migrated to non-accrual status during 2009. The increase in average interest earning assets was due primarily to an increase in average loans outstanding of \$121.7 million, other securities of \$112.9 million, and mortgage-backed securities of \$16.2 million, being partially offset by decreases in interest-earning assets in other financial institutions. Other securities consist primarily of investment-grade corporate bonds, and government-sponsored enterprise bonds.

*Provision for Loan Losses.* We recorded a provision for loan losses of \$10.1 million for the year ended December 31, 2010, an increase of \$1.1 million, or 11.6%, from the \$9.0 million provision recorded for the year ended December 31, 2009. The increase in the provision for loan losses was due primarily to increases in total loans, the change in the composition of our loan portfolio, and increases in general loss factors, due primarily to higher levels of charge-offs. The increases in the general loss factors utilized in management's estimate of credit losses inherent in the loan portfolio were also the result of continued deterioration of the local economy. Net charge-offs for the year ended December 31, 2010, were \$3.7 million, as compared to \$2.4 million for the year ended December 31, 2009.

*Non-interest Income.* Non-interest income increased \$1.4 million, or 26.9%, primarily as a result of an increase of \$962,000 in gains on securities transactions, net for the year ended December 31, 2010, as compared to the year ended December 31, 2009. The Company recognized \$1.9 million in gains on securities transactions during the year ended December 31, 2010, as compared to \$891,000 in gains on securities

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transactions during the year ended December 31, 2009. Securities gains during the year ended December 31, 2010, included gross realized gains of \$1.3 million primarily from the sale of mortgage-backed securities, coupled with securities gains of \$597,000 related to the Company's trading portfolio. During the year ended December 31, 2009, securities gains included gross realized gains of \$299,000 primarily from the sale of mortgage-backed securities, coupled with securities gains of \$592,000 related to the Company's trading portfolio. The trading portfolio is utilized to fund the Company's deferred compensation obligation to certain employees and directors of the Company. The participants of this plan, at their election, defer a portion of their compensation. Gains and losses on trading securities have no effect on net income since participants benefit from, and bear the full risk of, changes in the trading securities market values. Therefore, the Company records an equal and offsetting amount in non-interest expense, reflecting the change in the Company's obligations under the plan. The Company routinely sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such security, and when smaller balance securities become cost prohibitive to carry.

Non-interest income also was positively affected by a \$524,000, or 29.9%, increase in income on bank owned life insurance for the year ended December 31, 2010, as compared to the year ended December 31, 2009, due to the purchase of \$28.8 million of insurance policies during the year ended December 31, 2010. The Company also recognized approximately \$197,000 of income on the sale of fixed assets during the year ended December 31, 2010.

*Non-interest Expense.* Non-interest expense increased \$4.4 million, or 12.9%, for the year ended December 31, 2010, as compared to the year ended December 31, 2009, due primarily to the expensing of approximately \$1.8 million in costs incurred on the Company's postponed, second-step stock offering, and an increase of \$2.2 million, or 12.8%, in compensation and employee benefits expense. Compensation and employee benefits expense increased primarily due to increases in full-time equivalent employees related to additional branch and operations personnel, as well as incremental personnel from our insurance premium finance division formed in October 2009. Occupancy expense increased \$547,000, or 11.9%, over the same time period, primarily due to increases in rent and amortization of leasehold improvements relating to new branches and the renovation of existing branches. In addition, other non-interest expense also increased \$536,000, or 15.7%, from the year ended December 31, 2009 to the year ended December 31, 2010. This increase is primarily attributable to operating expenses of the insurance premium finance division. These increases in non-interest expense were partially offset by a decrease of \$515,000 in FDIC insurance expense. FDIC insurance expense for the year ended December 31, 2009 included \$770,000 related to an FDIC special assessment.

*Income Tax Expense.* The Company recorded a provision for income taxes of \$6.4 million for the year ended December 31, 2010, as compared to \$6.6 million for the year ended December 31, 2009. The effective tax rate for the year ended December 31, 2010, was 31.6%, as compared to 35.4% for the year ended December 31, 2009. The decrease in the effective tax rate was primarily the result of the reversal of deferred tax liabilities related to state bad debt reserves of approximately \$738,000 resulting from the enactment of new State of New York tax laws during the year ended December 31, 2010, and higher levels of tax exempt income from bank owned life insurance.

**Comparison of Operating Results for the Years Ended December 31, 2009 and 2008**

*Net Income.* Net income decreased \$3.8 million or 23.7%, to \$12.1 million for the year ended December 31, 2009, from \$15.8 million for the year ended December 31, 2008. Included in 2008 net income was a \$2.5 million tax-exempt gain from the death of an officer and \$463,000 (\$292,000, net of tax) in costs associated with the Bank's conversion to a new core processing system that was completed in January 2009.

*Interest Income.* Interest income increased by \$10.5 million, or 14.0%, to \$85.6 million for the year ended December 31, 2009, as compared to \$75.0 million for the year ended December 31, 2008. The increase was primarily the result of an increase in average interest-earning assets of \$298.9 million, or 20.0%, partially offset by a decrease in



the average rate earned of 26 basis points, or 5.2%, to 4.77% for the year ended December 31, 2009, from 5.03% for the year ended December 31, 2008.

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Interest income on loans increased \$7.3 million, or 23.0%, to \$38.9 million for the year ended December 31, 2009, from \$31.6 million for the year ended December 31, 2008. The average balance of loans increased \$149.9 million, or 29.7%, to \$653.7 million for the year ended December 31, 2009, from \$503.9 million for the year ended December 31, 2008, reflecting our current efforts to grow our multifamily and commercial real estate loan portfolios, and the purchase of an insurance premium loan portfolio during the fourth quarter of 2009. The yield on our loan portfolio decreased 32 basis points, or 5.1%, to 5.95% for the year ended December 31, 2009, from 6.27% for the year ended December 31, 2008, primarily as a result of decreases in interest rates on new originations and on our adjustable-rate loans, due to the lower interest rate environment in 2009, and the effect of non-accrual loans.

Interest income on mortgage-backed securities increased \$4.2 million, or 11.0%, to \$42.3 million for the year ended December 31, 2009, from \$38.1 million for the year ended December 31, 2008. The increase resulted from an increase in the average balance of mortgage-backed securities of \$76.4 million, or 9.0%, to \$920.8 million for the year ended December 31, 2009, from \$844.4 million for the year ended December 31, 2008. The increase is due primarily to the implementation of leveraging strategies within board approved risk parameters. The yield we earned on mortgage-backed securities increased eight basis points, or 1.8%, to 4.59% for the year ended December 31, 2009, from 4.51% for the year ended December 31, 2008. The increase in rate earned was due primarily to paydowns on lower yielding securities and the purchase of higher yielding private-label mortgage-backed securities.

Interest income on other securities increased \$1.9 million, or 139.1%, to \$3.2 million for the year ended December 31, 2009, from \$1.3 million for the year ended December 31, 2008. The increase resulted from an increase in the average balance of other securities, primarily corporate bonds, of \$91.0 million, or 252.9%, to \$127.0 million for the year ended December 31, 2009, from \$36.0 million for the year ended December 31, 2008, partially offset by a 121 basis point decrease in the yield on this portfolio, to 2.54% for the year ended December 31, 2009. The increase in other securities related primarily to the purchase of shorter-term bonds with relatively low interest rates due to the interest rate environment in 2009.

Interest income on deposits in other financial institutions decreased \$2.6 million, or 76.2%, to \$801,000 for the year ended December 31, 2009, from \$3.4 million for the year ended December 31, 2008. The average balance of deposits in other financial institutions decreased \$14.1 million, or 14.5%, to \$83.2 million for the year ended December 31, 2009, from \$97.2 million for the year ended December 31, 2008. The yield on deposits in other financial institutions decreased 250 basis points for the year ended December 31, 2009, from 3.46% for the year ended December 31, 2008, primarily due to the continued general decline in the interest rate environment in 2009.

*Interest Expense.* Interest expense increased \$721,000, or 2.6%, to \$29.0 million for the year ended December 31, 2009, from \$28.3 million for the year ended December 31, 2008. The increase resulted from an increase of \$283.5 million, or 26.0%, in the average balance of interest-bearing liabilities being partially offset by a decrease in the rate paid on interest-bearing liabilities of 48 basis points, or 18.5%, to 2.11% for the year ended December 31, 2009, from 2.59% for the year ended December 31, 2008.

Interest expense on interest-bearing deposits decreased \$308,000, or 1.7%, to \$18.2 million for the year ended December 31, 2009, as compared to \$18.5 million, for the year ended December 31, 2008. This decrease was a result of a 59 basis point, or 25.9%, decline in the average rate paid on interest-bearing deposits, to 1.69% for the year ended December 31, 2009, as compared to 2.28% for the year ended December 31, 2008. The rate paid on certificates of deposit decreased 105 basis points, or 30.5%, to 2.39% for the year ended December 31, 2009, as compared to 3.44%, for the year ended December 31, 2008. The rate paid on savings, NOW, and money market accounts also decreased 25 basis points, or 18.9%, to 1.07% for the year ended December 31, 2009, as compared to 1.32%, for the year ended December 31, 2008. The decrease in the cost of deposits was partially offset by an increase of \$263.3 million, or 32.4%, in the average balance of deposits outstanding, to \$1.077 billion at December 31, 2009.

Interest expense on borrowings (repurchase agreements and other borrowings) increased \$1.0 million, or 10.6%, to \$10.8 million for the year ended December 31, 2009, from \$9.7 million for the year ended December 31, 2008. The average balance of borrowings increased \$20.1 million, or 7.3%, to \$297.4 million

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for the year ended December 31, 2009, from \$277.2 million for the year ended December 31, 2008. The average balance of borrowings increased due to the Company implementing shorter-term securities leverage strategies within board approved risk parameters in 2009. The average rate paid on borrowings also increased 11 basis points to 3.62%, or 3.1%, for the year ended December 31, 2009, from 3.51% for the year ended December 31, 2008.

*Net Interest Income.* The increase in net interest income of \$9.8 million, or 20.9%, for the year ended December 31, 2009, was primarily the result of an increase in average interest-earning assets of \$298.9 million, or 20.0%, and the expansion in the net interest margin of three basis points for the reasons detailed above.

*Provision for Loan Losses.* We recorded a provision for loan losses of \$9.0 million for the year ended December 31, 2009, and \$5.1 million for the year ended December 31, 2008. We had net charge-offs of \$2.4 million and \$1.9 million for the years ended December 31, 2009 and 2008, respectively. The increase in net charge-offs in 2009 was primarily attributable to an increase of \$346,000 in charge-offs related to commercial real estate loans and an increase of \$164,000 in net charge-offs related to multifamily real estate loans. The increased provisioning and net charge-offs during the year ended December 31, 2009, as compared to the year ended December 31, 2008, resulted in an allowance for loans losses of \$15.4 million, or 2.11% of total loans receivable at December 31, 2009, compared to \$8.8 million, or 1.49% of total loans receivable at December 31, 2008. The increase in the provision for loan losses in 2009 was due to a number of factors including an increase in total loans outstanding, changes in composition, increases in non-accrual loans and delinquencies, impairment losses on specific loans, and increases in general loss factors utilized in management's estimate of credit losses inherent in the loan portfolio in recognition of the recessionary economic environment and real estate market.

*Non-interest Income.* Non-interest income decreased \$760,000, or 12.4%, to \$5.4 million for the year ended December 31, 2009, from \$6.2 million for the year ended December 31, 2008. The decrease was due primarily to the absence of a previously recognized \$2.5 million, nontaxable, death benefit realized on bank owned life insurance during the year ended December 31, 2008. This was partially offset by an increase of \$2.2 million, or 167.6%, in gains on securities transactions, net, from a loss of \$1.3 million during the year ended December 31, 2008, to a gain of \$891,000 recognized during the year ended December 31, 2009. The Company recorded net securities gains during 2009 of \$299,000, which primarily resulted from the sale of smaller balance mortgage-backed securities. The Company routinely sells these smaller balance securities as the cost of servicing becomes prohibitive. Securities gains during 2009 also included \$592,000 related to the Company's trading portfolio which is utilized to fund the Company's deferred compensation obligation to certain employees and directors in the plan. The Company recorded securities losses of \$1.3 million in 2008 in its trading portfolio. The participants of this plan, at their election, defer a portion of their compensation. Gains and losses on trading securities have no effect on net income since participants benefit from, and bear the full risk of, changes in the trading securities' market values. Therefore, the Company records an equal and offsetting amount in non-interest expense, reflecting the change in the Company's obligations under the plan.

*Non-interest Expense.* Non-interest expense increased \$9.4 million, or 37.8%, to \$34.3 million for the year ended December 31, 2009, from \$24.9 million for the year ended December 31, 2008. This includes a \$2.1 million increase in FDIC deposit insurance expense for the year ended December 31, 2009, of which approximately \$770,000 related to the FDIC's special assessment recognized in the second quarter of 2009. Non-interest expense also increased in 2009 due to an increase of \$5.2 million in compensation and employee benefits expense, which included \$2.1 million for equity awards. The remaining increase in employee compensation and benefits costs pertained to an increase of approximately \$1.9 million related to the deferred compensation plan (explained in the prior paragraph), coupled with increases in personnel, higher health care costs, and merit and market salary adjustments effective January 1, 2009. Non-interest expense also increased in 2009 due to higher levels of professional fees associated with loan restructurings and collection efforts, increases in personnel, and higher premises and equipment costs associated with additional operations center leasehold improvements, branch improvements, and lease payments on future branch

locations.

*Income Tax Expense.* The Company recorded a provision for income taxes of \$6.6 million for the year ended December 31, 2009, as compared to \$7.2 million for the year ended December 31, 2008. The effective

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tax rate for the year ended December 31, 2009, was 35.4%, as compared to 31.2% for the year ended December 31, 2008. The increase in the effective tax rate was the result of a higher percentage of pre-tax income being subject to taxation in 2009, as compared to 2008. Income on bank owned life insurance in 2008 included a \$2.5 million, nontaxable, death benefit.

*Average Balances and Yields.* The following tables set forth average balance sheets, average yields and costs, and certain other information for the years indicated. No tax-equivalent yield adjustments have been made, as we had no tax-free interest-earning assets during the years. All average balances are daily average balances based upon amortized costs. Non-accrual loans were included in the computation of average balances. The yields set forth below include the effect of deferred fees, discounts, and premiums that are amortized or accreted to interest income or interest expense.

	For the Years Ended December 31,							
	2010			2009			2008	
	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance (Dollars in thousands)	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest
<b>Earning assets:</b>								
Reverse mortgage loans	\$ 775,404	\$ 46,681	6.02%	\$ 653,748	\$ 38,889	5.95%	\$ 503,897	\$ 31,617
Mortgage-backed securities	936,991	33,306	3.55	920,785	42,256	4.59	844,435	38,072
Other securities	239,872	6,011	2.51	126,954	3,223	2.54	35,977	1,348
Home Loan Bank of Michigan								
Common stock	6,866	354	5.16	7,428	399	5.37	11,653	652
Time deposits	45,951	143	0.31	83,159	801	0.96	97,223	3,360
Interest-earning assets	2,005,084	86,495	4.31	1,792,074	85,568	4.77	1,493,185	75,049
Non-interest-earning assets	115,491			87,014			80,649	
<b>Total earning assets</b>	<b>\$ 2,120,575</b>			<b>\$ 1,879,088</b>			<b>\$ 1,573,834</b>	
<b>Bearing liabilities:</b>								
Accounts payable, NOW, and money market								
Checking accounts	\$ 676,334	5,119	0.76	\$ 566,894	6,046	1.07	\$ 445,382	5,866
Time deposits	590,445	8,454	1.43	509,610	12,168	2.39	367,806	12,656
Interest-bearing deposits	1,266,779	13,573	1.07	1,076,504	18,214	1.69	813,188	18,522
Other deposits	330,693	10,833	3.28	297,365	10,763	3.62	277,227	9,734
Interest-bearing liabilities								
Interest-bearing deposits	1,597,472	24,406	1.53	1,373,869	28,977	2.11	1,090,415	28,256
Other interest-bearing deposits	114,450			99,950			94,499	
Provision for loan losses and other	9,677			14,075			13,703	
<b>Total bearing liabilities</b>	<b>1,721,599</b>			<b>1,487,894</b>			<b>1,198,617</b>	
Shareholders' equity	398,976			391,194			375,217	

Liabilities and Shareholders' equity	\$ 2,120,575		\$ 1,879,088		\$ 1,573,834
Net interest income		\$ 62,089		\$ 56,591	\$ 46,793
Net interest rate spread(1)		2.78		2.66	
Average interest-earning assets(2)	\$ 407,612		\$ 418,205		\$ 402,770
Net interest margin(3)		3.10%		3.16%	
Interest-earning to interest-bearing	125.52%		130.44%		136.94%

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

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

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

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The following table presents the effects of changing rates and volumes on our net interest income for the years indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately, based on the changes due to rate and the changes due to volume.

	Year Ended December 31, 2010 vs. 2009			Year Ended December 31, 2009 vs. 2008		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
	Volume	Rate	Increase (Decrease) (In thousands)	Volume	Rate	Increase (Decrease)
<b>Interest-earning assets:</b>						
Loans	\$ 7,319	\$ 473	\$ 7,792	\$ 8,811	\$ (1,539)	\$ 7,272
Mortgage-backed securities	758	(9,708)	(8,950)	3,494	690	4,184
Other securities	2,829	(41)	2,788	2,149	(274)	1,875
Federal Home Loan Bank of New York stock	(29)	(16)	(45)	(228)	(25)	(253)
Interest-earning deposits	(262)	(396)	(658)	(427)	(2,132)	(2,559)
Total interest-earning assets	10,615	(9,688)	927	13,799	(3,280)	10,519
<b>Interest-bearing liabilities:</b>						
Savings, NOW and money market accounts	1,840	(2,767)	(927)	595	(415)	180
Certificates of deposit	2,437	(6,151)	(3,714)	4,043	(4,531)	(488)
Total deposits	4,277	(8,918)	(4,641)	4,638	(4,946)	(308)
Borrowings	458	(388)	70	722	307	1,029
Total interest-bearing liabilities	4,735	(9,306)	(4,571)	5,360	(4,639)	721
Change in net interest income	\$ 5,880	\$ (382)	\$ 5,498	\$ 8,439	\$ 1,359	\$ 9,798

**Asset Quality**

*General.* Maintaining loan quality historically has been, and will continue to be, a key element of our business strategy. We employ conservative underwriting standards for new loan originations and maintain sound credit administration practices while the loans are outstanding. In addition, substantially all of our loans are secured, predominantly by real estate. However, during the current economic recession, we have experienced increases in delinquent and non-performing loans. At December 31, 2010, our non-performing loans totaled \$60.9 million or 7.4%



of total loans. At the same time charge-offs have remained relatively low at 0.47% of average loans outstanding for the year ended December 31, 2010, 0.37% for the year ended December 31, 2009, and 0.38% for the year ended December 31, 2008.

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*Delinquent Loans and Non-performing Loans.* Non-performing loans increased \$19.1 million, or 45.6%, from \$41.8 million at December 31, 2009, to \$60.9 million at December 31, 2010. The following table details non-performing loans at December 31, 2010 and 2009.

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
Non-accrual loans:		
Real estate loans:		
Commercial	\$ 46,388	\$ 28,802
One- to four-family residential	1,275	2,066
Construction and land	5,122	6,843
Multifamily	4,863	2,119
Home equity and lines of credit	181	62
Commercial and industrial	1,323	1,739
Insurance premium loans	129	
Total non-accrual loans:	59,281	41,631
Loans delinquent 90 days or more and still accruing:		
Real estate loans:		
One-to four-family residential	1,108	
Construction and land	404	
Home equity and lines of credit	59	
Commercial and industrial	38	191
Total loans delinquent 90 days or more and still accruing:	1,609	191
Total non-performing loans	\$ 60,890	\$ 41,822

Generally, loans are placed on non-accruing status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accruing status. The following table details the delinquency status of non-accruing loans at December 31, 2010:

	<b>Days Past Due</b>			
	<b>0 to 29</b>	<b>30 to 89</b>	<b>90 or More</b>	<b>Total</b>
	<b>(In thousands)</b>			
Real estate loans:				
Commercial	\$ 13,679	\$ 15,050	\$ 17,659	\$ 46,388
One- to four-family residential	135	770	370	1,275
Construction and land	2,152	1,860	1,110	5,122
Multifamily	1,824	927	2,112	4,863

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Home equity and lines of credit			181	181
Commercial and industrial loans	267		1,056	1,323
Insurance premium loans			129	129
Total non-accruing loans	\$ 17,790	\$ 18,874	\$ 22,617	\$ 59,281

The increase in non-accrual loans was primarily attributable to the following types being placed on non-accrual status during the year ended December 31, 2010: \$20.9 million of commercial real estate loans, \$3.9 million of multifamily loans, \$837,000 of commercial and industrial loans, \$785,000 of construction and

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land loans, \$401,000 of one- to four-family residential loans, and \$119,000 of home equity loans. These increases were partially offset by the following payoffs during the year ended December 31, 2010: \$504,000 of a commercial real estate loan, \$557,000 of a multifamily loan, and \$328,000 of three one- to four-family residential loans. In addition, during the year ended December 31, 2010, the Company recorded an additional \$977,000 in charge-offs on existing non-accrual loans, recorded paydowns of approximately \$2.5 million, and returned two loan relationships totaling \$4.4 million back to accruing status.

At December 31, 2010, the Company had \$19.8 million of accruing loans that were 30 to 89 days delinquent, as compared to \$28.3 million at December 31, 2009. The following table sets forth the total amounts of delinquencies for accruing loans that were 30 to 89 days past due by type and by amount at the dates indicated.

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands)</b>	
Real estate loans:		
Commercial	\$ 8,970	\$ 11,573
One- to four-family residential	2,575	4,716
Construction and land	499	1,976
Multifamily	6,194	7,086
Home equity and lines of credit	262	1,555
Commercial and industrial loans	536	427
Insurance premium loans	660	917
Other loans	102	33
<b>Total</b>	<b>\$ 19,798</b>	<b>\$ 28,283</b>

Non-accruing loans subject to restructuring agreements increased to \$20.0 million at December 31, 2010, from \$10.7 million at December 31, 2009. Loans subject to restructuring agreements, and still accruing totaled \$11.2 million and \$7.3 million at December 31, 2010 and 2009, respectively. During the year ended December 31, 2010, the Company entered into ten troubled debt restructuring agreements, of which \$4.0 million and \$11.1 million were classified as accruing and non-accruing, respectively, at December 31, 2010. At December 31, 2010, \$23.5 million, or 75.4% of loans subject to restructuring agreements were performing in accordance with their restructured terms. All of the \$11.2 million of accruing troubled debt restructurings, and \$12.3 million of the \$20.0 million of non-accruing troubled debt restructurings, were performing in accordance with their restructured terms. Generally, the types of concession that we make to troubled borrowers include reduction in interest rates and payment extensions. At December 31, 2010, 69% of TDRs are commercial real estate loans, 13% are construction loans, 12% are multifamily loans, and 6% are one- to four-family residential loans.

During 2010, the Company restructured one multifamily real estate loan into two separate (A and B) notes. The A note was underwritten in accordance with the Company's underwriting standards, at a current market interest rate, placed on non-accrual status, and included in the Company's impaired loan balance at year-end. The remaining balance (the B note) was fully charge-off during 2010. If the borrower continues to perform under the restructured terms, the A note could be returned to accrual status during 2011.

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The table below sets forth the amounts and categories of the troubled debt restructurings as of December 31, 2010 and December 31, 2009.

	At December 31,			
	2010			2009
	Non-Accruing	Accruing	Non-Accruing	Accruing
	(In thousands)			
Troubled Debt Restructurings:				
Real estate loans:				
Commercial	\$ 13,138	\$ 7,879	\$ 3,960	\$ 5,499
One- to four-family residential		1,750		
Construction and land	4,012		5,726	1,751
Multifamily	2,327	1,569	530	
Commercial and industrial loans	501		501	
	\$ 19,978	\$ 11,198	\$ 10,717	\$ 7,250

The increase in non-accruing loans has been directly related to the current economic downturn. As a result of decreasing real estate values and sustained, high unemployment rates, non-accrual loans have risen from December 31, 2009 to December 31, 2010. These factors have contributed to the increase in the Company's allowance for loan losses as detailed below.

The allowance for loan losses to non-performing loans decreased from 36.86% at December 31, 2009 to 35.83% at December 31, 2010. This decrease was primarily attributable to an increase in non-performing loans of \$19.1 million, from \$41.8 million at December 31, 2009, to \$60.9 million at December 31, 2010, partially offset by an increase of \$6.4 million, or 41.6%, in the allowance for loan losses over the same time period. As previously discussed, the increase in non-accrual loans was primarily attributable to increases in commercial real estate, and to a lesser extent, multifamily loans during the same time period. At December 31, 2010, 92.2% (balance of impaired loans) of the appraisals utilized for our impairment analysis were completed within the last 9 months, 3.0% (balance of impaired loans) were completed with the last 18 months, with remaining 4.8% (balance of impaired loans) being older than 18 months. All appraisals older than 12 months were reviewed by management and appropriate adjustments were made utilizing current market indices. Generally loans are charged down to the appraised value less costs to sell, which reduces the coverage ratio of the allowance for loan losses to non-performing loans. Downward adjustments to appraisal values, primarily to reflect quick sale discounts, are generally recorded as specific reserves within the allowance for loan losses.

The allowance for loan losses to loans held-for-investment, net, increased to 2.64% at December 31, 2010, from 2.11% at December 31, 2009. This increase was attributable to an increase of \$6.4 million, or 41.6%, in the allowance for loan losses from December 31, 2009, to December 31, 2010, partially offset by an increase in the loan portfolio over the same time period. The increase in the Company's allowance for loan losses during the year is primarily attributable to specific reserves on impaired loans, and in general loss factors related to increases in non-accrual loans, fluctuations in loan delinquencies, and continued declines in general economic conditions and real estate values.

Specific reserves on impaired loans increased \$255,000, or 10.6%, from \$2.4 million, for the year ended December 31, 2009, to \$2.7 million for the year ended December 31, 2010. At December 31, 2010, the Company had 44 loans classified as impaired and recorded a total of \$2.7 million of specific reserves on 13 of the 44 impaired loans.

At December 31, 2009, the Company had 30 loans classified as impaired and recorded a total of \$2.4 million of specific reserves on 11 of the 30 impaired loans. The increase in specific reserves recorded on impaired loans was attributable to an increase in impaired loans coupled with decreasing values of the underlying loan collateral.

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The following table sets forth activity in our allowance for loan losses, by loan type, for the years indicated.

	Real Estate Loans								Total Allowance for Loan Losses
	Commercial	One-to- four Family Residential	Construction and Land	Multifamily	Home Equity and Lines of Credit	Industrial	Commercial and Premium Loans	Insurance Other Unallocated	
<b>December 31, 2007</b>	\$ 3,456	60	1,461	99	38	484	38		\$ 5,636
Provision for loan losses	2,722	71	1,282	689	108	204	6		5,082
Recoveries									
Charge-offs	(1,002)		(761)			(165)	(12)		(1,940)
<b>December 31, 2008</b>	5,176	131	1,982	788	146	523	32		8,778
Provision for loan losses	4,575	95	1,113	1,242	64	1,495	101	2	351
Recoveries									
Charge-offs	(1,348)	(63)	(686)	(164)		(141)			(2,402)
<b>December 31, 2009</b>	8,403	163	2,409	1,866	210	1,877	101	34	351
Provision for loan losses	5,238	407	(111)	5,403	32	(1,122)	91	(6)	152
Recoveries							20		20
Charge-offs	(987)		(443)	(2,132)		(36)	(101)		
<b>December 31, 2010</b>	\$ 12,654	570	1,855	5,137	242	719	111	28	503

During the year ended December 31, 2010, the Company recorded net charge-offs of \$3.7 million, an increase of \$1.3 million, or 53.2%, as compared to the year ended December 31, 2009. The increase in net charge-offs was primarily attributable to a \$2.0 million increase in net charge-offs related to multifamily real estate loans, partially offset by a \$361,000 decrease in net charge-offs related to commercial real estate loans. As a result of higher net charge-offs, an increase in non-accrual multifamily real estate loans, coupled with the general decline in real estate values and the current economic downturn, the Company's historical and general loss factors have increased, thus increasing the allowance for loan losses allocated to multifamily real estate loans by \$3.3 million, or 175.3%, from \$1.9 million at December 31, 2009, to \$5.1 million at December 31, 2010. In addition, the Company continued to experience net charge-offs of commercial real estate loans, charging off \$987,000 during the year ended December 31, 2010, as compared to \$1.3 million during the year ended December 31, 2009. As a result of the net charge-offs incurred, as well as increased levels of commercial real estate loans on non-accrual status, coupled with the general decline in real estate values and the current economic downturn, the Company's historical and general loss factors have increased, thus increasing the allowance for loan losses allocated to commercial real estate loans by \$4.3 million, or 50.6%, from \$8.4 million at December 31, 2009, to \$12.7 million at December 31, 2010. The allowance for loan losses allocated to commercial and industrial loans and construction and land loans decreased \$1.2 million and

\$554,000, respectively, from December 31, 2009, to December 31, 2010. These decreases were primarily attributable to a decrease in historical loss factors, coupled with decreased levels of non-accrual loans, and loans that are 30 to 89 days past due. Particular to commercial and industrial loans, the Company has experienced higher levels of net charge-offs in 2008 as it entered this lending category. Those charge-off levels decreased significantly as the Company's experience in underwriting commercial and industrial loans increased. The Company could experience an increase in its allowance for loan losses in future periods if charge-offs and non-performing loans continue to increase.

### **Management of Market Risk**

*General.* A majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage-related assets and loans, generally have longer maturities than our liabilities, which consist primarily of deposits and wholesale funding. As a result, a principal part of our business strategy involves managing interest rate risk and limiting the exposure of our net interest income to changes in market interest rates. Accordingly, our board of directors has established a management risk committee, comprised of our Treasurer, who chairs this



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Committee, our Chief Executive Officer, our Chief Financial Officer, our Chief Lending Officer, and our Executive Vice President of Operations. This committee is responsible for, among other things, evaluating the interest rate risk inherent in our assets and liabilities, for recommending to the risk committee of our board of directors the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

We seek to manage our interest rate risk in order to minimize the exposure of our earnings and capital to changes in interest rates. As part of our ongoing asset-liability management, we currently use the following strategies to manage our interest rate risk:

originate commercial real estate loans and multifamily real estate loans that generally have interest rates that reset every five years;

invest in shorter maturity investment grade corporate securities and mortgage-related securities; and

obtain general financing through lower cost deposits and wholesale funding and repurchase agreements.

*Net Portfolio Value Analysis.* We compute the net present value of our interest-earning assets and interest-bearing liabilities (net portfolio value or NPV) over a range of assumed market interest rates. Our simulation model uses a discounted cash flow analysis to measure the net portfolio value. We estimate the economic value of these assets and liabilities under the assumption that interest rates experience an instantaneous, parallel, and sustained increase of 100, 200, 300, or 400 basis points, or a decrease of 100 and 200 which is based on the current interest rate environment. A basis point equals one-hundredth of one percent, and 100 basis points equals one percent. An increase in interest rates from 3% to 4% would mean, for example, a 100 basis point increase in the Change in Interest Rates column below.

*Net Interest Income Analysis.* We also analyze our sensitivity to changes in interest rates through our net interest income model. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings. We estimate what our net interest income would be for a twelve-month period. We then calculate what the net interest income would be for the same period under the assumption that interest rates experience an instantaneous and sustained increase of 100, 200, 300, or 400 basis points or a decrease of 100 and 200 which is based on the current interest rate environment.

The table below sets forth, as of December 31, 2010, our calculation of the estimated changes in our net portfolio value, net present value ratio, and percent change in net interest income that would result from the designated instantaneous and sustained changes in interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied on as indicative of actual results.

Change in Interest Rates (Basis Points)	Estimated Present Value of Assets	Estimated Present Value of Liabilities	NPV		Estimated NPV/Assets Ratio	Net Interest Income Percent Change
			Estimated NPV	Estimated Change in NPV		
			(dollars in thousands)			

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+400	\$ 2,043,868	\$ 1,712,552	\$ 331,316	\$ (101,259)	16.21%	(17.06)%
+300	2,088,974	1,739,123	349,851	(82,724)	16.75%	(12.67)%
+200	2,143,522	1,766,592	376,930	(55,645)	17.58%	(7.83)%
+100	2,199,053	1,795,001	404,052	(28,523)	18.37%	(3.27)%
0	2,256,969	1,824,394	432,575		19.17%	
-100	2,302,356	1,853,958	448,398	15,823	19.48%	0.72%
-200	2,326,914	1,874,885	452,029	19,454	19.43%	(3.38)%

(1) Assumes an instantaneous and sustained uniform change in interest rates at all maturities.

(2) NPV includes non-interest earning assets and liabilities.

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The table above indicates that at December 31, 2010, in the event of a 200 basis point decrease in interest rates, we would experience a 4.50% increase in estimated net portfolio value and a 3.38% decrease in net interest income. In the event of a 400 basis point increase in interest rates, we would experience a 23.41% decrease in net portfolio value and a 17.06% decrease in net interest income. Our policies provide that, in the event of a 400 basis point increase/decrease or less in interest rates, our net present value ratio should decrease by no more than 300 basis points and in the event of a 200 basis point increase/decrease, our projected net interest income should decrease by no more than 20%. Additionally, our policy states that our net portfolio value should be at least 8.5% of total assets before and after such shock at December 31, 2010. At December 31, 2010, we were in compliance with all board approved policies with respect to interest rate risk management.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in net portfolio value and net interest income. Our model requires us to make certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value and net interest income information presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

## **Liquidity and Capital Resources**

Liquidity is the ability to fund assets and meet obligations as they come due. Our primary sources of funds consist of deposit inflows, loan repayments, borrowings through repurchase agreements and advances from money center banks and the Federal Home Loan Bank of New York, and repayments, maturities and sales of securities. While maturities and scheduled amortization of loans and securities are reasonably predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our board asset and liability management committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and deposit withdrawals of our customers as well as unanticipated contingencies. We seek to maintain a ratio of liquid assets (not subject to pledge) as a percentage of deposits and borrowings of 35% or greater. At December 31, 2010, this ratio was 67.86%. We believe that we had sufficient sources of liquidity to satisfy our short- and long-term liquidity needs.

We regularly adjust our investments in liquid assets based upon our assessment of:

- expected loan demand;
- expected deposit flows;
- yields available on interest-earning deposits and securities; and
- the objectives of our asset/liability management program.

Our most liquid assets are cash and cash equivalents, and unpledged mortgage-related securities issued or guaranteed by the U.S. Government, Fannie Mae, or Freddie Mac, that we can either borrow against or sell. We also have the ability to surrender bank owned life insurance contracts. The surrender of these contracts would subject the Company to income taxes and penalties for increases in the cash surrender values over the original premium payments.



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The Company had the following primary sources of liquidity at December 31, 2010 (in thousands):

Cash and cash equivalents	\$ 43,852
Unpledged mortgage-backed securities (Issued or guaranteed by the U.S. Government, Fannie Mae, or Freddie Mac)	442,407

At December 31, 2010, we had \$29.5 million in outstanding loan commitments. In addition, we had \$32.7 million in unused lines of credit to borrowers. Certificates of deposit due within one year of December 31, 2010, totaled \$474.0 million, or 34.5% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including loan sales, other deposit products, including replacement certificates of deposit, securities sold under agreements to repurchase (repurchase agreements), and advances from the Federal Home Loan Bank of New York and other borrowing sources. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on or before December 31, 2010. We believe, based on past experience, that a significant portion of such deposits will remain with us, and we have the ability to attract and retain deposits by adjusting the interest rates offered.

The Company has a detailed contingency funding plan that is reviewed and reported to the board risk committee on at least a quarterly basis. This plan includes monitoring cash on a daily basis to determine the liquidity needs of the Bank. Additionally, management performs a stress test on the Bank's retail deposits and wholesale funding sources in several scenarios on a quarterly basis. The stress scenarios include deposit attrition of up to 50%, and selling our securities available-for-sale portfolio at a discount of 20% to its current estimated fair value. The Bank continues to maintain significant liquidity under all stress scenarios.

Northfield Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. At December 31, 2010, Northfield Bank exceeded all regulatory capital requirements and is considered well capitalized under regulatory guidelines. See Supervision and Regulation Federal Banking Regulation Capital Requirements and Note 12 of the Notes to the Consolidated Financial Statements.

**Off-Balance Sheet Arrangements and Aggregate Contractual Obligations**

*Commitments.* As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit, and unused lines of credit. While these contractual obligations represent our potential future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process applicable to loans we originate. In addition, we routinely enter into commitments to sell mortgage loans; such amounts are not significant to our operations. For additional information, see Note 11 of the Notes to the Consolidated Financial Statements.

*Contractual Obligations.* In the ordinary course of our operations we enter into certain contractual obligations. Such obligations include leases for premises and equipment, agreements with respect to borrowed funds and deposit liabilities, and agreements with respect to investments.

The following table summarizes our significant fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2010. The payment amounts represent those amounts due to



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the recipient and do not include any unamortized premiums or discounts or other similar carrying amount adjustments.

Contractual Obligations	Payments Due by Period				Total
	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years	
	(In thousands)				
Long-term debt(1)	\$ 80,307	\$ 137,300	\$ 167,000	\$ 6,000	\$ 390,607
Operating leases	2,291	4,309	4,203	21,752	32,555
Capitalized leases	376	786	680	806	2,648
Certificates of deposit	473,989	21,614	57,432		553,035
Total	\$ 556,963	\$ 164,009	\$ 229,315	\$ 28,558	\$ 978,845
Commitments to extend credit(2)	\$ 62,407	\$	\$	\$	\$ 62,407

(1) Includes repurchase agreements, Federal Home Loan Bank of New York advances, and accrued interest payable at December 31, 2010.

(2) Includes unused lines of credit which are assumed to be funded within the year.

As of December 31, 2010, we serviced \$52.1 million of loans for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At December 31, 2010, substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans.

**Impact of Recent Accounting Standards and Interpretations**

ASC 810, *Consolidation*, replaces the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly affect the entity's economic performance and (i) the obligation to absorb losses of the entity or (ii) the right to receive benefits from the entity. The pronouncement was effective January 1, 2010, and did not have a significant effect on the Company's consolidated financial statements.

ASC 860, *Transfers and Servicing*, improves the information a reporting entity provides in its financial statements about a transfer of financial assets, including the effect of a transfer on an entity's financial position, financial performance and cash flows and the transferor's continuing involvement in the transferred assets. ASC 860 eliminates the concept of a qualifying special-purpose entity and changes the guidance for evaluation for consolidation. This pronouncement was effective January 1, 2010, and did not have a significant effect on the Company's consolidated

financial statements.

Accounting Standards Update No. 2010-06 under ASC 820 requires new disclosures and clarifies certain existing disclosure requirements about fair value measurement. Specifically, the update requires an entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for such transfers. A reporting entity is required to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using Level 3 inputs. In addition, the update clarifies the following requirements of the existing disclosure: (i) for the purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets; and (ii) a reporting entity is required to include disclosures about the valuation techniques and inputs used to measure fair value for both



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recurring and nonrecurring fair value measurements. The amendments were effective for interim and annual reporting periods beginning after December 15, 2009, except for the separate disclosures of purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We adopted these requirements on January 1, 2010, and have provided the applicable disclosures.

Accounting Standards Update No. 2010-20 under ASC 310 requires new disclosures that provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The update requires that an entity provide disclosures on a disaggregated basis. This update defines the two levels of disaggregation as portfolio segment and class of financing receivable. A portfolio segment is defined as the level at which an entity develops and documents a systematic method for determining its allowance for credit losses. Classes of financing receivables generally are a disaggregation of a portfolio segment. This update also requires an entity to disclose credit quality indicators, past due information, and modifications of its financing receivables. These disclosures, as of the end of a reporting period and about activity that occurs during a reporting period, are effective for interim and annual reporting periods ending on or after December 15, 2010. We adopted these requirements as of December 31, 2010, and have provided the applicable disclosures.

Accounting Standards Update No. 2010-28 under ASC 350 details when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. Under Topic 350 on goodwill and other intangible assets, testing for goodwill impairment is a two-step test. When a goodwill impairment test is performed (either on an annual or interim basis), an entity must assess whether the carrying amount of a reporting unit exceeds its fair value (Step 1). If it does, an entity must perform an additional test to determine whether goodwill has been impaired and to calculate the amount of that impairment (Step 2). The amendments in this update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010, and did not have a significant effect on the Company's consolidated financial statements upon adoption.

Accounting Standards Update No. 2011-01 temporarily delays the effective date of the disclosures about troubled debt restructurings in Update 2010-20 for public entities. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011.

## **Impact of Inflation and Changing Prices**

Our consolidated financial statements and related notes have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The effect of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater effect on our performance than inflation.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

For information regarding market risk see Item 7- Management's Discussion and Analysis of Financial Conditions and Results of Operations Management of Market Risk.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Northfield Bancorp, Inc. and subsidiaries:

We have audited the accompanying consolidated balance sheets of Northfield Bancorp, Inc, and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northfield Bancorp, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of evaluating other-than-temporary impairments of debt securities due to the adoption of new accounting requirements issued by the Financial Accounting Standards Board, as of April 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Short Hills, New Jersey  
March 15, 2011

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Northfield Bancorp, Inc. and subsidiaries:

We have audited Northfield Bancorp, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Northfield Bancorp, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Northfield Bancorp, Inc. and subsidiaries' internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Northfield Bancorp, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Northfield Bancorp, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 15, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Short Hills, New Jersey  
March 15, 2011

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Consolidated Balance Sheets**

	<b>At December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(In thousands, except share data)</b>	
<b>ASSETS:</b>		
Cash and due from banks	\$ 9,862	10,183
Interest-bearing deposits in other financial institutions	33,990	32,361
Total cash and cash equivalents	43,852	42,544
Trading securities	4,095	3,403
Securities available-for-sale, at estimated fair value (encumbered \$275,694 in 2010 and \$219,446 in 2009)	1,244,313	1,131,803
Securities held-to-maturity, at amortized cost (estimated fair value of \$5,273 and \$6,930 in 2010 and 2009, respectively) (encumbered \$0 in 2010 and 2009)	5,060	6,740
Loans held-for-sale	1,170	
Loans held-for-investment, net	827,591	729,269
Allowance for loan losses	(21,819)	(15,414)
Net loans held-for-investment	805,772	713,855
Accrued interest receivable	7,873	8,054
Bank owned life insurance	74,805	43,751
Federal Home Loan Bank of New York stock, at cost	9,784	6,421
Premises and equipment, net	16,057	12,676
Goodwill	16,159	16,159
Other real estate owned	171	1,938
Other assets	18,056	14,930
<b>Total assets</b>	<b>\$ 2,247,167</b>	<b>2,002,274</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>LIABILITIES:</b>		
Deposits	\$ 1,372,842	1,316,885
Securities sold under agreements to repurchase	243,000	200,000
Other borrowings	148,237	79,424
Advance payments by borrowers for taxes and insurance	693	757
Accrued expenses and other liabilities	85,678	13,668
<b>Total liabilities</b>	<b>1,850,450</b>	<b>1,610,734</b>

**STOCKHOLDERS EQUITY:**

Preferred stock, \$.01 par value; 10,000,000 shares authorized, none issued or outstanding		
Common stock, \$.01 par value; 90,000,000 shares authorized, 45,632,611 and 45,628,211 shares issued at December 31, 2010 and 2009, respectively, 43,316,021 and 43,912,148 shares outstanding at December 31, 2010 and 2009, respectively	456	456
Additional paid-in capital	205,863	202,479
Unallocated common stock held by employee stock ownership plan	(15,188)	(15,807)
Retained earnings	222,655	212,196
Accumulated other comprehensive income	10,910	12,145
Treasury stock at cost; 2,316,590 and 1,716,063 shares at December 31, 2010 and 2009, respectively	(27,979)	(19,929)
<b>Total stockholders equity</b>	<b>396,717</b>	<b>391,540</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,247,167</b>	<b>2,002,274</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Income**

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(In thousands, except share data)</b>		
<b>Interest income:</b>			
Loans	\$ 46,681	38,889	31,617
Mortgage-backed securities	33,306	42,256	38,072
Other securities	6,011	3,223	1,348
Federal Home Loan Bank of New York dividends	354	399	652
Deposits in other financial institutions	143	801	3,360
<b>Total interest income</b>	<b>86,495</b>	<b>85,568</b>	<b>75,049</b>
<b>Interest expense:</b>			
Deposits	13,573	18,214	18,522
Borrowings	10,833	10,763	9,734
<b>Total interest expense</b>	<b>24,406</b>	<b>28,977</b>	<b>28,256</b>
Net interest income	62,089	56,591	46,793
Provision for loan losses	10,084	9,038	5,082
<b>Net interest income after provision for loan losses</b>	<b>52,005</b>	<b>47,553</b>	<b>41,711</b>
<b>Non-interest income:</b>			
Fees and service charges for customer services	2,582	2,695	3,133
Income on bank owned life insurance	2,273	1,750	4,235
Gain (loss) on securities transactions, net	1,853	891	(1,318)
Other-than-temporary impairment losses on securities	(962)	(1,365)	
Portion recognized in other comprehensive income (before taxes)	808	1,189	
<b>Net impairment losses on securities recognized in earnings</b>	<b>(154)</b>	<b>(176)</b>	
Other	288	233	103
<b>Total non-interest income</b>	<b>6,842</b>	<b>5,393</b>	<b>6,153</b>
<b>Non-interest expense:</b>			
Compensation and employee benefits	19,056	16,896	11,723
Director compensation	1,516	1,338	545
Occupancy	5,149	4,602	3,864
Furniture and equipment	1,070	1,093	996
Data processing	2,521	2,637	3,021



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Professional fees	3,613	1,950	1,584
FDIC insurance	1,805	2,320	251
Other	3,954	3,418	2,868
<b>Total non-interest expense</b>	<b>38,684</b>	<b>34,254</b>	<b>24,852</b>
Income before income taxes	20,163	18,692	23,012
<b>Income tax expense</b>	<b>6,370</b>	<b>6,618</b>	<b>7,181</b>
<b>Net income</b>	<b>\$ 13,793</b>	<b>12,074</b>	<b>15,831</b>
<b>Net income per common share basic and diluted</b>	<b>\$ 0.33</b>	<b>0.28</b>	<b>0.37</b>
<b>Weighted average shares outstanding basic</b>	<b>41,387,106</b>	<b>42,405,774</b>	<b>43,133,856</b>
<b>Weighted average shares outstanding diluted</b>	<b>41,669,006</b>	<b>42,532,568</b>	<b>43,133,856</b>

See accompanying notes to consolidated financial statements.

Table of Contents**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Changes in Stockholders' Equity**

	Years Ended December 31, 2010, 2009, and 2008							Total Stockholders Equity
	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Unallocated Common Stock Held by the Employee Stock Ownership Plan	Retained Earnings	Accumulated Other Comprehensive Income (loss), Net of Tax	Treasury Stock	
<b>Balance at December 31, 2007</b>	44,803,061	\$ 448	199,395	(16,977)	187,992	(3,518)		367,340
Comprehensive income:								
Net income					15,831			15,831
Net unrealized holding gains on securities arising during the year (net of tax of \$2,434)						3,479		3,479
Reclassification adjustment for gains included in net income (net of tax of \$6)						(9)		(9)
Post retirement benefits adjustment (net of tax \$28)						31		31
Total comprehensive income								19,332
Cash dividends declared (\$0.04 per common share)					(738)			(738)
ESOP shares allocated or committed to be released			58	586				644
<b>Balance at December 31, 2008</b>	44,803,061	\$ 448	199,453	(16,391)	203,085	(17)		386,578
Comprehensive income:								
Net income					12,074			12,074

Net unrealized holding gains on securities arising during the year (net of tax of \$8,438)						12,075		12,075
Reclassification adjustment for gains included in net income (net of tax of \$35)						(54)		(54)
Post retirement benefits adjustment (net of tax \$26)						35		35
Reclassification adjustment for OTTI impairment included in net income (net of tax of \$70)						106		106
Total comprehensive income								24,236
ESOP shares allocated or committed to be released			92	584				676
Stock compensation expense			2,942					2,942
Cash dividends declared (\$0.16 per common share)						(2,963)		(2,963)
Issuance of restricted stock	825,150	8	(8)					0
Treasury stock (average cost of \$11.61 per share)							(19,929)	(19,929)
<b>Balance at December 31, 2009</b>	45,628,211	\$ 456	202,479	(15,807)	212,196	12,145	(19,929)	391,540
Comprehensive income:								
Net income						13,793		13,793
Net unrealized holding losses on securities arising during the year (net of tax of \$577)						(682)		(682)
Reclassification adjustment for gains included in net income (net of tax of \$585)						(670)		(670)
Post retirement benefits adjustment (net of tax \$11)						35		35
						82		82

Reclassification adjustment for OTTI impairment included in net income (net of tax of \$72)								
Total comprehensive income								12,558
ESOP shares allocated or committed to be released		180	619					799
Stock compensation expense		3,020						3,020
Additional tax benefit on equity awards		184						184
Exercise of stock options					(26)		163	137
Cash dividends declared (\$0.19 per common share)					(3,308)			(3,308)
Issuance of restricted stock	4,400							
Treasury stock (average cost of \$13.37 per share)							(8,213)	(8,213)
<b>Balance at December 31, 2010</b>	45,632,611	456	205,863	(15,188)	222,655	10,910	(27,979)	396,717

See accompanying notes to consolidated financial statements.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows  
Years ended December 31, 2010, 2009 and 2008**

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(In thousands)</b>		
Cash flows from operating activities:			
Net income	\$ 13,793	12,074	15,831
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	10,084	9,038	5,082
Depreciation	1,791	1,679	1,490
Amortization (accretion) of premium and discounts on securities, and deferred loan fees and costs	1,101	(1,486)	(1,098)
Amortization of mortgage servicing rights	117	113	135
Income on bank owned life insurance	(2,273)	(1,750)	(4,235)
Net gain on sale of loans held-for-sale	(34)	(138)	(29)
Proceeds from sale of loans held-for-sale	5,713	7,509	4,092
Origination of loans held-for-sale	(6,849)	(7,371)	(3,793)
(Gain) loss on securities transactions, net	(1,853)	(891)	1,318
Net impairment losses on securities recognized in earnings	154	176	
Gain on sale of premises and equipment, net	(197)		
Net purchases of trading securities	(95)	(313)	(226)
Decrease (increase) in accrued interest receivable	181	265	(2,719)
(Increase) decrease in other assets	(18)	148	(5,283)
Decrease (increase) prepaid FDIC assessment	1,610	(5,736)	
ESOP shares allocated or committed to be released and stock compensation expense	3,819	3,618	644
Deferred taxes	(2,905)	(4,938)	(1)
Increase (decrease) in accrued expenses and other liabilities	1,263	2,831	(6,253)
Amortization of core deposit intangible	173	336	378
Net cash provided by operating activities	25,575	15,164	5,333
Cash flows from investing activities:			
Net increase in loans receivable	(103,037)	(108,385)	(163,643)
Purchases of loans		(35,369)	
(Purchases) redemptions of Federal Home Loan Bank of New York stock, net	(3,363)	2,989	(2,708)
Purchases of securities available-for-sale	(845,781)	(655,765)	(421,696)
Principal payments and maturities on securities available-for-sale	581,525	500,518	270,091
Principal payments and maturities on securities held-to-maturity	1,684	4,575	5,214
Proceeds from sale of securities available-for-sale	221,187	3,293	3,350
Proceeds from sale of securities held-to-maturity		3,371	
Purchases of certificates of deposit in other financial institutions		(63)	(118,653)

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Proceeds from maturities of certificates of deposit in other financial institutions		53,716	89,500
Purchase of bank owned life insurance	(28,781)		
Cash received from bank owned life insurance contracts			3,794
Purchases and improvements of premises and equipment	(5,369)	(5,456)	(2,662)
Proceeds from sale of premises and equipment	394		
Proceeds from sale of other real estate owned	721		
Net cash used in investing activities	(180,820)	(236,576)	(337,413)
Cash flows from financing activities:			
Net increase in deposits	55,957	292,446	147,214
Dividends paid	(3,308)	(2,963)	(738)
Exercise of stock options	137		
Purchase of treasury stock	(8,213)	(19,929)	
Additional tax benefit on equity awards	231		
(Decrease) increase in advance payments by borrowers for taxes and insurance	(64)	(3,066)	2,980
Repayments under capital lease obligations	(187)	(160)	(136)
Proceeds from securities sold under agreements to repurchase and other borrowings	378,501	138,600	410,800
Repayments related to securities sold under agreements to repurchase and other borrowings	(266,501)	(191,100)	(203,000)
Net cash provided by financing activities	156,553	213,828	357,120
Net increase (decrease) in cash and cash equivalents	1,308	(7,584)	25,040
Cash and cash equivalents at beginning of year	42,544	50,128	25,088
Cash and cash equivalents at end of year	\$ 43,852	42,544	50,128
Supplemental cash flow information:			
Cash paid during the year for:			
Interest	\$ 24,463	29,334	27,322
Income taxes	9,776	10,351	11,316
Non-cash transactions:			
Loans charged-off, net	3,679	2,402	1,940
Transfer of loans to other real estate owned		1,348	1,071
Other real estate owned charged-off	146		
Loan to finance sale of other real estate owned	900		
Due to broker for purchases of securities available-for-sale	70,747		

See accompanying notes to consolidated financial statements.

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
Years Ended December 31, 2010, 2009, and 2008**

**(1) Summary of Significant Accounting Policies**

The following significant accounting and reporting policies of Northfield Bancorp, Inc. and subsidiaries (collectively, the Company), conform to U.S. generally accepted accounting principles, or (GAAP), and are used in preparing and presenting these consolidated financial statements.

**(a) Basis of Presentation**

The consolidated financial statements are comprised of the accounts of Northfield Bancorp, Inc. and its wholly owned subsidiaries, Northfield Investment, 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 1995, the Bank completed a Plan of Mutual Holding Company Reorganization, utilizing a single-tier mutual holding company structure. In a series of steps, the Bank formed a New York-chartered mutual holding company (NSB Holding Corp.) which owned 100% of the common stock of the Bank. In 2002, NSB Holding Corp. formed Northfield Holdings Corp., a New York-chartered stock corporation, and contributed 100% of the common stock of the Bank into Northfield Holdings Corp. which owned 100% of the common stock of Northfield Holdings Corp. In 2006, Northfield Holdings Corp.'s name was changed to Northfield Bancorp, Inc. and Northfield Savings Bank's name was changed to Northfield Bank. In 2007, NSB Holdings Corp.'s name was changed to Northfield Bancorp, MHC.

As part of the stock issuance plan announced in April 2007, Northfield Bank converted to a federally-chartered savings bank from a New York-chartered savings bank effective November 6, 2007. On November 7, 2007, the Company completed its initial public stock offering. The Company sold 19,265,316 shares, or 43.0% of its outstanding common stock, to subscribers in the offering, including 1,756,279 shares purchased by the Northfield Bank Employee Stock Ownership Plan. Northfield Bancorp, MHC, the Company's federally chartered mutual holding company parent originally held 24,641,684 shares, or 55.0% of the Company's outstanding common stock. Additionally, the Company contributed \$3.0 million in cash, and issued 896,061 shares of common stock, or 2.0% of the Company's outstanding common stock to the Northfield Bank Charitable Foundation. The Northfield Bank Charitable Foundation purchased the common stock at par value.

Northfield Bank's primary federal regulator is the Office of Thrift Supervision (the OTS) and was the Federal Deposit Insurance Corporation (the FDIC) prior to our November 2007 conversion. Simultaneously with Northfield Bank's conversion, Northfield Bancorp, MHC, and Northfield Bancorp, Inc. converted to federal-chartered holding companies from New York-chartered holding companies.

On July 21, 2010, President Obama signed the Reform Act. The Reform Act, among other things, effectively merges the OTS into the OCC, with the OCC assuming all functions and authority from the OTS relating to federally chartered savings banks, and the FRB assuming all functions and authority from the OTS relating to savings and loan holding companies. Pursuant to the Reform Act, the OTS will be merged into the OCC as early as July 2011 at which time Northfield Bank will be regulated by the OCC and the Company will be regulated by the FRB.

The Boards of Directors of Northfield Bancorp, MHC, and the Company adopted a Plan of Conversion and Reorganization on June 4, 2010. On September 30, 2010, Northfield Bancorp, Inc., a federal corporation and the stock

holding company for Northfield Bank, announced due to the current market conditions that Northfield Bancorp, Inc., the recently formed Delaware corporation and proposed new holding company for Northfield Bank, had postponed its stock offering in connection with the second-step conversion of Northfield Bancorp, MHC.



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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheets and revenues and expenses during the reporting periods. Actual results may differ significantly from those estimates and assumptions. A material estimate that is particularly susceptible to significant change in the near term is the allowance for loan losses. In connection with the determination of this allowance, management generally obtains independent appraisals for significant properties. Judgments related to goodwill, securities valuation and impairment, and deferred income taxes, involve a higher degree of complexity and subjectivity and require estimates and assumptions about highly uncertain matters. Actual results may differ from the estimates and assumptions.

Certain prior year balances have been reclassified to conform to the current year presentation.

***(b) Business***

The Company, through its principal subsidiary, the Bank, provides a full range of banking services primarily to individuals and corporate customers in Richmond and Kings Counties in New York, and Union and Middlesex Counties in New Jersey. The Company also finances insurance premiums for commercial customers throughout the continental United States. The Company is subject to competition from other financial institutions and to the regulations of certain federal and state agencies, and undergoes periodic examinations by those regulatory authorities.

***(c) Cash Equivalents***

Cash equivalents consist of cash on hand, due from banks, federal funds sold, and interest-bearing deposits in other financial institutions with an original term of three months or less.

***(d) Securities***

Securities are classified at the time of purchase, based on management's intention, as securities held-to-maturity, securities available-for-sale, or trading account securities. Securities held-to-maturity are those that management has the positive intent and ability to hold until maturity. Securities held-to-maturity are carried at amortized cost, adjusted for amortization of premiums and accretion of discounts using the level-yield method over the contractual term of the securities, adjusted for actual prepayments. Trading securities are securities that are bought and may be held for the purpose of selling them in the near term. Trading securities are reported at estimated fair value, with unrealized holding gains and losses reported as a component of gain (loss) on securities transactions, net in non-interest income. Securities available-for-sale represents all securities not classified as either held-to-maturity or trading. Securities available-for-sale are carried at estimated fair value with unrealized holding gains and losses (net of related tax effects) on such securities excluded from earnings, but included as a separate component of stockholders' equity, titled Accumulated other comprehensive income (loss). The cost of securities sold is determined using the specific-identification method. Security transactions are recorded on a trade-date basis.

Our evaluation of other-than-temporary impairment considers the duration and severity of the impairment, our intent and ability to hold the securities, and our assessments of the reason for the decline in value and the likelihood of a near-term recovery. If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income

(loss), net of tax. The estimated fair value of debt securities, including mortgage-backed securities and corporate debt obligations is furnished by an independent third party pricing service. The third party pricing service primarily utilizes pricing models and methodologies that incorporate observable market inputs, including among other things, benchmark yields, reported trades, and

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

projected prepayment and default rates. Management reviews the data and assumptions used in pricing the securities by its third party provider for reasonableness.

**(e) Loans**

Net loans held-for-investment are stated at unpaid principal balance, adjusted by unamortized premiums and unearned discounts, deferred origination fees and certain direct origination costs, and the allowance for loan losses. Interest income on loans is accrued and credited to income as earned. Net loan origination fees/costs are deferred and accreted/amortized to interest income over the loan's contractual life using the level-yield method, adjusted for actual prepayments. Loans held-for-sale are designated at time of origination and generally consist of residential loans and are recorded at the lower of cost or estimated fair value in the aggregate. Gains are recognized on a settlement-date basis and are determined by the difference between the net sales proceeds and the carrying value of the loans, including any net deferred fees or costs.

The Company defines an impaired loan as a loan for which it is probable, based on current information, that the Company will not collect all amounts due in accordance with the contractual terms of the loan agreement. The Company has defined the population of impaired loans to be all non-accrual loans with an outstanding balance of \$500,000 or greater. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the expected future cash flows, discounted at the loan's original effective interest rate, or the underlying collateral (less estimated costs to sell) if the loan is collateral dependent. Impairments are recognized through a charge to the provision for loan losses for the amount that the loan's carrying value exceeds the discounted cash flow analysis or estimated fair value of collateral (less estimated costs to sell) if the loan is collateral dependent. Homogeneous loans with balances less than \$500,000 are collectively evaluated for impairment.

The allowance for loan losses is increased by the provision for loan losses charged against income and is decreased by charge-offs, net of recoveries. Loan losses are charged-off in the period the loans, or portion thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated fair value of the underlying collateral, less cost to sell, if it is determined that it is probable that recovery will come primarily from the sale of such collateral. The provision for loan losses is based on management's evaluation of the adequacy of the allowance which considers, among other things, impaired loans, past loan loss experience, known and inherent risks in the portfolio, existing adverse situations that may affect the borrower's ability to repay, and estimated value of any underlying collateral securing loans. Additionally, management evaluates changes, if any, in underwriting standards, collection, charge-off and recovery practices, the nature or volume of the portfolio, lending staff, concentration of loans, as well as current economic conditions, and other relevant factors. Management believes the allowance for loan losses is adequate to provide for probable and reasonably estimable losses at the date of the consolidated balance sheets. The Company also maintains an allowance for estimated losses on off-balance sheet credit risks related to loan commitments and standby letters of credit. Management utilizes a methodology similar to its allowance for loan loss adequacy methodology to estimate losses on these commitments. The allowance for estimated credit losses on off-balance sheet commitments is included in other liabilities and any changes to the allowance are recorded as a component of other non-interest expense.

While management uses available information to recognize probable and reasonably estimable losses on loans, future additions may be necessary based on changes in conditions, including changes in economic conditions, particularly in Richmond and Kings Counties in New York, and Union and Middlesex Counties in New Jersey. Accordingly, as with most financial institutions in the market area, the ultimate collectibility of a substantial portion of the Company's loan

portfolio is susceptible to changes in conditions in the Company's marketplace. In addition, future changes in laws and regulations could make it more difficult for the Company to collect all contractual amounts due on its loans and mortgage-backed securities.

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**Notes to Consolidated Financial Statements (Continued)**

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Troubled debt restructured loans are those loans whose terms have been modified because of deterioration in the financial condition of the borrower. Modifications could include extension of the terms of the loan, reduced interest rates, and forgiveness of accrued interest and/or principal. Once an obligation has been restructured because of such credit problems, it continues to be considered restructured until paid in full or, if the obligation yields a market rate (a rate equal to or greater than the rate the Company was willing to accept at the time of the restructuring for a new loan with comparable risk), until the year subsequent to the year in which the restructuring takes place, provided the borrower has performed under the modified terms for a six-month period. The Company records an impairment charge equal to the difference between the present value of estimated future cash flows under the restructured terms discounted at the original loans effective interest rate, or the underlying collateral value less costs to sell, if the loan is collateral dependent. Changes in present values attributable to the passage of time are recorded as a component of the provision for loan losses.

A loan is considered past due when it is not paid in accordance with its contractual terms. The accrual of income on loans, including impaired loans, and other loans in the process of foreclosure, is generally discontinued when a loan becomes 90 days or more delinquent, or when certain factors indicate that the ultimate collection of principal and interest is in doubt. Loans on which the accrual of income has been discontinued are designated as non-accrual loans. All previously accrued interest is reversed against interest income, and income is recognized subsequently only in the period that cash is received, provided no principal payments are due and the remaining principal balance outstanding is deemed collectible. A non-accrual loan is not returned to accrual status until both principal and interest payments are brought current and factors indicating doubtful collection no longer exist, including performance by the borrower under the loan terms for a six-month period.

***(f) Federal Home Loan Bank Stock***

The Bank, as a member of the Federal Home Loan Bank of New York (the FHLB), is required to hold shares of capital stock in the FHLB as a condition to both becoming a member and engaging in certain transactions with the FHLB. The minimum investment requirement is determined by a membership investment component and an activity-based investment component. The membership investment component is the greater of 0.20% of the Bank's mortgage-related assets, as defined by the FHLB, or \$1,000. The activity-based investment component is equal to 4.5% of the Bank's outstanding advances with the FHLB. The activity-based investment component also considers other transactions, including assets originated for or sold to the FHLB, and delivery commitments issued by the FHLB. The Company currently does not enter into these other types of transactions with the FHLB.

On a quarterly basis, we perform our other-than-temporary impairment analysis of FHLB stock, we evaluate, among other things, (i) its earnings performance, including the significance of any decline in net assets of the FHLB as compared to the regulatory capital amount of the FHLB, (ii) the commitment by the FHLB to continue dividend payments, and (iii) the liquidity position of the FHLB. We do not consider our investment in FHLB stock to be other-than-temporarily impaired at December 31, 2010.

***(g) Premises and Equipment, Net***

Premises and equipment, including leasehold improvements, are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment, including capital leases, are computed on a straight-line basis over the estimated useful lives of the related assets. The estimated useful lives of significant classes of assets are generally as follows: buildings forty years; furniture and

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

equipment five to seven years; and purchased computer software three years. Leasehold improvements are amortized over the shorter of the term of the related lease or the estimated useful lives of the improvements. Major improvements are capitalized, while repairs and maintenance costs are charged to operations as incurred. Upon retirement or sale, any gain or loss is credited or charged to operations.

***(h) Bank Owned Life Insurance***

The Company has purchased bank owned life insurance contracts to help fund its obligations for certain employee benefit costs. The Company's investment in such insurance contracts has been reported in the consolidated balance sheets at their cash surrender values. Changes in cash surrender values and death benefit proceeds received in excess of the related cash surrender values are recorded as non-interest income.

***(i) Goodwill***

Goodwill is presumed to have an indefinite useful life and is not amortized, but rather is tested, at least annually, for impairment at the reporting unit level. For purposes of the Company's goodwill impairment testing, management has identified a single reporting unit. The Company uses the quoted market price of its common stock on the impairment testing date as the basis for estimating the fair value of the Company's reporting unit. If the fair value of the reporting unit exceeds its carrying amount, further evaluation is not necessary. However, if the fair value of the reporting unit is less than its carrying amount, further evaluation is required to compare the implied fair value of the reporting unit's goodwill to its carrying amount to determine if a write-down of goodwill is required. As of December 31, 2010, the carrying value of goodwill totaled \$16.2 million. The Company performed its annual goodwill impairment test, as of December 31, 2010, and determined the fair value of the Company's one reporting unit to be in excess of its carrying value. Accordingly, as of the annual impairment test date, there was no indication of goodwill impairment. The Company will test goodwill for impairment between annual test dates if an event occurs or circumstances change that would indicate the fair value of the reporting unit is below its carrying amount. No events have occurred and no circumstances have changed since the annual impairment test date that would indicate the fair value of the reporting unit is below its carrying amount.

***(j) Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the year in which those temporary differences are expected to be recovered or settled. When applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company accounts for income taxes as required by the income taxes topic of the FASB Accounting Standards. The topic clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

*(k) Impairment of Long-Lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is



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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

measured by a comparison of the carrying amount of an asset to future undiscounted (and without interest) net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

***(l) Securities Sold Under Agreements to Repurchase and Other Borrowings***

The Company enters into sales of securities under agreements to repurchase (Repurchase Agreements) and collateral pledge agreements (Pledge Agreements) with selected dealers and banks. Such agreements are accounted for as secured financing transactions since the Company maintains effective control over the transferred or pledged securities and the transfer meets the other accounting and recognition criteria as required by the transfer and servicing topic of the FASB Accounting Standards. Obligations under these agreements are reflected as a liability in the consolidated balance sheets. Securities underlying the agreements are maintained at selected dealers and banks as collateral for each transaction executed and may be sold or pledged by the counterparty. Collateral underlying Repurchase Agreements which permit the counterparty to sell or pledge the underlying collateral is disclosed on the consolidated balance sheets as encumbered. The Company retains the right under all Repurchase Agreements and Pledge Agreements to substitute acceptable collateral throughout the terms of the agreement.

***(m) Comprehensive Income***

Comprehensive income includes net income and the change in unrealized holding gains and losses on securities available-for-sale, change in actuarial gains and losses on other post retirement benefits, and change in service cost on other postretirement benefits, net of taxes. Comprehensive income is presented in the Consolidated Statements of Changes in Stockholders' Equity.

***(n) Employee Benefits***

The Company sponsors a defined postretirement benefit plan that provides for medical and life insurance coverage to a limited number of retirees, as well as life insurance to all qualifying employees of the Company. The estimated cost of postretirement benefits earned is accrued during an individual's estimated service period to the Company. The Company recognizes in its balance sheet the over-funded or under-funded status of a defined benefit postretirement plan measured as the difference between the fair value of plan assets and the benefit obligation at the end of our calendar year. The actuarial gains and losses and the prior service costs and credits that arise during the period are recognized as a component of other comprehensive income, net of tax.

Funds borrowed by the Employee Stock Ownership Plan (ESOP) from the Company to purchase the Company's common stock are being repaid from the Bank's contributions over a period of up to 30 years. The Company's common stock not yet allocated to participants is recorded as a reduction of stockholders' equity at cost. The Company records compensation expense related to the ESOP at an amount equal to the shares committed to be released by the ESOP multiplied by the average fair value of our common stock during the reporting period.

The Company recognizes the grant-date fair value of stock based awards issued to employees as compensation cost in the consolidated statements of income. The fair value of common stock awards is based on the closing price of our common stock as reported on the NASDAQ Stock Market on the grant date. The expense related to stock options is based on the estimated fair value of the options at the date of the grant using the Black-Scholes pricing model. The

awards are fixed in nature and compensation cost related to stock based awards is recognized on a straight-line basis over the requisite service periods.

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

The Bank has a 401(k) plan covering substantially all employees. Contributions to the plan are expensed as incurred.

***(o) Segment Reporting***

As a community-focused financial institution, substantially all of the Company's operations involve the delivery of loan and deposit products to customers. Management makes operating decisions and assesses performance based on an ongoing review of these community banking operations, which constitute the Company's only operating segment for financial reporting purposes.

***(p) Net Income per Common Share***

Net income per common share-basic is computed for the years ended December 31, 2010, 2009, and 2008, by dividing the net income available to common stockholders by the weighted average number of common shares outstanding, excluding unallocated ESOP shares and unearned common stock award shares. The weighted average common shares outstanding includes the average number of shares of common stock outstanding, including shares held by Northfield Bancorp, MHC and allocated or committed to be released ESOP shares.

Net income per common share-diluted is computed using the same method as basic earnings per share, but reflects the potential dilution that could occur if stock options and unvested shares of restricted stock were exercised and converted into common stock. These potentially dilutive shares are included in the weighted average number of shares outstanding for the period using the treasury stock method. When applying the treasury stock method, we add: (1) the assumed proceeds from option exercises; (2) the tax benefit, if any, that would have been credited to additional paid-in capital assuming exercise of non-qualified stock options and vesting of shares of restricted stock; and (3) the average unamortized compensation costs related to unvested shares of restricted stock and stock options. We then divide this sum by our average stock price for the period to calculate assumed shares repurchased. The excess of the number of shares issuable over the number of shares assumed to be repurchased is added to basic weighted average common shares to calculate diluted earnings per share. At December 31, 2010, 2009, and 2008, there were 281,900, 126,794, and 0 dilutive shares outstanding, respectively.

***(q) Other Real Estate Owned***

Assets acquired through loan foreclosure, or deed-in-lieu of, are held for sale and are initially recorded at estimated fair value less estimated selling costs when acquired, thus establishing a new cost basis. Costs after acquisition are generally expensed. If the estimated fair value of the asset declines, a write-down is recorded through other non-interest expense.

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

		<b>2010</b>		
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	\$ 342,316	13,479		355,795
Non-GSE	27,801	814	737	27,878
Real estate mortgage investment conduits (REMICs):				
GSE	622,582	3,020	3,525	622,077
Non-GSE	65,766	3,674	51	69,389
	1,058,465	20,987	4,313	1,075,139
Other securities:				
Equity investments mutual funds	12,437	31	115	12,353
GSE bonds	34,988	45		35,033
Corporate bonds	119,765	2,146	123	121,788
	167,190	2,222	238	169,174
Total securities available-for-sale	\$ 1,225,655	23,209	4,551	1,244,313

		<b>2009</b>		
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Mortgage-backed securities:				
Pass-through certificates:				
GSE	\$ 404,128	13,932		418,060
Non-GSE	65,363	799	3,696	62,466
REMICs				
GSE	344,150	5,368	430	349,088
Non-GSE	111,756	2,627	189	114,194

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	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

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

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

<b>Available-for-sale</b>	<b>Amortized cost</b>	<b>Estimated fair value</b>
Due in one year or less	\$ 64,393	65,476
Due after one year through five years	90,360	91,345
Total	\$ 154,753	156,821

Expected maturities on mortgage-backed securities will 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 to secure borrowings under Pledge Agreements and Repurchase Agreements and for other purposes required by law. At December 31, 2010, and December 31, 2009, securities available-for-sale with a carrying value of \$5,725,000 and \$6,537,000, respectively, were pledged to secure deposits. See note 7 for further discussion regarding securities pledged for borrowings.

For the year ended December 31, 2010, the Company had gross proceeds of \$221,187,000 on sales of securities available-for-sale with gross realized gains and gross realized losses of approximately \$1,260,000 and \$4,000, respectively. For the year ended December 31, 2009, the Company had gross proceeds of \$3,293,000 on sales of securities available-for-sale with gross realized gains and gross realized losses of approximately \$89,000 and \$0, respectively. For the year ended December 31, 2008, the Company had gross proceeds of \$3,350,000 on sales of securities available-for-sale with gross realized gains and gross realized losses of approximately \$15,000 and \$0, respectively. The Company routinely sells securities when market pricing presents, in management's assessment, an economic benefit that outweighs holding such security, and when smaller balance securities become cost prohibitive to carry.

The Company recognized other-than-temporary impairment charges of \$962,000 during the year ended December 31, 2010, related to one private label mortgage-backed security. The Company recognized the credit component of \$154,000 in earnings and the non-credit component of \$808,000 as a component of accumulated other comprehensive income, net of tax. The Company recognized other-than-temporary impairment charges of \$1.4 million during the year ended December 31, 2009 related to one private label mortgage-backed security. The company recognized the credit component of \$176,000 in earnings and the non-credit component of \$1.2 million as a part of accumulated other comprehensive income, net of tax. The Company did not record other-than-temporary impairment charges during the year ended December 31, 2008.

The following is a rollforward of 2010, 2009, and 2008 activity related to the credit component of other-than-temporary impairment recognized on debt securities in pre-tax earnings, for which a portion of other-than-temporary impairment was recognized in accumulated other comprehensive income:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(In thousands)</b>		
<b>Balance, beginning of year</b>	\$ 176		
Additions to the credit component on debt securities in which other- than-temporary impairment was not previously recognized	154	176	
<b>Cumulative pre-tax credit losses, end of year</b>	\$ 330	176	

Gross unrealized losses on mortgage-backed securities, equity securities, agency bonds, and corporate bonds available-for-sale, and the estimated fair value of the related securities, aggregated by security category

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and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2010 and 2009, were as follows (in thousands):

	Less Than 12 Months		December 31, 2010		Total	
	Unrealized	Estimated	Unrealized	Estimated	Unrealized	Estimated
	Losses	Fair Value	Losses	Fair Value	Losses	Fair Value
Mortgage-backed securities:						
Pass-through certificates:						
Non-GSE	\$		737	10,126	737	10,126
REMICs						
GSE	3,525	344,971			3,525	344,971
Non-GSE			51	1,238	51	1,238
Corporate bonds	123	13,880			123	13,880
Equity Investments mutual funds	115	4,884			115	4,884
Total	\$ 3,763	363,735	788	11,364	4,551	375,099

	Less Than 12 Months		December 31, 2009		Total	
	Unrealized	Estimated	Unrealized	Estimated	Unrealized	Estimated
	Losses	Fair Value	Losses	Fair Value	Losses	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 December 31, 2010, were two pass-through non-GSE mortgage-backed securities in a continuous unrealized loss position of greater than twelve months, that were rated less than AAA at December 31, 2010. Of these two securities, one had an estimated fair value of \$4.4 million (amortized cost of \$4.4 million), was rated CC, and was supported by collateral entirely originated in 2006. The second security



had an estimated fair value of \$5.7 million (amortized cost of \$6.5 million), was rated Caa2, and had the following underlying collateral characteristics: 82% originated in 2004, and 18% originated in 2005. The ratings of the securities detailed above represent the lowest rating for each security received from the rating agencies of Moody's, Standard & Poor's, and Fitch. The Company continues to receive principal and interest payments in accordance with the contractual terms of 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 these two securities. As a result of management's evaluation of these securities, the Company recognized, during the quarter ended September 30, 2010, other-than-temporary impairment of \$962,000 on the \$5.7 million security that was rated Caa2. Since management does not have the intent to sell the security, and believes it is more likely than not that the Company will not be required to sell the security, before its anticipated recovery

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(which may be at maturity), the credit component of \$154,000 was recognized in earnings, and the non-credit component of \$808,000 was recorded as a component of accumulated other comprehensive income, net of tax.

In evaluating the range of likely cash flows for the impaired private label security, the Company applied security specific and market assumptions, based on the credit characteristics of the security to a cash flow model. Under certain stress scenarios estimated future losses may arise. For the security in which the Company recorded other-than-temporary impairment in the third quarter of 2010, the average portfolio FICO score at origination was 724 and the weighted average loan to value ratio was 68.7%. Cash flow assumptions incorporated an expected constant default rate of 6.3% and an ultimate loss on disposition of underlying collateral of 52.6%. The security's cash flows were discounted at the security's effective interest rate (the yield expected to be earned at date of purchase). Although management recognized other-than-temporary impairment charges on this security, the security continues to receive principal and interest payments in accordance with its contractual terms. For the pass-through non-GSE mortgage-backed security in which the Company recorded other-than-temporary impairment in the third quarter of 2009, the average portfolio FICO score at origination was 740 and the weighted average loan to value ratio was 70.3%. In evaluating the likely cash flows of this security, the Company applied security specific assumptions that included an expected constant default rate of 6.8% and an ultimate loss on disposition of underlying collateral of 47.4%. The security's cash flows were discounted at the security's effective interest rate (the yield expected to be earned at date of purchase).

The Company held one REMIC non-GSE mortgage-backed security that was in a continuous unrealized loss position of greater than twelve months, and one corporate bond, one equity security, and sixteen REMIC mortgage-backed securities issued or guaranteed by GSEs that were in an unrealized loss position of less than twelve months, and rated investment grade at December 31, 2010. 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.

**(3) Securities Held-to-Maturity**

The following is a comparative summary of mortgage-backed securities held-to-maturity at December 31 (in thousands):

	2010		
Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value

Mortgage-backed securities:

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Pass-through certificates:			
GSE	\$ 854	45	899
REMICs:			
GSE	4,206	168	4,374
Total securities held-to-maturity	\$ 5,060	213	5,273

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		<b>2009</b>		
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Mortgage-backed securities:				
Pass-through certificates:				
GSE	\$ 874	27		901
REMICs:				
GSE	5,866	163		6,029
Total securities held-to-maturity	\$ 6,740	190		6,930

For the year ended December 31, 2009, the Company had gross proceeds of \$3,371,000 on sales of securities held-to-maturity with gross realized gains and gross realized losses of approximately \$210,000 and \$0, respectively, which primarily resulted from the sale of smaller balance (less than 15% of original purchased principal) mortgage-backed securities. The Company sells these smaller balance securities as the cost of servicing becomes prohibitive. The Company did not sell any held-to-maturity securities during the years ended December 31, 2010 and 2008.

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the collateralized mortgage obligation 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.

**(4) Loans**

Loans held-for-investment, net, consists of the following at December 31, 2010 and 2009 (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Real estate loans:		
Commercial	\$ 339,321	327,802
One -to- four family residential	78,032	90,898
Construction and land	35,054	44,548
Multifamily	283,588	178,401
Home equity and lines of credit	28,125	26,118
Total real estate loans	764,120	667,767
Commercial and industrial loans	17,020	19,252

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Insurance premium finance loans	44,517	40,382
Other loans	1,062	1,299
Total loans held-for-investment	826,719	728,700
Deferred loan costs, net	872	569
Loans held-for-investment, net	827,591	729,269
Allowance for loan losses	(21,819)	(15,414)
Net loans held-for-investment	\$ 805,772	713,855

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

The Company had \$1.2 million in loans held-for-sale at December 31, 2010. All loans held for sale are one -to- four family residential mortgage loans. The Company did not have any loans held-for-sale at 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.

The Company, through its principal subsidiary, the Bank, serviced \$52,071,000 and \$73,800,000 of loans at December 31, 2010 and 2009, respectively, for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed for by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At December 31, 2010, substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans. Servicing of loans for others does not have a significant effect on our financial position or results of operations.

We provide for loan losses based on the consistent application of our documented allowance for loan loss methodology. Loan losses are charged to the allowance for loans losses and recoveries are credited to it. Additions to the allowance for loan losses are provided by charges against income based on various factors which, in our judgment, deserve current recognition in estimating probable losses. Loan losses are charged-off in the period the loans, or portion thereof, are deemed uncollectible. Generally, the Company will record a loan charge-off (including a partial charge-off) to reduce a loan to the estimated fair value of the underlying collateral, less cost to sell, for collateral dependent loans. We regularly review the loan portfolio and make adjustments for loan losses in order to maintain the allowance for loan losses in accordance with U.S. generally accepted accounting principles ( GAAP ). The allowance for loan losses consists primarily of the following two components:

(1) Allowances are established for impaired loans (generally defined by the company as non-accrual loans with an outstanding balance of \$500,000 or greater). The amount of impairment provided for as an allowance is represented by the deficiency, if any, between the present value of expected future cash flows discounted at the original loan's effective interest rate or the underlying collateral value (less estimated costs to sell,) if the loan is collateral dependent, and the carrying value of the loan. Impaired loans that have no impairment losses are not considered for general valuation allowances described below.

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

the inherent subjective nature of the appraisal process and the internal credit risk rating process.

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

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

The adjustments to our loss experience are based on our evaluation of several environmental factors, including:

changes in local, regional, national, and international economic and business conditions and developments that affect the collectibility of our portfolio, including the condition of various market segments;

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

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

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

changes in the quality of our loan review system;

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

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

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

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

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

Each quarter we evaluate the allowance for loan losses and adjust the allowance as appropriate through a provision for loan losses. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the information used in making the evaluations. In addition, as an integral part of their examination process, the Office of Thrift Supervision will periodically review the allowance for loan losses. The Office of Thrift Supervision may require us to adjust the allowance based on their analysis of information available to them at the time of their examination. Our last examination was as of September 30, 2010.





**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

A summary of changes in the allowance for loan losses for the years ended December 31, 2010, 2009, and 2008 follows (in thousands):

	<b>2010</b>	<b>December 31, 2009</b>	<b>2008</b>
Balance at beginning of year	\$ 15,414	8,778	5,636
Provision for loan losses	10,084	9,038	5,082
Recoveries	20		
Charge-offs	(3,699)	(2,402)	(1,940)
Balance at end of year	\$ 21,819	15,414	8,778

The following table sets forth activity in our allowance for loan losses, by loan type, for the year ended December 31, 2010. The following table also details the amount of loans receivable, net of deferred loan fees and costs, that are evaluated individually, and collectively, for impairment, and the related portion of allowance for loan losses that is allocated to each loan portfolio segment.

	<b>Real Estate</b>				<b>Home Equity and Commercial Lines of Credit and Insurance</b>					
	<b>Commercial</b>	<b>One -to- Four Family</b>	<b>Construction and Land</b>	<b>Multifamily</b>	<b>Credit</b>	<b>Industrial</b>	<b>Premium</b>	<b>Other</b>	<b>Unallocated</b>	<b>Total</b>
<b>Allowance for loan losses:</b>										
Beginning Balance	\$ 8,403	163	2,409	1,866	210	1,877	101	34	351	\$ 15,404
Charge-offs	(987)		(443)	(2,132)		(36)	(101)			(3,699)
Recoveries							20			
Provisions	5,238	407	(111)	5,403	32	(1,122)	91	(6)	152	10,084
Ending Balance	\$ 12,654	570	1,855	5,137	242	719	111	28	503	\$ 21,819
Ending balance: individually evaluated for impairment	\$ 2,129	369	36	121						\$ 2,655
Ending balance: collectively	\$ 10,525	201	1,819	5,016	242	719	111	28	503	\$ 19,164

uated for  
airment

ns receivable,

ing balance	\$ 339,259	78,109	35,077	284,199	28,337	17,032	44,517	1,061	\$ 827,5
ing balance: vidually uated for airment	\$ 51,324	1,750	4,562	5,083		500			\$ 63,2
ing balance: ectively uated for airment	\$ 287,935	76,359	30,515	279,116	28,337	16,532	44,517	1,061	\$ 764,3

The Company continuously monitors the credit quality of its loan receivables in an ongoing manner. 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 help management monitor 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 values at time of origination (unless a current appraisal has been obtained as a result of the loan being deemed impaired). In calculating the provision for loan losses, management has determined that

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

commercial real estate loans and multifamily loans having loan-to-value ratios of less than 35%, and one -to- four family loans having loan-to-value ratios of less than 60%, require no allowance for loan losses at each period end. If any such loans were to default, requiring the Company to repossess the collateral, no loss would be expected as the Company would be well secured.

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

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 - 5 are considered pass ratings. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets have well defined weaknesses based on objective evidence, and are characterized by the distinct possibility 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.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table details the recorded investment of loans receivable, net of deferred fees and costs, by loan type and credit quality indicator at December 31, 2010 (in thousands).

Real Estate							Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium	Other
Commercial <35% LTV	Commercial => 35% LTV	1-4 Family < 60% LTV	1-4 Family => 60% LTV	Construction and Land	Multifamily < 35% LTV	Multifamily => 35% LTV				
24,826	248,759	49,928	22,247	24,767	18,880	256,948	28,042	14,110	44,149	1,061
1,613	12,108	1,206	1,750	1,128		5,233	55	776	239	
1,385	50,568	623	2,355	9,182	504	2,634	240	2,146	129	
27,824	311,435	51,757	26,352	35,077	19,384	264,815	28,337	17,032	44,517	1,061

Included in loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The recorded investment of these nonaccrual loans was \$59.3 million and \$41.6 million at December 31, 2010, and December 31, 2009, respectively. Generally, loans are placed on non-accruing status when they become 90 days or more delinquent, and remain on non-accrual status until they are brought current, have six months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accruing status.

These non-accrual amounts included loans deemed to be impaired of \$52.0 million and \$36.8 million at December 31, 2010, and December 31, 2009, 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 \$7.3 million and \$4.8 million at December 31, 2010, and December 31, 2009, respectively. Loans past due ninety days or more and still accruing interest were \$1.6 million and \$191,000 at December 31, 2010, and December 31, 2009, respectively, and consisted of loans that are well secured or in the process of renewal.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table sets forth the detail, and delinquency status, of non-performing loans (non-accrual loans and loans past due ninety days or more and still accruing), net of deferred fees and costs, at December 31, 2010 (in thousands).

	Non-Accruing Loans			Total	> 90 Days Past Due and Accruing	Total Non- Performing Loans
	0-29 Days Past Due	30-89 Days Past Due	<sup>3</sup> 90 Days Past Due			
Real estate loans:						
Commercial						
LTV < 35%						
Special Mention	\$ 29			29		29
Total	29			29		29
LTV > 35%						
Substandard	13,650	15,050	17,659	46,359		46,359
Total	13,650	15,050	17,659	46,359		46,359
Total commercial	13,679	15,050	17,659	46,388		46,388
One-to-four family residential						
LTV < 60%						
Special Mention		179	99	278	86	364
Substandard	135		197	332	291	623
Total	135	179	296	610	377	987
LTV > 60%						
Substandard		591	74	665	731	1,396
Total		591	74	665	731	1,396
Total one-to-four family residential	135	770	370	1,275	1,108	2,383
Construction and land						
Special Mention					404	404
Substandard	2,152	1,860	1,110	5,122		5,122
Total construction and land	2,152	1,860	1,110	5,122	404	5,526

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

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table sets forth the detail and delinquency status of loans receivable, net of deferred fees and costs, by performing and non-performing loans at December 31, 2010 (in thousands).

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



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Special Mention	225	499	724	404	1,128
Substandard	4,060		4,060	5,122	9,182
Total construction and land	29,052	499	29,551	5,526	35,077
Multifamily LTV < 35%					
Pass	18,656	224	18,880		18,880
Substandard				504	504
Total	18,656	224	18,880	504	19,384
LTV > 35%					
Pass	251,129	5,819	256,948		256,948
Special Mention	3,258	151	3,409	1,824	5,233
Substandard	99		99	2,535	2,634
Total	254,486	5,970	260,456	4,359	264,815
Total multifamily	273,142	6,194	279,336	4,863	284,199
Home equity and lines of credit					
Pass	27,780	262	28,042		28,042
Special Mention	55		55		55
Substandard				240	240
Total home equity and lines of credit	27,835	262	28,097	240	28,337
Commercial and industrial loans					
Pass	13,626	446	14,072	38	14,110
Special Mention	586	90	676	100	776
Substandard	923		923	1,223	2,146
Total commercial and industrial loans	15,135	536	15,671	1,361	17,032
Insurance premium loans					
Pass	43,728	421	44,149		44,149
Special Mention		239	239		239
Substandard				129	129
Total insurance premium loans	43,728	660	44,388	129	44,517
Other loans					
Pass	959	102	1,061		1,061
Total other loans	959	102	1,061		1,061
	<b>\$ 746,903</b>	<b>19,798</b>	<b>766,701</b>	<b>60,890</b>	<b>827,591</b>

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table summarizes impaired loans as of December 31, 2010 (in thousands):

	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Related Allowance</b>
<b>With No Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV < 35%			
Special Mention	\$ 661	661	
LTV > 35%			
Special Mention	4,807	4,807	
Substandard	25,590	26,870	
Construction and land			
Substandard			
	2,152	2,416	
Multifamily			
LTV < 35%			
Substandard	504	504	
LTV > 35%			
Special Mention	3,392	5,242	
<b>With a Related Allowance Recorded:</b>			
Real estate loans:			
Commercial			
LTV > 35%			
Substandard	20,766	21,782	(2,129)
One-to-four family residential			
LTV > 60%			
Special Mention	1,750	1,750	(369)
Construction and land			
Substandard			
	2,410	3,079	(36)
Multifamily			
LTV > 35%			
Substandard	1,187	1,632	(121)
<b>Total:</b>			
Real estate loans			
Commercial			
	51,824	54,120	(2,129)
One-to-four family residential			
	1,750	1,750	(369)
Construction and land			
	4,562	5,495	(36)
Multifamily			
	5,083	7,378	(121)
	\$ 63,219	68,743	(2,655)

At December 31, 2009, the recorded investment of impaired loans was \$44.1 million, with related allowances of \$2.4 million.

Included in the table above at December 31, 2010, are loans with carrying balances of \$24.8 million that were not written down by either charge-offs or specific reserves in our allowance for loan losses. Included in the \$44.1 million of impaired loans 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. Loans not written down by charge-offs or specific reserves at December 31, 2010, and 2009, have sufficient collateral values, less costs to sell, supporting the carrying balances of the loans.

The average recorded balance of impaired loans for the years ended December 31, 2010, 2009, and 2008 was approximately \$54.3 million, \$27.2 million, and \$7.0 million, respectively. The Company recorded \$2.8 million and \$624,000 of interest income on impaired loans for the years ended December 31, 2010 and

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

2009, respectively. The Company did not record any interest income on impaired loans for the year ended December 31, 2008.

As of December 31, 2010, we serviced \$52.1 million of loans for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At December 31, 2010, substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans.

**(5) Premises and Equipment, Net**

At December 31, 2010 and 2009, premises and equipment, less accumulated depreciation and amortization, consists of the following (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
At cost:		
Land	\$ 436	566
Buildings and improvements	3,270	3,407
Capital leases	2,600	2,600
Furniture, fixtures, and equipment	13,724	12,782
Leasehold improvements	14,807	10,570
	34,837	29,925
Accumulated depreciation and amortization	(18,780)	(17,249)
Premises and equipment, net	\$ 16,057	12,676

Depreciation expense for the years ended December 31, 2010, 2009, and 2008 was \$1,791,000, \$1,679,000, and \$1,490,000, respectively.

During the year ended December 31, 2010, the Company recognized a gain of approximately \$197,000 as a result of the sale of premises and equipment. The Company had no sales of premises and equipment in 2009 and 2008.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(6) Deposits**

Deposit account balances at December 31, 2010 and 2009, are summarized as follows (dollars in thousands):

	December 31,		December 31,	
	2010	2009	2010	2009
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Transaction:				
Negotiable orders of withdrawal	\$ 76,251	1.03%	\$ 62,904	1.51%
Non-interest bearing checking	111,413		110,015	
Total transaction	187,664	0.42	172,919	0.55
Savings:				
Money market	294,003	0.97	195,055	1.35
Savings	338,140	0.33	369,538	0.64
Total savings	632,143	0.63	564,593	0.89
Certificates of deposit:				
Under \$100,000	272,266	1.34	302,869	2.02
\$100,000 or more	280,769	1.25	276,504	1.76
Total certificates of deposit	553,035	1.29	579,373	1.90
Total deposits	\$ 1,372,842	0.87%	\$ 1,316,885	1.29%

The Company had brokered deposits (classified as certificates of deposit in the above table) of \$68.4 million and \$54.8 million, at December 31, 2010 and 2009, respectively.

Scheduled maturities of certificates of deposit at December 31, 2010, are summarized as follows (in thousands):

	December 31, 2010
2011	\$ 473,989
2012	15,964
2013	5,650
2014	24,243

2015 and after	33,189
	\$ 553,035

Interest expense on deposits for the years ended December 31, 2010, 2009, and 2008 is summarized as follows (in thousands):

	<b>2010</b>	<b>December 31, 2009</b>	<b>2008</b>
Negotiable orders of withdrawal and money market	\$ 3,546	3,213	3,147
Savings-passbook, statement, and tiered	1,573	2,833	2,719
Certificates of deposits	8,454	12,168	12,656
	\$ 13,573	18,214	18,522

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(7) Securities Sold Under Agreements to Repurchase and Other Borrowings**

Borrowings consisted of Securities Sold under Agreements to Repurchase, FHLB advances, and obligations under capital leases and are summarized as follows (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Repurchase agreements	\$ 243,000	200,000
Other borrowings		
FHLB advances	146,300	71,300
Over-night borrowings		6,000
Obligations under capital leases	1,937	2,124
	<b>\$ 391,237</b>	<b>279,424</b>

FHLB advances are secured by a blanket lien on unencumbered securities and the Company's investment in FHLB capital stock.

Repurchase agreements and FHLB advances have contractual maturities at December 31, 2010, as follows (in thousands):

	<b>December 31, 2010</b>	
	<b>FHLB Advances</b>	<b>Repurchase Agreements</b>
2011	\$ 59,000	20,000
2012	13,000	50,000
2013	19,300	55,000
2014	2,500	56,000
2015 and after	52,500	62,000
	<b>\$ 146,300</b>	<b>243,000</b>

The Bank's repurchase agreements have a weighted average rate of 2.14%. The Bank has \$40.0 million of repurchase agreements that mature in less than 30 days, \$15.0 million that mature in 30 to 90 days, with the remaining \$91.3 million maturing in more than 90 days. The repurchase agreements are secured primarily by mortgage-backed securities with an amortized cost of \$266.2 million, and a market value of \$275.7 million, at December 31, 2010.

The Company has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window of approximately \$402.2 million, utilizing unencumbered securities of \$442.4 million at December 31, 2010. The

Company expects to have sufficient funds available to meet current commitments in the normal course of business.



**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Interest expense on borrowings for the years ended December 31, 2010, 2009, and 2008 are summarized as follows (in thousands):

		<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>	
Repurchase Agreements	\$ 9,116	7,158	2,728	
FHLB advances	1,513	3,358	6,655	
Over-night borrowings	26	53	143	
Obligations under capital leases	178	194	208	
	\$ 10,833	10,763	9,734	

**(8) Income Taxes**

Income tax expense (benefit) for the years ended December 31, 2010, 2009, and 2008 consists of the following (in thousands):

		<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>	
Federal tax expense (benefit):				
Current	\$ 8,114	9,434	6,130	
Deferred	(1,315)	(3,758)	455	
	6,799	5,676	6,585	
State and local tax expense (benefit):				
Current	1,161	2,122	1,052	
Deferred	(1,590)	(1,180)	(456)	
	(429)	942	596	
Total income tax expense	\$ 6,370	6,618	7,181	

The Company has recognized deferred income tax (benefit) expense related to changes in unrealized gains and losses on securities available-for-sale of (\$1,090,000), \$8,473,000, and \$2,428,000, in 2010, 2009, and 2008, respectively. Such amounts are recorded as a component of comprehensive income in the consolidated statements of changes in stockholders' equity.

The Company has also recognized an income tax expense related to net actuarial losses from other postretirement benefits of \$26,000, \$26,000, and \$28,000 in 2010, 2009, and 2008, respectively. Such amounts are recorded as a component of accumulated comprehensive income in the consolidated statements of changes in stockholders' equity.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

Reconciliation between the amount of reported total income tax expense and the amount computed by multiplying the applicable statutory income tax rate for the years ended December 31, 2010, 2009, and 2008 is as follows (dollars in thousands):

	<b>2010</b>	<b>December 31, 2009</b>	<b>2008</b>
Tax expense at statutory rate of 35%	\$ 7,057	6,542	8,054
Increase (decrease) in taxes resulting from:			
State tax, net of federal income tax	(279)	612	387
Bank owned life insurance	(796)	(613)	(1,482)
Incentive stock options	149	166	
Other, net	239	(89)	222
Income tax expense	\$ 6,370	6,618	7,181

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2010 and 2009, are as follows (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Deferred tax assets:		
Allowance for loan losses	\$ 8,838	6,346
Deferred loan fees	33	181
Capitalized leases	802	886
Charitable deduction carryforward	2,153	3,017
Deferred compensation	2,135	2,175
Accrued salaries	525	51
Postretirement benefits	498	483
Equity awards	1,351	1,030
Unrealized actuarial losses on post retirement benefits	197	223
Straight-line leases adjustment	704	598
Asset retirement obligation	99	87
Reserve for accrued interest receivable	1,304	1,047
Reserve for loan commitments	154	111
New Jersey NOL	22	
Other	255	210
<b>Total gross deferred tax assets</b>	<b>19,070</b>	<b>16,445</b>
Deferred tax liabilities:		
Depreciation	213	383
Unrealized gains on securities AFS	7,468	8,558
Mortgage servicing rights	49	98
Employee Stock Ownership Plan	78	4
Step up to fair market value of acquired loans	95	120
Step up to fair market value of acquired investment	1	13
Other	12	84
<b>Total gross deferred tax liabilities</b>	<b>7,916</b>	<b>9,260</b>
Valuation allowance	1,038	1,038
<b>Net deferred tax asset</b>	<b>\$ 10,116</b>	<b>6,147</b>

The Company has determined that a valuation allowance should be established for certain state and local tax benefits related to the Company's contribution to the Northfield Bank Foundation. The Company has determined that it is not required to establish a valuation reserve for the remaining net deferred tax asset account since it is more likely than

not that the net deferred tax assets will be realized through future reversals of existing taxable temporary differences, future taxable income and tax planning strategies. The conclusion that it is more likely than not that the remaining net deferred tax assets will be realized is based on the history of earnings and the prospects for continued profitability. Management will continue to review the tax criteria related to the recognition of deferred tax assets.

Certain amendments to the Federal, New York State, and New York City tax laws regarding bad debt deductions were enacted in July 1996, August 1996, and March 1997, respectively. The Federal amendments

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

include elimination of the percentage-of-taxable-income method for tax years beginning after December 31, 1995, and imposition of a requirement to recapture into taxable income (over a six-year period) the bad debt reserves in excess of the base-year amounts. The New York State and City amendments redesignated the Company's state and city bad debt reserves at December 31, 1995, as the base-year amount and also provided for future additions to the base-year reserve using the percentage-of-taxable-income method.

The Company's Federal, state, and city base-year reserves were approximately \$5,900,000, respectively, at December 31, 2010 and 2009. Under the tax laws as amended, events that would result in taxation of certain of these reserves include the following: (a) the Company's retained earnings represented by this reserve are used for purposes other than to absorb losses from bad debts, including excess dividends or distributions in liquidation; (b) the Company redeems its stock; (c) the Company fails to meet the definition of a bank for Federal purposes or a thrift for state and city purposes; or (d) there is a change in the federal, state, or city tax laws. At December 31, 2005, the Company's unrecognized deferred tax liabilities with respect to its base-year reserves for Federal, state, and city taxes totaled approximately \$2,800,000. Deferred tax liabilities have not been recognized with respect to the 1987 base-year reserves, since the Company does not expect that these amounts will become taxable in the foreseeable future.

At December 31, 2005, the Company did not meet the definition of a thrift for New York State and City purposes, and as a result, recorded a state and local tax expense of approximately \$2,200,000 pertaining to the recapture of the state and city base-year reserves accumulated after December 31, 1987.

The Company did not have any uncertain tax positions for the years ended December 31, 2010 and 2009.

The Company records interest accrued related to uncertain tax benefits as tax expense. During the year ended December 31, 2008, the Company accrued \$62,000 in interest on uncertain tax positions. The Company records any penalties accrued as other expenses. The Company has not incurred any tax penalties.

The State of New York passed legislation in August of 2010 to conform the bad debt deduction allowed under Article 32 of the New York State tax law to the bad debt deduction allowed for federal income tax purposes. As a result, Northfield Bank no longer establishes, or maintains, a New York reserve for losses on loans, and is required to claim a deduction for bad debts in an amount equal to its actual loan loss experience. In addition, this legislation eliminated the potential recapture of the New York tax bad debt reserve that could have otherwise occurred in certain circumstances under New York State tax law prior to August of 2010. As a result of this new legislation, the Company reversed approximately \$738,000 in deferred tax liabilities during the third quarter of 2010.

**(9) Retirement Benefits**

The Company has a 401(k) plan for its employees, which grants eligible employees (those salaried employees with at least one year of service) the opportunity to invest from 2% to 15% of their base compensation in certain investment alternatives. The Company contributes an amount equal to 25% of employee contributions on the first 6% of base compensation contributed by eligible employees for the first three years of participation. Subsequent years of participation in excess of three years will increase the Company matching contribution from 25% to 50% of an employee's contributions, on the first 6% of base compensation contributed by eligible employees. A member becomes fully vested in the Company's contributions upon (a) completion of five years of service, or (b) normal retirement, early retirement, permanent disability, or death. The Company's contribution to this plan amounted to approximately \$166,000, \$156,000, and \$166,000 for the years ended December 31, 2010, 2009, and 2008, respectively.

The Company also maintains a profit-sharing plan in which the Company can contribute to the participant's 401(k) account, at its discretion, up to the legal limit of the Internal Revenue Code. The Company did not contribute to the profit sharing plan during 2010, 2009 and 2008.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The Company maintains the Northfield Bank Employee Stock Ownership Plan (the ESOP). The ESOP is a tax-qualified plan designed to invest primarily in the Company's common stock. The ESOP provides employees with the opportunity to receive a funded retirement benefit from the Bank, based primarily on the value of the Company's common stock. The ESOP was authorized to, and did purchase, 1,756,279 shares of the Company's common stock in the Company's initial public offering at a price of \$10.00 per share. This purchase was funded with a loan from Northfield Bancorp, Inc. to the ESOP. The first payment on the loan from the ESOP to the Company was due and paid on December 31, 2007, and the outstanding balance at December 31, 2010 and 2009, was \$15.4 million and \$15.8 million, respectively. The shares of the Company's common stock purchased in the initial public offering are pledged as collateral for the loan. Shares are released for allocation to participants as loan payments are made. A total of 60,570 and 58,539 shares were released and allocated to participants for the ESOP year ended December 31, 2010 and 2009, respectively. ESOP compensation expense for the year ended December 31, 2010, 2009, and 2008 was \$774,000, \$676,000, and \$644,000, respectively. Cash dividends on unallocated shares are utilized to satisfy required debt payments. Dividends on allocated shares are utilized to prepay debt which releases additional shares to participants.

The Company maintains a Supplemental Employee Stock Ownership Plan (the SESOP), a non-qualified plan, that provides supplemental benefits to certain executives who are prevented from receiving the full benefits contemplated by the ESOP's benefit formula due to tax law limits for tax-qualified plans. The supplemental payments for the SESOP consist of cash payments representing the value of Company shares that cannot be allocated to participants under the ESOP due to legal limitations imposed on tax-qualified plans. The Company made a contribution to the SESOP plan of \$33,000, \$41,000, and \$54,000 for the years ended December 31, 2010, 2009, and 2008, respectively.

The Company provides post retirement medical and life insurance to a limited number of retired individuals. The Company also provides retiree life insurance benefits to all qualified employees, up to certain limits. The following tables set forth the funded status and components of postretirement benefit costs at December 31 measurement dates (in thousands):

	<b>2010</b>	<b>2009</b>
Accumulated postretirement benefit obligation beginning of year	\$ 1,670	1,559
Service cost	5	4
Interest cost	88	93
Actuarial loss	12	111
Benefits paid	(108)	(97)
Accumulated postretirement benefit obligation end of year	1,667	1,670
Plan assets at fair value		
Unrecognized transition obligation		
Unrecognized prior service cost		
Unrecognized loss		
Accrued liability (included in accrued expenses and other liabilities)	\$ 1,667	1,670





**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The following table sets forth the amounts recognized in accumulated other comprehensive income (loss) (in thousands):

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
Net loss	\$ 266	280
Transition obligation	84	100
Prior service cost	121	137
Loss recognized in accumulated other comprehensive income (loss)	\$ 471	517

The estimated net loss, transition obligation, and prior service cost that will be amortized from accumulated other comprehensive income (loss) into net periodic cost in 2011 are \$25,182, \$16,711, and \$15,575, respectively.

The following table sets forth the components of net periodic postretirement benefit costs for the years ended December 31, 2010, 2009, and 2008 (in thousands):

	<b>December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
Service cost	\$ 5	4	3
Interest cost	88	93	95
Amortization of transition obligation	17	17	17
Amortization of prior service costs	15	15	16
Amortization of unrecognized loss	26	17	22
Net postretirement benefit cost included in compensation and employee benefits	\$ 151	146	153

The assumed discount rate related to plan obligations reflects the weighted average of published market rates for high-quality corporate bonds with terms similar to those of the plan's expected benefit payments, rounded to the nearest quarter percentage point. The Company's discount rate and rate of compensation increase used in accounting for the plan are as follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Assumptions used to determine benefit obligation at period end:			
Discount rate	5.00%	5.50	6.25
Rate of increase in compensation	4.00	4.25	4.25
Assumptions used to determine net periodic benefit cost for the year:			

Discount rate	5.50%	6.25	6.25
Rate of increase in compensation	4.25	4.25	4.50

At December 31, 2010, a medical cost trend rate of 8.75% for 2010, decreasing 0.50% per year thereafter until an ultimate rate of 4.75% is reached, was used in the plan's valuation. At December 31, 2009, a medical cost trend rate of 9.00% for 2009, decreasing 0.50% per year thereafter until an ultimate rate of 5.00% is reached, was used in the plan's valuation. The Company's healthcare cost trend rates are based, among other things, on the Company's own experience and third party analysis of recent and projected healthcare cost trends.

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A one percentage-point change in assumed health care cost trends would have the following effects (in thousands):

	<b>One Percentage Point Increase</b>		<b>One Percentage Point Decrease</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Effect on benefits earned and interest cost	\$ 7	8	(6)	(6)
Effect on accumulated postretirement benefit obligation	\$ 129	126	(115)	(112)

A one percentage-point change in assumed health care cost trends would have the following effects (in thousands):

	<b>One Percentage Point Increase</b>			<b>One Percentage Point Decrease</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Aggregate of service and interest components of net periodic cost (benefit)	\$ 7	8	7	(6)	(6)	(7)

Benefit payments of approximately \$108,000, \$97,000, and \$88,000 were made in 2010, 2009, and 2008, respectively. The benefits expected to be paid under the postretirement health benefits plan for the next five years are as follows: \$118,000 in 2011; \$123,000 in 2012; \$127,000 in 2013; \$131,000 in 2014; and \$133,000 in 2015. The benefit payments expected to be paid in the aggregate for the years 2016 through 2020 are \$661,000. The expected benefits are based on the same assumptions used to measure the Company's benefit obligation at December 31, 2010, and include estimated future employee service.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, or Medicare Act, introduced both a Medicare prescription-drug benefit and a federal subsidy to sponsors of retiree health-care plans that provide a benefit at least actuarially equivalent to the Medicare benefit. The Company has evaluated the estimated potential subsidy available under the Medicare Act and the related costs associated with qualifying for the subsidy. Due to the limited number of participants in the plan, the Company has concluded that it is not cost beneficial to apply for the subsidy. Therefore, the accumulated postretirement benefit obligation information and related net periodic postretirement benefit costs do not reflect the effect of any potential subsidy.

On March 23, 2010, President Obama signed into law the comprehensive reform legislation, the Protection and Affordable Care Act (PPACA). Based on the Company's participant group and coverage currently provided to participants, the legislation had not material effect on the actuarial calculations related to the Company's plan liabilities and related expenses.

The Company maintains a nonqualified plan to provide for the elective deferral of all or a portion of director fees by members of the participating board of directors, deferral of all or a portion of the compensation and/or annual incentive compensation payable to eligible employees of the Company, and to provide to certain officers of the Company benefits in excess of those permitted to be paid by the Company's savings plan, ESOP, and profit-sharing plan under the applicable Internal Revenue Code. The plan obligation was approximately \$4,095,000 and \$3,403,000

at December 31, 2010 and 2009, respectively, and is included in accrued expenses and other liabilities on the consolidated balance sheets. Expense (income) under this plan was \$597,000, \$592,000, and \$(1,331,000) for the years ended December 31, 2010, 2009, and 2008, respectively. The Company invests to fund this future obligation, in various mutual funds designated as trading securities. The securities are marked-to-market through current period earnings as a component of non-interest income. Accrued obligations under this plan are credited or charged with the return on the trading securities portfolio as a component of compensation and benefits expense.

The Company entered into a supplemental retirement agreement with its former president and current director on July 18, 2006. The agreement provides for 120 monthly payments of \$17,450. The present value

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of the obligation, of approximately \$1,625,000, was recorded in compensation and benefits expense in 2006. The present value of the obligation as of December 31, 2010 and 2009, was approximately \$1,039,000 and \$1,190,000, respectively.

**(10) Equity Incentive Plan**

The Company maintains the Northfield Bancorp, Inc. 2008 Equity Incentive Plan to grant common stock or options to purchase common stock at specific prices to directors and employees of the Company. The Plan provides for the issuance or delivery of up to 3,073,488 shares of Northfield Bancorp, Inc. common stock subject to certain Plan limitations. 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 granted to date vests 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 years ended December 31, 2010 and 2009, the Company recorded \$3.0 million and \$2.9 million, respectively, of stock-based compensation. There was no stock based compensation during the year ended December 31, 2008.

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

	<b>Number of Stock Options</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Contractual Life (Years)</b>
Outstanding- December 31, 2009	2,083,400	\$ 3.22	\$ 9.94	9.08
Granted	3,000	4.66	13.24	10.00

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Exercised	(13,860)		3.22		9.94	
Outstanding- December 31, 2010	2,072,540	\$	3.22	\$	9.94	8.09
Exercisable- December 31, 2010	424,020	\$	3.22	\$	9.94	8.08

Expected future stock option expense related to the non-vested options outstanding as of December 31, 2010, is \$4.1 million over an average period of 3.1 years.

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The following is a summary of the status of the Company's restricted shares as of December 31, 2010, and changes therein during the year then ended.

	<b>Number of Shares Awarded</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested at December 31, 2009	825,150	\$ 9.97
Granted	4,400	13.24
Vested	(175,670)	9.94
Non-vested at December 31, 2010	653,880	\$ 9.97

Expected future stock award expense related to the non-vested restricted awards as of December 31, 2010, is \$5.0 million over an average period of 3.1 years.

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

**(11) Commitments and Contingencies**

The Company, in the normal course of business, is party to commitments that involve, to varying degrees, elements of risk in excess of the amounts recognized in the consolidated financial statements. These commitments include unused lines of credit and commitments to extend credit.

At December 31, 2010, the following commitment and contingent liabilities existed that are not reflected in the accompanying consolidated financial statements (in thousands):

Commitments to extend credit	\$ 29,467
Unused lines of credit	32,759
Standby letters of credit	181

The Company's maximum exposure to credit losses in the event of nonperformance by the other party to these commitments is represented by the contractual amount. The Company uses the same credit policies in granting commitments and conditional obligations as it does for amounts recorded in the consolidated balance sheets. These commitments and obligations do not necessarily represent future cash flow requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's assessment of risk. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The guarantees generally extend for a term of up to one year and are fully collateralized. For each guarantee issued, if the customer defaults on a payment to the third party, the Company would have to perform under the guarantee. The unamortized fee on standby letters of credit



approximates their fair value; such fees were insignificant at December 31, 2010. The Company maintains an allowance for estimated losses on commitments to extend credit. At December 31, 2010 and 2009, the allowance was \$366,000 and \$266,000, respectively, and is recorded as a component of other non-interest expense.

The Company, through its principal subsidiary, the Bank, serviced \$52,071,000 and \$73,800,000 of loans at December 31, 2010 and 2009, respectively, for Freddie Mac. These one- to four-family residential mortgage real estate loans were underwritten to Freddie Mac guidelines and to comply with applicable federal, state, and local laws. At the time of the closing of these loans the Company owned the loans and subsequently sold them to Freddie Mac providing normal and customary representations and warranties, including representations and warranties related to compliance with Freddie Mac underwriting standards. At the time of sale, the loans were free from encumbrances except for the mortgages filed for by the Company which, with other underwriting documents, were subsequently assigned and delivered to Freddie Mac. At December 31, 2010,

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substantially all of the loans serviced for Freddie Mac were performing in accordance with their contractual terms and management believes that it has no material repurchase obligations associated with these loans.

At December 31, 2010, the Company was obligated under non-cancelable operating leases and capitalized leases on property used for banking purposes. Most leases contain escalation clauses and renewal options which provide for increased rentals as well as for increases in certain property costs including real estate taxes, common area maintenance, and insurance.

The projected minimum annual rental payments and receipts under the capitalized leases and operating leases, are as follows (in thousands):

	<b>Rental Payments Capitalized Leases</b>	<b>Rental Payments Operating Leases</b>	<b>Rental Receipts Operating Leases</b>
Year ending December 31:			
2011	\$ 376	2,291	165
2012	387	2,192	165
2013	399	2,117	170
2014	411	2,094	190
2015	269	2,109	190
Thereafter	806	21,752	1,632
Total minimum lease payments	\$ 2,648	32,555	2,512

Net rental expense included in occupancy expense was approximately \$2,353,000, \$2,128,000, and \$1,466,000 for the years ended December 31, 2010, 2009, and 2008, respectively.

In the normal course of business, the Company may be a party to various outstanding legal proceedings and claims. In the opinion of management, the consolidated financial statements will not be materially affected by the outcome of such legal proceedings and claims.

The Bank is required by regulation to maintain a certain level of cash balances on hand and/or on deposit with the Federal Reserve Bank of New York. As of December 31, 2010 and 2009, the Bank was required to maintain balances of \$700,000 and \$483,000, respectively.

The Bank has entered into employment agreements with its Chief Executive Officer and the other executive officers of the Bank to ensure the continuity of executive leadership, to clarify the roles and responsibilities of executives, and to make explicit the terms and conditions of executive employment. These agreements are for a term of three-years subject to review and annual renewal, and provide for certain levels of base annual salary and in the event of a change in control, as defined, or in the event of termination, as defined, certain levels of base salary, bonus payments, and benefits for a period of up to three-years.

**(12) Regulatory Requirements**

The OTS requires banks to maintain a minimum tangible capital ratio to tangible assets of 1.5%, a minimum core capital ratio to total adjusted assets of 4.0%, and a minimum ratio of total risk-adjusted total assets of 8.0%.

Under prompt corrective action regulations, the OTS is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on the institution's financial statements. The regulations establish a framework for the classification of savings institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Generally, an institution is considered

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well capitalized if it has a core capital ratio of at least 5%, a Tier 1 risk-based capital ratio of at least 6%, and a total risk-based capital ratio of at least 10%.

The foregoing capital ratios are based in part on specific quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications also are subject to qualitative judgments by the regulators about capital components, risk weighting, and other factors.

Management believes that as of December 31, 2010, the Bank met all capital adequacy requirements to which it is subject. Further, the most recent OTS notification categorized the Bank as a well-capitalized institution under the prompt corrective action regulations. There have been no conditions or events since that notification that management believes have changed the Bank's capital classification.

Currently, Northfield Bancorp, Inc. is regulated, supervised, and examined by the OTS as a savings and loan holding company and, as such, is not subject to regulatory capital requirements. The Reform Act will require the federal banking agencies to establish consolidated risk-based and leverage capital requirements for insured depository institutions, depository institution holding companies and systemically important nonbank financial companies. These requirements must be no less than those to which insured depository institutions are currently subject. As a result, on the fifth anniversary of the effective date of the Reform Act, we will become subject to consolidated capital requirements which we have not been subject to previously.

The following is a summary of Northfield Bank's regulatory capital amounts and ratios compared to the OTS requirements as of December 31, 2010 and 2009, for classification as a well-capitalized institution and minimum capital (dollars in thousands).

	Actual		OTS Requirements		For well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2010:						
Tangible capital to tangible assets	\$ 292,981	13.43%	\$ 32,723	1.50%	\$ NA	NA%
Tier 1 capital (core) (to adjusted total assets)	292,981	13.43	87,263	4.00	109,078	5.00
Total capital (to risk-weighted assets)	307,375	27.39	89,751	8.00	112,188	10.00
As of December 31, 2009:						
Tangible capital to tangible assets	\$ 274,236	14.35%	\$ 28,666	1.50%	\$ NA	NA%
Tier 1 capital (core) (to adjusted total assets)	274,236	14.35	76,442	4.00	95,553	5.00
Total capital (to risk-weighted assets)	287,085	28.52	80,529	8.00	100,661	10.00

**(13) Fair Value of Measurement**

The following table presents the assets reported on the consolidated balance sheet at their estimated fair value as of December 31, 2010 and 2009, by level within the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. 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.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

**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.

The following tables summarize financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2010 and 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

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

	<b>December 31, 2010</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1) (In thousands)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Measured on a recurring basis:				
Assets:				
Investment securities:				
Available-for-sale:				
Mortgage-backed securities				
GSE	\$ 977,872		977,872	
Non-GSE	97,267		97,267	
Corporate bonds	121,788		121,788	
GSE bonds	35,033		35,033	
Equities	12,353	12,353		
Total available-for-sale	1,244,313	12,353	1,231,960	
Trading securities	4,095	4,095		
Total	\$ 1,248,408	16,448	1,231,960	

Measured on a non-recurring basis:

Assets:

Impaired loans:

Real estate loans:

Commercial mortgage (CRE)	\$	26,951	26,951
One- to- four family residential mortgage		1,381	1,381
Construction and land		4,526	4,526
Multifamily		2,890	2,890
Total impaired loans		35,748	35,748
Other real estate owned (CRE)		171	171
Total	\$	35,919	35,919

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

	<b>Fair Value Measurements at Reporting Date Using:</b>			
	<b>Quoted Prices</b>			<b>Significant</b>
	<b>in</b>			<b>Unobservable</b>
	<b>Active Markets</b>			<b>Other</b>
	<b>for</b>			<b>Observable</b>
	<b>Identical Assets</b>			<b>Inputs</b>
	<b>December 31,</b>			<b>Inputs</b>
	<b>2009</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
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

**Available -for- Sale Securities:** The estimated fair values for mortgage-backed securities, GSE bonds, and corporate securities are obtained from a 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 value 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 year ended December 31, 2010.

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

In addition, the Company may be required, from time to time, to measure the fair value of certain other financial assets on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. The

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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write downs of individual assets.

**Impaired Loans:** At December 31, 2010, and December 31, 2009, the Company had impaired loans with outstanding principal balances of \$38.4 million and \$31.4 million that were recorded at their estimated fair value of \$35.7 million and \$29.0 million, respectively. The Company recorded impairment charges of \$2.7 million and \$2.4 million for the years ended December 31, 2010 and 2009, respectively, and charge-offs of \$3.7 million and \$2.4 million for the years ended December 31, 2010 and 2009, respectively, utilizing Level 3 inputs. For purposes of estimating fair value of impaired loans, management utilizes independent appraisals, if the loan is collateral dependent, adjusted downward by management, as necessary, for changes in relevant valuation factors subsequent to the appraisal date, or the present value of expected future cash flows for non-collateral dependent loans and troubled debt restructurings.

**Other Real Estate Owned:** At December 31, 2010 and 2009, the Company had assets acquired through foreclosure of \$171,000 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 the economic conditions.

Subsequent valuation adjustments to other real estate owned (REO) totaled \$146,000, for the year ended December 31, 2010, reflecting continued deterioration in estimated fair values. The remaining reduction to REO was a result of sales. During the year ended December 31, 2009, the Company transferred a loan with a principal balance of \$1.9 million and an estimated fair value, less costs to sell, of \$1.4 million to other real estate owned. During the year ended December 31, 2009, the Company recorded impairment charges of \$489,000 prior to the transfer of the loan to OREO utilizing Level 3 inputs. Subsequent valuation adjustments to other real estate owned totaled \$516,000 and \$0 for the years ended December 31, 2009 and 2008, respectively, reflective of continued deterioration in estimated fair values. Operating costs after acquisition are 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:

***(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.



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**NORTHFIELD BANCORP, INC. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements (Continued)**

***(b) Securities (Held to Maturity)***

The fair values for substantially all of our securities are obtained from an independent nationally recognized pricing service. The independent pricing service utilizes market prices of same or similar securities whenever such prices are available. Prices involving distressed sellers are not utilized in determining fair value. Where necessary, the independent third-party pricing service estimates fair value using models employing techniques such as discounted cash flow analyses. The assumptions used in these models typically include assumptions for interest rates, credit losses, and prepayments, utilizing market observable data where available.

***(c) Federal Home Loan Bank of New York Stock***

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

***(d) Loans***

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

***(e) Deposits***

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

***(f) Commitments to Extend Credit and Standby Letters of Credit***

The fair value of commitments to extend credit and standby letters of credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of off-balance-sheet commitments is insignificant and therefore not included in the following table.

***(g) Borrowings***

The fair value of borrowings is estimated by discounting future cash flows based on rates currently available for debt with similar terms and remaining maturity.

***(h) Advance Payments by Borrowers***

Advance payments by borrowers for taxes and insurance have no stated maturity; the fair value is equal to the amount currently payable.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The estimated fair values of the Company's significant financial instruments at December 31, 2010, and 2009, are presented in the following table (in thousands):

	December 31,			
	2010	Estimated	2009	Estimated
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
Financial assets:				
Cash and cash equivalents	\$ 43,852	43,852	42,544	42,544
Trading securities	4,095	4,095	3,403	3,403
Securities available-for sale	1,244,313	1,244,313	1,131,803	1,131,803
Securities held-to-maturity	5,060	5,273	6,740	6,930
Federal Home Loan Bank of New York stock, at cost	9,784	9,784	6,421	6,421
Net loans held-for-investment	805,772	818,295	713,855	726,475
Financial liabilities:				
Deposits	\$ 1,372,842	1,377,068	1,316,885	1,319,612
Repurchase Agreements and other borrowings	391,237	403,920	279,424	288,737
Advance payments by borrowers	693	693	757	757

*Limitations*

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

**(14) Stock Repurchase Program**

On October 27, 2010, the Board of Directors of the Company authorized a stock repurchase program pursuant to which the Company intends to repurchase up to 2,177,033 shares, representing approximately 5% of its then outstanding shares. The timing of the repurchases will depend on certain factors, including but not limited to, market conditions and prices, the Company's liquidity and capital requirements, and alternative uses of capital. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. The Company

is conducting such repurchases in accordance with a Rule 10b5-1 trading plan. As of December 31, 2010, a total of 224,567 shares were purchased under this repurchase plan at a weighted average cost of \$12.76 per share.

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)**

The Company's previous stock repurchase program that commenced on February 13, 2009, was terminated on June 4, 2010, in connection with the Company's announcement that it intended to convert to a fully public company. Under that program, the Company repurchased 367,881 shares of common stock at an average cost of \$13.74 per share during 2010, and a total of 2,083,944 shares of common stock at an average cost of \$11.99 per share during the life of the repurchase program.

**(15) Earnings Per Share**

The following is a summary of the Company's earnings per share calculations and reconciliation of basic to diluted earnings per share for the periods indicated (in thousands, except share data):

	<b>2010</b>	<b>December 31, 2009</b>	<b>2008</b>
Net income available to common stockholders	\$ 13,793	12,074	15,831
Weighted average shares outstanding-basic	41,387,106	42,405,774	43,133,856
Effect of non-vested restricted stock and stock options outstanding	281,900	126,794	
Weighted average shares outstanding-diluted	41,669,006	42,532,568	43,133,856
Earnings per share-basic	\$ 0.33	0.28	0.37
Earnings per share-diluted	\$ 0.33	0.28	0.37

**(16) Postponement of Plan of Conversion and Reorganization**

The Boards of Directors of Northfield Bancorp, MHC and the Company adopted a Plan of Conversion and Reorganization on June 4, 2010. On September 30, 2010, Northfield Bancorp, Inc., a federal corporation and the stock holding company for Northfield Bank, announced due to the current market conditions that Northfield Bancorp, Inc., the recently formed Delaware corporation and proposed new holding company for Northfield Bank, had postponed its stock offering in connection with the second-step conversion of Northfield Bancorp, MHC.

In connection with the postponement of the offering, the directors and executive officers of the Company were released from the agreements they had executed with Sandler O'Neill & Partners, the Company's marketing agent in connection with the offering, which restricted those individuals from purchasing and selling the Company's shares of common stock for a period of 90 days after the completion of the offering. Such agreements would be reinstated should the Company determine to re-commence the stock offering in the future.

The Company expensed approximately \$1.8 million in costs incurred for the Company's postponed, second-step offering.



**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****(17) Parent-only Financial Information**

The following condensed parent company only financial information reflects Northfield Bancorp, Inc.'s investment in its wholly-owned consolidated subsidiary, Northfield Bank, using the equity method of accounting.

**Northfield Bancorp, Inc.****Condensed Balance Sheets**

	<b>December 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(in thousands)</b>	
<b>Assets</b>		
Cash in Northfield Bank	\$ 20,929	18,095
Interest-earning deposits in other financial institutions	658	1,793
Investment in Northfield Bank	319,603	302,260
Securities available-for-sale (corporate bonds)	37,472	50,511
ESOP loan receivable	15,392	15,798
Accrued interest receivable	505	585
Other assets	2,392	2,632
<b>Total assets</b>	<b>\$ 396,951</b>	<b>391,674</b>
<b>Liabilities and Stockholders' Equity</b>		
Total liabilities	\$ 234	134
Total stockholders' equity	396,717	391,540
<b>Total liabilities and stockholders' equity</b>	<b>\$ 396,951</b>	<b>391,674</b>

**Northfield Bancorp, Inc.****Condensed Statements of Income**

	<b>Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>(in thousands)</b>		
Interest on ESOP loan	\$ 513	526	1,189
Interest income on deposit in Northfield Bank	100	273	965
Interest income on deposits in other financial institutions	31	590	1,478
Interest income on corporate bonds	1,247	603	148

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Gain on securities transactions, net	38		
Undistributed earnings of Northfield Bank	14,320	11,521	14,103
Total income	16,249	13,513	17,883
Other expenses	2,627	1,177	878
Income tax (benefit) expense	(171)	262	1,174
Total expense	2,456	1,439	2,052
Net income	\$ 13,793	12,074	15,831

**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Northfield Bancorp, Inc.****Condensed Statements of Cash Flows**

	<b>2010</b>	<b>December 31, 2009</b>	<b>2008</b>
		<b>(in thousands)</b>	
Cash flows from operating activities			
Net income	\$ 13,793	12,074	15,831
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in accrued interest receivable	80	288	(846)
Deferred taxes	830	1,064	262
Increase in due to Northfield Bank	396	312	1,043
Decrease in other assets	(1,178)	(1,154)	(168)
Amortization of premium on corporate bond	1,063	527	100
Gain on securities transactions, net	(38)		
Increase (decrease) in other liabilities	100	134	(46)
Undistributed earnings of Northfield Bank	(14,320)	(11,521)	(14,103)
Net cash provided by operating activities	726	1,724	2,073
Cash flows from investing activities			
Dividend from Northfield Bank		14,000	
Purchases of corporate bonds		(50,323)	(4,468)
Maturities of corporate bonds		4,290	
Proceeds from sale of corporate bonds	12,088		
Principal payments on ESOP loan receivable	406	381	179
Maturities (purchases) of certificate of deposits		30,153	(23,653)
Net cash provided by (used in) investing activities	12,494	(1,499)	(27,942)
Cash flows from financing activities			
Purchase of treasury stock	(8,213)	(19,929)	
Dividends paid	(3,308)	(2,963)	
Net cash used in financing activities	(11,521)	(22,892)	
Net (decrease) increase in cash and cash equivalents	1,699	(22,667)	(25,869)
Cash and cash equivalents at beginning of year	19,888	42,555	68,424
Cash and cash equivalents at end of year	\$ 21,587	19,888	42,555



**Table of Contents****NORTHFIELD BANCORP, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements (Continued)****Selected Quarterly Financial Data (Unaudited)**

The following tables are a summary of certain quarterly financial data for the years ended December 31, 2010 and 2009:

	March 31	2010 Quarter Ended		December 31
		June 30	September 30	
		(Dollars in thousands)		
<b>Selected Operating Data:</b>				
Interest income	\$ 21,007	22,032	21,682	21,774
Interest expense	6,458	6,115	6,004	5,829
Net interest income	14,549	15,917	15,678	15,945
Provision for loan losses	1,930	2,798	3,398	1,958
Net interest income after provision for loan losses	12,619	13,119	12,280	13,987
Other income	1,723	1,866	1,501	1,752
Other expenses	9,121	8,457	11,171	9,935
Income before income tax expense	5,221	6,528	2,610	5,804
Income tax expense	1,840	2,342	215	1,973
Net income	\$ 3,381	4,186	2,395	3,831
Net income per common share- basis and diluted	\$ 0.08	0.10	0.06	0.09
		2009 Quarter Ended		
	March 31	June 30	September 30	December 31
		(Dollars in thousands)		
Interest income	\$ 20,482	21,013	21,855	22,218
Interest expense	7,721	7,176	7,078	7,002
Net interest income	12,761	13,837	14,777	15,216
Provision for loan losses	1,644	3,099	2,723	1,572
Net interest income after provision for loan losses	11,117	10,738	12,054	13,644
Other income	969	1,524	1,357	1,543
Other expenses	7,782	9,061	8,429	8,982
Income before income tax expense	4,304	3,201	4,982	6,205
Income tax expense	1,569	1,079	1,795	2,175

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Net income	\$ 2,735	2,122	3,187	4,030
Net income per common share- basis and diluted	\$ 0.06	0.05	0.08	0.10

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

John W. Alexander, our Chief Executive Officer, and Steven M. Klein, our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) the Exchange Act as of December 31, 2010. Based upon their evaluation, they each found that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act is recorded, processed, summarized and reported as and when required and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting and we identified no material weaknesses requiring corrective action with respect to those controls.

**Management Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as such term is defined in Rule 13a-15(f) in the Exchange Act. The Company's internal control system is a process designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework*. Based on our assessment we believe that, as of December 31, 2010, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent registered public accounting firm that audited the consolidated financial statements has issued an audit report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2010, and it is included in Item 8, under Part II of this Annual Report on Form 10-K. This report appears on page 73 of the document.



**Table of Contents****ITEM 9B. *OTHER INFORMATION***

None

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The sections of the Company's definitive proxy statement for the Company's 2011 Annual Meeting of the Stockholders (the 2011 Proxy Statement) entitled Proposal I-Election of Directors, Other Information-Section 16(a) Beneficial Ownership Reporting Compliance, Corporate Governance and Board Matters -Codes of Conduct and Ethics, Stockholder Communications, and Board of Directors, Leadership Structure, Role in Risk Oversight, Meetings and Standing Committees-Audit Committee are incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The sections of the Company's 2011 Proxy Statement entitled Corporate Governance and Board Matters-Director Compensation, and Executive Compensation are incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The sections of the Company's 2011 Proxy Statement entitled Voting Securities and Principal Holders Thereof, Corporate Governance and Board Matters Equity Compensation Plans Approved by Stockholders and Proposal I-Election of Directors are incorporated herein by reference.

Set forth below is information as of December 31, 2010, with respect to compensation plans (other than our employee stock ownership plan) under which equity securities of the Company are authorized for issuance.

**Equity Compensation Plan Information**

			<b>Number of Securities Remaining Available for Future Issuance Under</b>
	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(1)</b>	<b>Stock-Based Compensation Plans (Excluding Securities Reflected in First Column)</b>
Equity compensation plans approved by security holders	2,726,420	\$ 9.94	123,038
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	2,726,420	\$ 9.94	123,038

(1) Represents the weighted average exercise price of 2,072,540 outstanding options at December 31, 2010.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The section of the Company's 2011 Proxy Statement entitled "Corporate Governance and Board Matters-Transactions with Certain Related Persons" is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The sections of the Company's 2011 Proxy Statement entitled "Audit-Related Matters-Policy for Approval of Audit and Permitted Non-audit Services" and "Auditor Fees and Services" are incorporated herein by reference.

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

*(a)(1) Financial Statements*

The following documents are filed as part of this Form 10-K.

(A) Report of Independent Registered Public Accounting Firm

(B) Consolidated Balance Sheets at December 31, 2010, and 2009

(C) Consolidated Statements of Income Years ended December 31, 2010, 2009, and 2008

(D) Consolidated Statements of Changes in Stockholders Equity Years ended December 31, 2010, 2009, and 2008

(E) Consolidated Statements of Cash Flows Years ended December 31, 2010, 2009, and 2008

(F) Notes to Consolidated Financial Statements.

*(a)(2) Financial Statement Schedules*

None.

*(a)(3) Exhibits*

- 3.1 Charter of Northfield Bancorp, Inc.(1)
- 3.2 Bylaws of Northfield Bancorp, Inc.(1)
- 3.3 Amendments to Bylaws of Northfield Bancorp, Inc.(8)
- 4 Form of Common Stock Certificate of Northfield Bancorp, Inc.(1)
- 10.1 Amended Employment Agreement with Kenneth J. Doherty(10)
- 10.2 Amended Employment Agreement with Steven M. Klein(10)
- 10.3 Supplemental Executive Retirement Agreement with Albert J. Regen(1)
- 10.4 Northfield Bank 2011 Management Cash Incentive Compensation Plan(4)
- 10.5 Short Term Disability and Long Term Disability for Senior Management(1)
- 10.6 Northfield Bank Non-Qualified Deferred Compensation Plan(3)

- 10.7 Northfield Bank Non Qualified Supplemental Employee Stock Ownership Plan(3)
- 10.8 Amended Employment Agreement with John W. Alexander(2)
- 10.9 Amended Employment Agreement with Michael J. Widmer(2)
- 10.10 Amendment to Northfield Bank Non-Qualified Deferred Compensation Plan(6)
- 10.11 Amendment to Northfield Bank Non Qualified Supplemental Employee Stock Ownership Plan(6)
- 10.12 Northfield Bancorp, Inc. 2008 Equity Incentive Plan(5)
- 10.13 Form of Director Non-Statutory Stock Option Award Agreement under the 2008 Equity Incentive Plan(6)
- 10.14 Form of Director Restricted Stock Award Agreement under the 2008 Equity Incentive Plan(6)
- 10.15 Form of Employee Non-Statutory Stock Option Award Agreement under the 2008 Equity Incentive Plan(6)
- 10.16 Form of Employee Incentive Stock Option Award Agreement under the 2008 Equity Incentive Plan(6)
- 10.17 Form of Employee Restricted Stock Award Agreement under the 2008 Equity Incentive Plan(6)
- 10.18 Northfield Bancorp, Inc. Management Cash Incentive Plan(7)
- 10.19 Group Term Replacement Plan(9)
- 10.20 Addendum to Employment Agreement with Steven M. Klein(2)

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- 10.21 Addendum to Employment Agreement with Kenneth J. Doherty(2)
- 21 Subsidiaries of Registrant(1)
- 23 Consent of KPMG LLP\*
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002\*
- 32 Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002\*

\* Filed herewith.

- (1) Incorporated by reference to the Registration Statement on Form S-1 of Northfield Bancorp, Inc. (File No. 333-143643), originally filed with the Securities and Exchange Commission on June 11, 2007.
- (2) Incorporated by reference to Northfield Bancorp Inc. s Current Report on Form 8-K, dated January 3, 2011, filed with the Securities and Exchange Commission on January 4, 2011 (File Number 001-33732).
- (3) Incorporated by reference to Northfield Bancorp Inc. s Annual Report on Form 10-K, dated December 31, 2007, filed with the Securities and Exchange Commission on March 31, 2008 (File Number 001-33732).
- (4) Incorporated by reference to Northfield Bancorp Inc. s Current Report on Form 8-K, dated December 22, 2010, filed with the Securities and Exchange Commission on December 27, 2010 (File Number 001-33732).
- (5) Incorporated by reference to Northfield Bancorp Inc. s Proxy Statement Pursuant to Section 14(a) filed with the Securities and Exchange Commission on November 12, 2008 (File Number 001-33732).
- (6) Incorporated by reference to Northfield Bancorp Inc. s Annual Report on Form 10-K, dated December 31, 2008, filed with the Securities and Exchange Commission on March 16, 2009 (File Number 001-33732).
- (7) Incorporated by reference to Appendix A of Northfield Bancorp Inc. s Definitive Proxy Statement for the 2009 Annual Meeting of Stockholders (File No. 001-33732) as filed with the Securities and Exchange Commission on April 23, 2009).
- (8) Incorporated by reference to Northfield Bancorp Inc. s Current Report on Form 8-K, dated March 25, 2009, filed with the Securities and Exchange Commission on March 27, 2009 (File Number 001-33732).
- (9) Incorporated by reference to Northfield Bancorp Inc. s Current Report on Form 8-K, dated April 28, 2010, filed with the Securities and Exchange Commission on April 29, 2010 (File Number 001-33732).
- (10) Incorporated by reference to Northfield Bancorp Inc. s Current Report on Form 8-K, dated June 23, 2010, filed with the Securities and Exchange Commission on June 25, 2010 (File Number 001-33732).



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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORTHFIELD BANCORP, INC.

By: /s/ John W. Alexander

John W. Alexander  
Chairman, President and Chief Executive Officer  
(Duly Authorized Representative)

Date: March 15, 2011

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<b>Signatures</b>	<b>Title</b>	<b>Date</b>
/s/ John W. Alexander John W. Alexander	Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 15, 2011
/s/ Steven M. Klein Steven M. Klein	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2011
/s/ John R. Bowen John R. Bowen	Director	March 15, 2011
/s/ Annette Catino Annette Catino	Director	March 15, 2011
/s/ Gil Chapman Gil Chapman	Director	March 15, 2011
/s/ John P. Connors, Jr. John P. Connors, Jr.	Director	March 15, 2011
/s/ John J. DePierro John J. DePierro	Director	March 15, 2011

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/s/ Susan Lamberti	Director	March 15, 2011
Susan Lamberti		
/s/ Albert J. Regen	Director	March 15, 2011
Albert J. Regen		
/s/ Patrick E. Scura, Jr.	Director	March 15, 2011
Patrick E. Scura, Jr.		