Northfield Bancorp, Inc.
Form 10-K
March 16, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 2014

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. 001-35791

Northfield Bancorp, Inc.
(Exact name of registrant as specified in its charter)

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

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 þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨

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 þ 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, non-accelerated filer, or a smaller reporting company. See definition 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	þ
Non-accelerated filer	¨	Smaller reporting company	¨

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

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, 2014 was $670,807,093.

As of February 28, 2015, there were outstanding 47,654,629 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement (the "2015 Proxy Statement") for the 2015 Annual Meeting of the Stockholders to be held May 27, 2015, will be incorporated by reference in Part III. The 2015 Proxy Statement will be filed within 120 days of December 31, 2014.

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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”, “expect” and words of similar meaning. These forward statements include, but are not limited to:

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

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

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

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

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

Northfield Bancorp, Inc.

Northfield Bancorp, Inc., a Delaware corporation (the "Company"), was organized in June 2010 and is the single bank holding company for Northfield Bank. Northfield Bancorp, Inc. uses the support staff and offices of Northfield Bank and reimburses Northfield Bank for these services. If Northfield Bancorp, Inc. expands or changes its business in the future, it may hire its own employees.

In the future, we may pursue other business activities, including mergers and acquisitions, investment alternatives and diversification of operations.

Northfield Bancorp, Inc. is subject to comprehensive regulation and examination by the Board of Governors of the Federal Reserve System.

Northfield Bancorp, Inc.'s main office is located at 581 Main Street, Woodbridge, New Jersey 07095, and its telephone number at this address is (732) 499-7200. Its website address is www.eNorthfield.com. Information on this website is not and should not be considered to be a part of this annual report.

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 in Staten Island, New York, its operations center located in Woodbridge, New Jersey, its 29 additional branch offices located in New York and New Jersey, and a non-branch office located in Brooklyn, New York. The branch offices are located in Staten Island, Brooklyn, and the New Jersey counties of Union and Middlesex.

Northfield Bank's principal business consists of originating multifamily and other commercial real estate loans, purchasing investment securities, including mortgage-backed securities and corporate bonds, and to a lesser extent depositing 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 borrows funds, principally repurchase agreements with brokers and Federal Home Loan Bank of New York advances. 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, that holds primarily mortgage loans and other real estate related investments. In addition, Northfield Bank refers its customers to an independent third party that provides non-deposit investment products.

Northfield Bank is subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency.

Northfield Bank's main office is located at 1731 Victory Boulevard, Staten Island, New York 10314, and its telephone number at this address is (718) 448-1000. Its website address is www.eNorthfield.com. Information on this website is

not and should not be considered to be a part of this annual report.

Market Area and Competition

We have been in business for over 127 years, offering a variety of financial products and services to meet the needs of the communities we serve. Our commercial and retail banking network consists of multiple delivery channels including full-service banking offices, automated teller machines, telephone and internet banking capabilities including mobile banking and remote deposit capture. We consider our competitive products and pricing, branch network, 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 concentration of financial institutions, including large money center and regional banks, community banks, and credit unions.

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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 branch 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, 2014 (the latest date for which information is publicly available), we ranked sixth in deposit market share in Staten Island with an 8.89% market share. As of that date, we had a 0.54% deposit market share in Brooklyn, New York, and a combined deposit market share of 0.81% in Middlesex and Union Counties in New Jersey.

The following table sets forth the unemployment rates for the communities we serve and the national average for the last five years, as published by the Bureau of Labor Statistics.

	Unemployment Rate At December 31,				
	2014	2013	2012	2011	2010
Union County, NJ	5.8%	6.9%	9.2%	8.8%	9.2%
Middlesex County, NJ	4.7	5.9	7.9	7.6	7.9
Richmond County, NY	5.8	6.6	7.9	7.9	8.0
Kings County, NY	6.8	8.2	9.5	9.5	9.5
National Average	5.6	6.7	7.8	8.5	9.4

The following table sets forth median household income at December 31, 2014 and 2013, for the communities we serve, as published by the U.S. Census Bureau.

	Median Household Income At December 31,	
	2014	2013
Union County, NJ	$68,442	$63,641
Middlesex County, NJ	75,361	77,925
Richmond County, NY	70,814	74,860
Kings County, NY	44,890	42,291

Lending Activities

Our principal lending activity is the origination of multifamily real estate loans and, to a lesser extent, other commercial real estate loans in New York City, New Jersey, and Eastern Pennsylvania, typically on office, retail, and industrial properties. 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. At the end of December 2011, we stopped originating loans to finance premiums on insurance policies and in February 2012 we sold the majority of our insurance premium loans at par value.

Loan Originations, Purchases, Sales, Participations, and Servicing. All loans we originate for our portfolio are underwritten pursuant to our policies and procedures or are properly approved as exceptions to our policies and procedures. In addition, we originate both adjustable-rate and fixed-rate residential real estate loans under an origination assistance agreement with a third-party underwriter that conforms to secondary market underwriting standards, whereby the third-party underwriter processes and underwrites one-to-four family residential real estate loans that we fund at origination, and we elect either to portfolio the loans or sell them to the third-party. 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 changes in economic conditions that result in decreased loan demand. Our home equity loans and lines of credit typically are generated through direct mail advertisements, newspaper advertisements, online applications through our website, and referrals from branch personnel. A significant portion of our multifamily real estate loans and other commercial real estate loans are generated with the use of third-party loan brokers and referrals from accountants and other professional contacts.

We generally retain in our portfolio all adjustable-rate residential real estate loans we originate, as well as shorter-term, fixed-rate residential real estate loans (terms of 10 years or less). Loans we sell consist primarily of conforming, longer-term,

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fixed-rate residential real estate loans. We sold $1.2 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, 2014.

We sell our loans without recourse, except for standard representations and warranties typical in secondary market transactions. Currently, we do not retain any servicing rights on one-to-four family residential real estate loans originated under the agreement with the third-party underwriter, including loans we may elect to add to our portfolio. During 2012, we sold the servicing rights of one-to-four family residential real estate loans owned by others to a third-party bank. Historically, the origination of loans held-for-sale and related servicing activity has not been material to our operations.

Loans acquired in transactions with the Federal Deposit Insurance Corporation and the merger with Flatbush Federal Bancorp, Inc. with deteriorated credit quality, herein referred to as purchased credit-impaired (“PCI”) loans, have a carrying value of $44.8 million at December 31, 2014. Additionally, we transferred certain loans with deteriorated credit quality, which we had previously originated and designated as held-for-investment, to held-for-sale in 2013 and 2012. The accounting and reporting for both of these groups of loans differs substantially from those loans originated and classified as held-for-investment.

For purposes of reporting, discussion and analysis, management has classified its loan portfolio into four categories: (1) PCI loans, which are held-for-investment, and initially valued at estimated fair value on the date of acquisition, with no initial related allowance for loan losses, (2) loans originated and held-for-sale, which are carried at the lower of aggregate cost or estimated fair value, less costs to sell, and therefore have no associated allowance for loan losses, (3) originated loans held-for-investment, which are carried at amortized cost, less net charge-offs and the allowance for loan losses, and (4) acquired loans with no evidence of credit deterioration, which are held-for-investment, and initially valued at an estimated fair value on the date of acquisition, with no initial related allowance for loan losses.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory, underwriting standards established by our board of directors. The loan approval process is intended to assess the borrower’s ability to repay the loan and the value of the collateral that will secure the loan, if any. To assess the borrower’s ability to repay, we review the borrower’s income 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 our board of directors. The appraisals of multifamily, mixed-use, and other commercial real estate properties are also reviewed by an independent third-party. 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 we acquire other real estate owned, we generally obtain a current appraisal to substantiate the net carrying value of the asset.

The board of directors maintains a loan committee consisting of bank directors to: periodically review and recommend for approval our policies related to lending (collectively, the “loan policies”) as prepared by management; approve or reject loan applicants meeting certain criteria; and monitor loan quality including concentrations and certain other aspects of our lending functions, as applicable. Certain Northfield Bank officers, at levels beginning with senior vice president, have individual lending authority that is approved by the board of directors.

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 $471,000, $5.4 million, $3.9 million and $1.2 million, at December 31, 2013, 2012, 2011, and 2010, respectively.

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	At December 31,								
	2014		2013		2012		2011		2010
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	(Dollars in thousands)								
Real estate loans:									
Multifamily	$1,072,193	55.31 %	$870,951	58.61 %	$610,129	49.18 %	$458,370	42.72 %	$283,588
Commercial	390,288	20.13	340,174	22.89	315,450	25.43 %	327,074	30.48	339,321
One-to-four family residential	74,401	3.84	64,753	4.36	64,733	5.22 %	72,592	6.77	78,032
Home equity and lines of credit	54,533	2.81	46,231	3.11	33,573	2.71 %	29,666	2.76	28,125
Construction and land	21,412	1.10	14,152	0.95	23,243	1.87 %	23,460	2.19	35,054
Commercial and industrial loans	12,945	0.67	10,162	0.68	14,786	1.19 %	12,710	1.18	17,020
Insurance premium finance	—	—	—	—	26	—	59,096	5.51	44,517
Other loans	2,157	0.12	2,310	0.16	1,804	0.15 %	1,496	0.14	1,062
PCI loans	44,816	2.31	59,468	4.00	75,349	6.07 %	88,522	8.25	—
Loans acquired:									
One-to-four family residential	234,478	12.10	60,262	4.06	78,237	6.31	—	—	—
Multifamily	18,844	0.97	3,930	0.26	5,763	0.46	—	—	—
Commercial	11,999	0.62	13,254	0.89	17,053	1.38	—	—	—
Construction and land	364	0.02	371	0.03	380	0.03	—	—	—
Total loans acquired	265,685	13.71	77,817	5.24	101,433	8.18	—	—	—
Total loans	$1,938,430	100.00%	$1,486,018	100.00%	$1,240,526	100.00%	$1,072,986	100.00%	$826,719
Other items:									
Deferred loan costs (fees), net	4,565		3,458		2,456		1,481		872
Allowance for loan losses	(26,292)		(26,037)		(26,424)		(26,836)		(21,819)
Net loans held-for-investment	$1,916,703		$1,463,439		$1,216,558		$1,047,631		$805,772

At December 31, 2014, PCI loans consisted of approximately 33% commercial real estate loans and 53% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2013, these loans consisted of approximately 37% commercial real estate loans, 47% commercial and industrial loans with the remaining balance in residential and home equity loans. At December 31, 2012, these loans consisted of approximately 39% commercial real estate loans, 52% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2011, these loans consisted of approximately 39% commercial real estate loans, 53% commercial and industrial loans, with the remaining balance in residential and home equity loans.

Loan Portfolio Maturities. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2014. Demand loans (loans having no stated repayment schedule or maturity) and overdraft loans are reported as being due in the year ending December 31, 2015. Maturities are based on the final contractual payment date and do not reflect the effect of prepayments, repricing and scheduled principal amortization.

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	Originated Loans											
	Multifamily			Commercial Real Estate			One-to-Four Family Residential			Home Equity and Lines of Credit		
	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,												
2015	$480	3.96	%	$370	6.19	%	$108	6.23	%	$25	4.14	%
2016	—	—		411	6.53		195	5.13		199	4.52	
2017	—	—		863	6.93		817	6.76		1,049	3.52	
2018 to 2019	411	5.05		1,756	5.85		3,089	4.98		3,621	3.30	
2020 to 2024	11,941	4.57		30,510	4.78		3,456	5.24		8,200	3.79	
2025 to 2029	55,857	4.61		48,516	4.62		5,123	4.79		13,528	3.93	
2030 and beyond	1,003,504	3.88		307,862	4.73		61,613	4.45		27,911	3.05	
Total	$1,072,193	3.93	%	$390,288	4.73	%	$74,401	4.56	%	$54,533	3.41	%

	Construction and Land			Commercial and Industrial			Other		
	Amount	Weighted Average Rate		Amount	Weighted Average Rate		Amount	Weighted Average Rate	
	(Dollars in thousands)								
Due during the years ending December 31,									
2015	$6,146	5.63	%	$4,164	5.05	%	$1,846	0.06	%
2016	9,658	4.69		158	5.49		4	12.00	%
2017	691	4.97		2,043	4.75		19	12.00	%
2018 to 2019	—	—		1,705	5.28		104	5.52	%
2020 to 2024	—	—		3,816	4.55		—	—	%
2025 to 2029	—	—		366	4.84		—	—	%
2030 and beyond	4,917	4.16		693	5.27		184	4.06	%
Total	$21,412	4.85	%	$12,945	4.90	%	$2,157	0.79	%

	Acquired Loans											
	One-to-Four Family Residential			Multifamily			Commercial Real Estate			Construction and Land		
	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,												
2015	$4	7.74	%	$24	9.52	%	$177	6.75	%	$—	—	%
2016	61	6.44		—	—		1,099	6.33		—	—	
2017	343	5.73		—	—		34	7.78		—	—	
2018 to 2019	4,588	5.06		12,478	3.54		5,921	4.43		—	—	

2020 to 2024	3,631	5.70	1,766	5.99	3,984	5.90	—	—
2025 to 2029	4,269	4.80	4,576	3.77	784	7.17	—	—
2030 and beyond	221,582	2.92	—	—	—	—	364	6.50
Total	$234,478	3.04 %	$18,844	3.83 %	$11,999	5.31 %	$364	6.50 %

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	PCI loans[1]			Total Loans		
	Amount	Weighted Average Rate		Amount	Weighted Average Rate	
Due during the years ending December 31,						
2015	$3,537	11.37	%	$16,881	6.06	%
2016	1,654	8.01		13,439	5.31	
2017	2,794	7.51		8,653	5.98	
2018 to 2019	4,940	12.02		38,613	5.24	
2020 to 2024	8,590	10.91		75,894	5.47	
2025 to 2029	1,630	9.75		134,649	4.61	
2030 and beyond	21,671	10.51		1,650,301	4.01	
Total	$44,816	10.51	%	$1,938,430	4.17	%

(1) Represents estimated accretable yield.

The Company has a total of $1.65 billion in loans due to mature in 2030 and beyond, of which $68.9 million, or 4.17%, are fixed rate loans.

The following table sets forth the scheduled repayments of fixed- and adjustable-rate loans at December 31, 2014, that are contractually due after December 31, 2015.

	Due After December 31, 2015		
	Fixed Rate	Adjustable Rate	Total
	(In thousands)		
Real estate loans:			
Multifamily	$60,277	$1,011,436	$1,071,713
Commercial	40,814	349,104	389,918
One-to-four family residential	30,936	43,357	74,293
Construction and land	2,281	12,985	15,266
Home equity and lines of credit	28,364	26,144	54,508
Commercial and industrial loans	5,616	3,165	8,781
Other loans	311	—	311
PCI loans	6,204	35,075	41,279
Acquired loans	58,325	207,155	265,480
Total loans	$233,128	$1,688,421	$1,921,549

Multifamily Real Estate Loans. We currently focus on originating multifamily real estate loans. Loans secured by multifamily properties totaled approximately $1.07 billion, or 55.31% of our total loan portfolio, at December 31, 2014. We include in this category mixed-use properties having more than four residential units and a business or businesses where the majority of space is utilized for residential purposes. At December 31, 2014, we had 791 multifamily real estate loans with an average loan balance of approximately $1.4 million. At December 31, 2014, our largest multifamily real estate loan had a principal balance of $19.9 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 primary market areas and Eastern Pennsylvania.

Our multifamily real estate loans typically amortize over 20 to 30 years with negotiated interest rates that adjust after an initial five-, seven- or 10-year period, and every five years thereafter. Interest rates adjust at margins generally ranging from 275 basis points to 350 basis points above the average yield on U.S. Treasury securities, adjusted to a constant maturity of similar term, as published by the Federal Reserve Board for loans originated prior to 2009.

Adjustable rate loans originated subsequent to 2008 generally have 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 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 initial five, seven or ten year term.

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In underwriting multifamily real estate loans, we consider a number of factors, including the ratio of the projected net cash flow to the loan's debt service requirement (generally requiring a minimum ratio of 120%, computed after deduction for a vacancy factor, when applicable, and property expenses we deem appropriate), the age and condition of the collateral, the financial resources and income of the sponsor, and the sponsor'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. We require title insurance, fire and extended coverage casualty insurance, and, if appropriate, flood insurance up to the regulatory required amount of $500,000, in order to protect our security interest in the underlying property. Although a significant portion of our multifamily real estate loans are referred to us by third-party loan brokers, we underwrite all multifamily real estate loans in accordance with our underwriting standards. Due to competitor considerations, as is customary in our marketplace, we typically do not obtain personal guarantees of the principals on multifamily real estate loans.

Loans secured by multifamily real estate properties generally have less credit risk than other commercial real estate loans. 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 property 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 our multifamily loan portfolio, we believe that only one loan may be affected by the ruling regarding J-51. The loan has a principal balance of $7.1 million at December 31, 2014, and is performing in accordance with its original contractual terms.

Commercial Real Estate Loans. Commercial real estate loans (other than multifamily real estate loans) totaled $390.3 million, or 20.13% of our loan portfolio as of December 31, 2014. At December 31, 2014, our commercial real estate loan portfolio consisted of 389 loans with an average loan balance of approximately $1.0 million, although there are a large number of loans with balances substantially greater than this average. At December 31, 2014, our largest commercial real estate loan had a principal balance of $18.9 million, was secured by an office building, and 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.

The table below sets forth the property types collateralizing our commercial real estate loans as of December 31, 2014.

	At December 31, 2014		
	Amount	Percent	
	(Dollars in thousands)		
Mixed Use	$99,738	25.6	%
Office Buildings	82,484	21.1	
Retail	64,901	16.6	
Warehousing	30,518	7.8	
Manufacturing	27,277	7.0	
Accommodations	25,735	6.6	
Services	25,265	6.5	
Other	14,234	3.7	
Restaurant	8,314	2.1	

Recreational	7,464	1.9	
Schools/Day Care	4,358	1.1	
	$390,288	100.0	%

Our commercial real estate loans typically amortize over 20 to 25 years with negotiated interest rates that adjust after an initial five-, seven-, or 10-year period, and every five years thereafter. Interest rates adjust at margins generally ranging from 275 basis points to 350 basis points above the average yield on U.S. Treasury securities, adjusted to a constant maturity of similar term, as published by the Federal Reserve Board for loans originated prior to 2009. Adjustable rate loans originated subsequent to 2008 generally have been indexed to the five year LIBOR swaps rate as published in the Federal Reserve

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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 initial five-, seven-, or ten-year term.

In underwriting commercial real estate loans, we generally lend up to the lesser of 75% of either the property's appraised value or purchase price. Our policies permit the origination of certain single use property types but at 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, when applicable, and property expenses we deem appropriate. Personal guarantees of the principals are typically obtained. We require title insurance, fire and extended coverage casualty insurance, and, if appropriate, flood insurance up to the regulatory required amount of $500,000, in order to protect our security interest in the underlying property. Although a significant portion of our commercial real estate loans were referred to us by third-party loan 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 also 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 or business. 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.

Construction and Land Loans. At December 31, 2014, construction and land loans total $21.4 million, or 1.10% of total loans receivable. At December 31, 2014, the additional un-advanced portion of these construction loans totaled $1.4 million. At December 31, 2014, we had 20 construction and land loans with an average loan balance of approximately $1.1 million. At December 31, 2014, our largest construction and land loan had a principal balance of $2.4 million and was for the purpose of financing land. 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 the prime rate as published in The Wall Street Journal. Margins generally range from zero basis points to 200 basis points above the prime rate. We also originate, to a lesser extent, 10- to 15-year fixed-rate, fully 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 residences, 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 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 land acquisition loans 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 three 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 real estate value 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 our security interest in the underlying property. 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

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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 and there may be no permanent financing available upon completion. 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, 2014, commercial and industrial loans totaled $12.9 million or 0.67% of the total loan portfolio. As of December 31, 2014, we had 128 commercial and industrial loans with an average loan balance of approximately $101,000, although we originate these types of loans in amounts substantially greater than this average. At December 31, 2014, our largest commercial and industrial loan had a principal balance of $1.3 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 the prime rate as published in The Wall Street Journal. Margins generally range from zero basis points to 300 basis points above the prime rate. 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 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. 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 each guarantor’s 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 securing a loan also is analyzed to determine its marketability.

During 2013, the Company expanded its small business lending to include unsecured loans up to $250,000 using a scoring system developed by a third-party vendor. The scoring system provides a consistent and compliant method of timely decisions related to these small business loans. During the fourth quarter of 2014, the Company began assembling a commercial and industrial lending team to primarily serve the Company's existing market place.

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.

One-to-Four Family Residential Real Estate Loans. At December 31, 2014, we had 291 originated one-to-four family residential real estate loans outstanding with an aggregate balance of $74.4 million, or 3.84% of our total loan portfolio. As of December 31, 2014, the average balance of originated one-to-four family residential real estate loans was approximately $256,000, although we originate this type of loan in amounts substantially greater than this average. At December 31, 2014, our largest loan of this type had a principal balance of $3.6 million and was performing in accordance with its original contractual terms.

For all one-to-four family residential real estate loans originated through the origination assistance agreement with our third-party underwriter, 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 from an independent appraiser. One-to-four family residential real estate loans sold to our third-party underwriter under a Loan and Servicing Rights Purchase and Sale Agreement totaled $1.2 million and $4.0 million during the years ended December 31, 2014 and 2013, respectively.

We generally do not offer "interest-only" mortgage loans on one-to-four family residential real estate 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 the loan, resulting in an increased principal balance during the life of the loan. We do not offer "subprime loans" (loans to borrowers with weak 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). However, in the third quarter of 2014, we purchased a portfolio of one-to-four family residential real estate loans, a substantial amount of which are interest-only mortgage loans. For further details on this purchase see "Acquired Loans" discussion below.

Home Equity Loans and Lines of Credit. At December 31, 2014, we had 932 home equity loans and lines of credit with an aggregate outstanding balance of $54.5 million, or 2.81% of our total loan portfolio. Of this total, outstanding home equity lines of credit totaled $26.4 million, or 1.36% of our total loan portfolio. At December 31, 2014, the average home equity loan and line of credit balance was approximately $59,000, although we originate these types of loans in amounts substantially greater than this average. At December 31, 2014, our largest outstanding home equity line of credit was $577,000 and was performing in accordance with its original contractual terms. At December 31, 2014, our largest outstanding home equity loan was $250,000 and was performing in accordance with its 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 adjustable rate loans tied to the prime rate 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 on originations occurring prior to June 15, 2011. For home equity loans originated beginning June 15, 2011, forward, the borrower is only permitted to draw against the line for the initial 10 years. 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 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.

Insurance premium loans. At December 31, 2014, there were no remaining insurance premium loans. We sold the majority of our portfolio of insurance premium finance loans during the year ended December 31, 2012, and retained cancelled loans. We held cancelled loans until their ultimate resolution, which was generally a payment from the insurance carrier in the amount of the unearned premium that generally exceeded the loan balance.

PCI Loans. PCI loans are accounted for in accordance with Accounting Standards Codification (ASC) Subtopic 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality," since all of these loans were acquired at a discount attributable, at least in part, to credit quality. PCI loans were initially recorded at fair value (as determined by the present value of expected future cash flows) with no valuation allowance (i.e., allowance for loan losses). Under ASC Subtopic 310-30, the PCI loans were aggregated and accounted for as pools of loans based on common risk characteristics. The PCI loans had a carrying balance of approximately $44.8 million at December 31, 2014, or 2.31% of our total loan portfolio. PCI loans consist of approximately 33% commercial real estate loans and 53% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2014, based on contractual principal (not carrying balance), 7.8% of PCI loans were past due 30 to 89 days, and 24.1% were past due 90 days or more.

The difference between the undiscounted cash flows expected at acquisition and the investment in the PCI loans, or the "accretable yield," is recognized as interest income utilizing the level-yield method over the life of the loans in each pool. Contractually required payments of interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," are not recognized as a yield adjustment or as a loss accrual or a valuation allowance. Increases in expected cash flows subsequent to the acquisition are recognized prospectively through an adjustment of the yield on the pool over its remaining life, while decreases in expected cash flows are

recognized as impairment through a loss provision and an increase in the allowance for loan losses.

Acquired Loans. Loans acquired with no evidence of credit deterioration, are held-for-investment, and initially valued at an estimated fair value on the date of acquisition, with no initial related allowance for loan losses. These loans are evaluated for impairment on a quarterly basis as part of our analysis of the allowance for loan losses. During the third quarter of 2014, we purchased $186.5 million of one-to-four family residential loans, a substantial amount of which are interest-only mortgage loans. The following table provides the details of the loans purchased (dollars in thousands):

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Purchases	Weighted Average Interest Rate	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change	Amortization Term	Amortization Type
$71,782	2.47%	67%	53	30 Years	Fully amortizing
114,692	2.57%	61%	51	20 Years *	Delayed amortizing
$186,474	2.53%	63%			

*after an interest-only period for the first 10 years

The weighted average coupon of 2.53% is net of the servicing fee. Of the total loans purchased, $114.7 million, or 62% of the balance, is interest-only for the initial 10 years and will re-price in less than five years at one month LIBOR plus a weighted average margin of 1.65%. The remainder of the purchase is scheduled to make principal and interest payments and will re-price in less than five years at one month LIBOR plus a weighted average margin of 1.83%. Additionally, the geographic locations of the loans are as follows: 46.0% in New York, 30.5% in Massachusetts, and 23.5% in other states.

At December 31, 2014, acquired loans totaled approximately $265.7 million and consisted of approximately 88% one-to four family residential loans and 7% multifamily loans, with the remaining balance in commercial real estate and construction and land loans.

Non-Performing and Problem Assets

When a loan is over 15 days delinquent, we generally send the borrower a late charge notice. When a 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 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. After 90 days of delinquency, we send the borrower a final demand for payment and generally refer the loan to legal counsel to commence foreclosure and related legal proceedings. At times we may shorten these time frames.

Generally, loans (excluding PCI 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 at least quarterly.

To minimize our losses on delinquent loans we work with borrowers experiencing financial difficulties and will consider modifying existing loan terms and conditions that we would not otherwise consider, commonly referred to as troubled debt restructurings (“TDR”). We record 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 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 we were 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.

PCI loans are subject to the same internal and external credit review process as non-PCI loans. If and when unexpected credit deterioration occurs at the loan pool level subsequent to the acquisition date, a provision for credit losses for PCI loans will be charged to earnings for the full amount of the decline in the discounted expected cash flows for the pool. Under the accounting guidance of ASC Subtopic 310-30, for acquired credit impaired loans, the allowance for loan losses on PCI loans is measured at each financial reporting date based on future expected cash flows. This assessment and measurement is performed at the pool level and not at the individual loan level. Accordingly, decreases in expected cash flows resulting from further credit deterioration on a pool of acquired PCI loan pools as of such measurement date compared to those originally estimated are recognized by recording a provision and allowance for credit losses on PCI loans. Subsequent increases in the expected cash flows of the loans in that pool would first reduce any allowance for loan losses on PCI loans, and any excess will be accreted prospectively as a yield adjustment.

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We consider our PCI loans to be performing due to the application of the yield accretion method under ASC Subtopic 310-30. ASC Subtopic 310-30 allows us to aggregate credit-impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. Accordingly, loans that may have been classified as non-performing loans are no longer classified as non-performing because, at the respective dates of acquisition, we believed that we would fully collect the new carrying value of these loans. The new carrying value represents the contractual balance, reduced by the portion expected to be uncollectible (referred to as the "non-accretable difference") and by an accretable yield (discount) that is recognized as interest income. Management's judgment is required in reclassifying loans subject to ASC Subtopic 310-30 as performing loans, and is dependent on having a reasonable expectation about the timing and amount of the cash flows to be collected, even if a loan is contractually past due.

Non-Performing and Restructured Loans (excluding PCI Loans). The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At December 31, 2014, 2013, 2012, 2011, and 2010, we had TDRs of $9.5 million, $10.7 million, $19.3 million, $23.3 million and $20.0 million, respectively, which are included in the appropriate categories within non-accrual loans. Additionally, we had $24.2 million, $26.2 million, $25.7 million, $18.3 million and $11.2 million of TDRs on accrual status at December 31, 2014, 2013, 2012, 2011, and 2010, respectively, which do not appear in the table below. Generally, the types of concessions that we make to troubled borrowers include reductions in interest rates and payment extensions and to a lesser extent interest and principal forgiveness. At December 31, 2014, 85.0% of TDRs were commercial real estate loans, 5.9% were multifamily loans, 5.7% were one-to-four family residential loans, 2.4% were commercial and industrial loans and 1.0% were home equity loans. At December 31, 2014, loans totaling $1.6 million, or 6.6%, of the $24.2 million accruing TDRs were not performing in accordance with their restructured terms and the entire $9.5 million of non-accruing TDRs were not performing in accordance with their restructured terms.

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	At December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
Commercial	$11,164	$12,450	$22,425	$34,659	$46,388
One-to-four family residential	2,205	2,989	6,333	1,338	1,275
Construction and land	—	108	2,070	2,131	5,122
Multifamily	—	544	1,169	2,175	4,863
Home equity and lines of credit	98	1,239	1,694	1,766	181
Commercial and industrial loans	408	441	1,256	1,575	1,323
Insurance premium loans	—	—	—	137	129
Total non-accrual loans	13,875	17,771	34,947	43,781	59,281
Loans delinquent 90 days or more and still accruing:					
Real estate loans:					
Commercial	—	—	349	13	—
One-to-four family residential	708	—	270	—	1,108
Construction and land	—	—	—	—	404
Multifamily	—	—	—	72	—
Home equity and lines of credit	—	—	—	—	59
Other	—	32	2	—	—
Commercial and industrial loans	—	—	—	—	38
Total loans delinquent 90 days or more and still accruing	708	32	621	85	1,609
Total non-performing loans	14,583	17,803	35,568	43,866	60,890
Other real estate owned	752	634	870	3,359	171
Total non-performing assets	$15,335	$18,437	$36,438	$47,225	$61,061
Ratios:					
Non-performing loans to total loans held-for-investment, net	0.75 %	1.20 %	2.86 %	4.08 %	7.36 %
Non-performing assets to total assets	0.51	0.68	1.30	1.99	2.72
Total assets	$3,020,869	$2,702,764	$2,813,201	$2,376,918	$2,247,167
Loans held-for-investment, net	$1,942,995	$1,489,476	$1,242,982	$1,074,467	$827,591

At December 31, 2014, based on contractual principal, 7.8% of PCI loans were past due 30 to 89 days, and 24.1% were past due 90 days or more. At December 31, 2013, based on contractual principal, 6.6% of PCI loans were past due 30 to 89 days, and 14.9% were past due 90 days or more. At December 31, 2012, based on contractual principal, 5.4% of PCI loans were past due 30 to 89 days, and 11.4% were past due 90 days or more. At December 31, 2011, based on contractual principal, 9.0% of PCI loans were past due 30 to 89 days, and 16.1% were past due 90 days or more.

The table below sets forth the property types collateralizing non-accrual commercial real estate loans at December 31, 2014.

	At December 31, 2014	
	Amount (in thousands)	Percent
Manufacturing	$6,822	61.1 %
Restaurants	2,314	20.7

Mixed Use	1,245	11.2	
Office Buildings	432	3.9	
Other	351	3.1	
Total	$11,164	100.0	%

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Other Real Estate Owned. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as other real estate owned. On the date the 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. Other real estate owned consisted of six properties with an aggregate carrying value of approximately $752,000 at December 31, 2014, as compared to four properties with an aggregate carrying value of approximately $634,000 at December 31, 2013.

Potential Problem Loans and Classification of Assets. Our loan officers and credit administration department 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 these evaluations, we determine an appropriate strategy for individual potential problem loans, 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 classified substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets 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. At December 31, 2014, classified assets, excluding loans on nonaccrual status consisted of substandard assets of $42.2 million and no doubtful or loss assets. At December 31, 2014, we also had $20.8 million of assets designated as special mention. At December 31, 2013, classified assets, excluding loans on non-accrual status, consisted of substandard assets of $39.7 million and no doubtful or loss assets. At December 31, 2013, we also had $27.4 million of assets designated as special mention.

Our determination as to the classification of our assets (and the amount of our loss allowances) is subject to review by our principal federal regulator, the Office of the Comptroller of the Currency, 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. We also engage the services of a third-party to review, on a sample basis, our classifications on a semi-annual basis.

At December 31, 2014, the Company had $12.3 million of accruing loans that were 30 to 89 days delinquent, as compared to $13.3 million at December 31, 2013. 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.

	December 31,	
	2014	2013
	(in thousands)	
Real estate loans:		
Commercial	$6,493	$4,274
One-to-four family residential	4,353	5,644
Multifamily	1,090	2,483
Construction and land	122	—

Home equity and lines of credit	135	94
Commercial and industrial loans	—	815
Other loans	60	21
Total	$12,253	$13,331

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

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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 in order to maintain the allowance for loan losses in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). See Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - "Critical Accounting Polices - Allowance for Loan Losses" for a description of our allowance methodology.

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

	At or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Balance at beginning of year	$26,037	$26,424	$26,836	$21,819	$15,414
Charge-offs:					
Commercial real estate	(103)	(1,208)	(1,828)	(5,398)	(987)
One-to-four family residential	(58)	(414)	(1,300)	(101)	—
Construction and land	—	—	(43)	(693)	(443)
Multifamily	(7)	(657)	(729)	(718)	(2,132)
Insurance premium finance loans	—	—	(198)	(70)	(101)
Commercial and industrial	(135)	(379)	(90)	(638)	(36)
Home equity and lines of credit	(489)	(491)	(2)	(62)	—
Other	—	(25)	(3)	—	—
Total charge-offs	(792)	(3,174)	(4,193)	(7,680)	(3,699)
Recoveries:					
Commercial real estate	72	1	107	55	—
One-to-four family residential	—	18	—	—	—
Construction and land	246	567	—	—	—
Multifamily	35	—	9	—	—
Commercial and industrial	8	201	86	23	—
Insurance premium finance loans	—	—	18	30	20
Other	41	73	25	—	—
Total recoveries	402	860	245	108	20
Net charge-offs	(390)	(2,314)	(3,948)	(7,572)	(3,679)
Provision for loan losses	645	1,927	3,536	12,589	10,084
Balance at end of year	$26,292	$26,037	$26,424	$26,836	$21,819
Ratios:					
Net charge-offs to average loans outstanding	0.02%	0.17%	0.36%	0.78%	0.47%
Allowance for loan losses to non-performing loans held-for-investment at end of year	180.29	150.23	87.73	66.40	35.83
Allowance for loan losses to originated loans held-for-investment, net at end of year	1.61	1.93	2.48	2.72	2.64
Allowance for loan losses to total loans held-for-investment at end of year	1.35	1.75	2.13	2.50	2.64

At December 31, 2014 and 2013, the allowance for loan losses related to PCI loans was $400,000 and $588,000, respectively. Loans held-for-sale are excluded from the allowance for loan losses coverage ratios in the table above.

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.

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	At December 31,								
	2014			2013			2012		
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans		Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans		Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	
	(Dollars in thousands)								
Real estate loans:									
Commercial	$9,309	20.13	%	$12,619	22.89	%	$14,480	25.43	%
One-to-four family residential	951	3.84		875	4.36		623	5.22	
Construction and land	266	1.10		205	0.95		994	1.87	
Multifamily	12,219	55.31		9,374	58.61		7,086	49.18	
Home equity and lines of credit	901	2.81		860	3.11		623	2.71	
Commercial and industrial	841	0.67		425	0.68		1,160	1.19	
Insurance premium loans	—	—		—	—		3	—	
PCI loans	400	2.31		588	4.00		236	6.07	
Loans Acquired	62	13.71		—	5.24		—	8.18	
Other	134	0.12		67	0.16		18	0.15	
Total allocated allowance	25,083	100.00	%	25,013	100.00	%	25,223	100.00	%
Unallocated	1,209			1,024			1,201		
Total	$26,292			$26,037			$26,424		

	At December 31,					
	2011			2010		
	Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans		Allowance for Loan Losses	Percent of Loans in Each Category to Total Loans	
	(Dollars in thousands)					
Real estate loans:						
Commercial	$15,180	30.48	%	$12,654	41.04	%
One-to-four family residential	967	6.77		570	9.44	
Construction and land	1,189	2.19		1,855	4.24	
Multifamily	6,772	42.72		5,137	34.30	
Home equity and lines of credit	418	2.76		242	3.40	
Commercial and industrial	975	1.18		719	2.06	
Insurance premium finance loans	186	5.51		—	—	
PCI loans	—	8.25		111	5.39	
Loans Acquired	—	—		—	—	
Other	40	0.14		28	0.13	
Total allocated allowance	25,727	100.00	%	21,316	100.00	%
Unallocated	1,109			503		
Total	$26,836			$21,819		

Investments

We conduct securities portfolio transactions in accordance with our board approved investment policy which is reviewed at least annually by the risk committee of the board of directors. 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

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interest rate risk management strategy. Our Chief Investment Officer executes our securities portfolio transactions, within policy requirements, with the approval of either the Chief Executive Officer or the President. NSB Services Corp.'s and NSB Realty Trust's investment officers execute security portfolio transactions in accordance with investment policies that substantially mirror Northfield 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 U.S. Government, agencies of the U.S. Government or U.S. Government-sponsored enterprises (GSEs), asset-backed securities, money market mutual funds, federal funds, investment grade corporate bonds, reverse repurchase agreements, and certificates of deposit.

Northfield Bank's investment policy does not permit investment in preferred and common stock of other entities including GSEs, 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, 2014, 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 derivative instruments such as financial futures or interest rate options and swaps.

At the time of purchase, we 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" for further discussion). At December 31, 2014, our investment portfolio consisted primarily of mortgage-backed securities guaranteed by GSEs and to a lesser extent private label mortgage-backed securities, mutual funds and corporate debt securities. 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 insured or guaranteed primarily by the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), or the Government National Mortgage Association ("Ginnie Mae"), and to a lesser extent, 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 as well as to provide us liquidity to fund loan originations and deposit outflows. 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 on the security is lower than the interest rates on the underlying loans to allow for payment of servicing and guaranty fees. Ginnie Mae, a U.S. 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.

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

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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.

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 GSE 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 is 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 private label mortgage-backed securities investments.

At December 31, 2014, our corporate bond portfolio consisted of investment-grade securities with remaining 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. Additionally, at the time of purchase, management performs due diligence to conclude that the security meets the regulatory standard for investment-grade. Bonds that subsequently experience a decline in credit rating below investment grade are monitored at least quarterly.

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, 2014, 2013, and 2012, we also had a trading portfolio with a market value of $6.4 million, $6.0 million and $4.7 million, respectively, consisting of mutual funds quoted in actively traded markets. These securities are utilized to fund non-qualified deferred compensation obligations.

	At December 31,					
	2014		2013		2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)					
Securities available-for-sale:						
Mortgage-backed securities:						
Pass-through certificates:						
GSEs	$292,162	$299,340	$366,884	$370,344	$456,441	$479,338
REMICs:						
GSEs	408,328	400,450	497,575	485,227	694,087	701,117
Non-GSEs	1,060	1,026	4,474	4,552	7,543	7,776
Equity investments [(1)]	410	410	510	510	12,998	12,998

Corporate bonds	69,975	70,013	76,491	76,452	73,708	74,402
Total securities available-for-sale	$771,935	$771,239	$945,934	$937,085	$1,244,777	$1,275,631

(1) Mutual funds

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	At December 31,					
	2014		2013		2012	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(In thousands)					
Securities held-to-maturity:						
Mortgage-backed securities:						
Pass-through certificates - GSEs	$3,609	$3,691	$—	$—	$465	$496
REMICs - GSEs	—	—	—	—	1,755	1,813
Total securities held-to-maturity	$3,609	$3,691	$—	$—	$2,220	$1,813

The following table sets forth the amortized cost and estimated fair value of securities as of December 31, 2014, for issuers that exceeded 10% of our stockholders' equity as of that date.

	At December 31, 2014	
	Amortized Cost	Estimated Fair Value
	(in thousands)	
Mortgage-backed securities:		
Freddie Mac	$348,055	$350,213
Fannie Mae	$341,751	$339,267

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Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2014, 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, 2014, 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		Total		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weighted Average Yield
	(Dollars in thousands)										
Securities available-for-sale:											
Mortgage-backed securities:											
Pass-through certificates:											
GSEs	$3	1.13%	$19,394	4.46%	$96,239	2.85%	$176,526	2.55%	$292,162	$299,340	2.78%
REMICs:											
GSEs	53	1.53%	—	— %	62,160	2.03%	346,115	1.70%	408,328	400,450	1.75%
Non-GSEs	—	— %	658	1.27%	—	— %	402	0.55%	1,060	1,026	1.00%
Equity investments	410	0.01%	—	— %	—	— %	—	— %	410	410	0.01%
Corporate bonds	41,750	0.74%	28,225	0.94%	—	— %	—	— %	69,975	70,013	0.82%
Total securities available-for-sale	$42,216	0.74%	$48,277	2.36%	$158,399	2.53%	$523,043	1.98%	$771,935	$771,239	2.05%
Securities held-to-maturity:											
Mortgage-backed securities:											
Pass-through certificates:											
GSEs	$—	— %	$—	— %	$—	— %	$3,609	3.73%	$3,609	$3,691	3.73%
Total securities held-to-maturity	$—	— %	$—	— %	$—	— %	$3,609	3.73%	$3,609	$3,691	3.73%

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 manage the maturities of liabilities for interest rate and investment risk management purposes, and to manage our cost of funds. Our additional sources of funds are the proceeds of loan sales, scheduled loan and investment payments, maturing investments, loan prepayments, brokered deposits, 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 when it is deemed cost effective. At December 31, 2014 and 2013, we had brokered deposits totaling $40.9 million and $695,000, 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, market interest rates, and liquidity requirements.

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At December 31, 2014, we had a total of $353.1 million in certificates of deposit, of which $203.3 million had remaining maturities of one year or less.

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

	For the Year Ended December 31,																	
	2014						2013						2012					
	Average Balance	Percent		Weighted Average Rate			Average Balance	Percent		Weighted Average Rate			Average Balance	Percent		Weighted Average Rate		
	(Dollars in thousands)																	
Non-interest bearing demand	$236,425	15.83	%	—	%		$222,832	14.14	%	—	%		$173,854	11.06	%	—	%	
NOW	120,680	8.08	%	0.36	%		114,702	7.28		0.39			97,224	6.19		0.65		
Money market accounts	431,406	28.89	%	0.31	%		471,220	29.90		0.32			438,151	27.89		0.59		
Savings	398,148	26.66	%	0.11	%		396,903	25.18		0.17			381,835	24.30		0.24		
Certificates of deposit	306,803	20.54	%	1.04	%		370,351	23.50		1.04			480,194	30.56		1.17		
Total deposits	$1,493,462	100.00	%	0.36	%		$1,576,008	100.00	%	0.41	%		$1,571,258	100.00	%	0.63	%	

As of December 31, 2014, the aggregate amount of our outstanding certificates of deposit in amounts greater than or equal to $100,000 was $141.6 million. The following table sets forth the maturity of these certificates at December 31, 2014.

	At December 31, 2014
	(In thousands)
Three months or less	$20,943
Over three months through six months	20,568
Over six months through one year	30,757
Over one year to three years	34,450
Over three years	34,883
Total	$141,601

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, 2014, our Federal Home Loan Bank advances totaled $572.5 million, or 23.59% of total liabilities, repurchase agreements totaled $203.2 million, or 8.4%, of total liabilities, floating rate advances totaled $2.1 million, or 0.08%, of total liabilities and capitalized lease obligations totaled $907,000, or 0.04% of total liabilities. At December 31, 2014, the Company had the ability to obtain additional funding from the Federal Home Loan Bank of New York and Federal Reserve Bank discount window of approximately $291.3 million, utilizing unencumbered securities of $90.6 million and multifamily loans of $229.8 million. 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 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:

At or For the Years Ended December 31,

	2014	2013	2012
	(Dollars in thousands)		
Balance at end of year	$778,658	$470,325	$419,122
Average balance during year	$588,890	$429,332	$484,687
Maximum outstanding at any month end	$830,092	$492,181	$523,768
Weighted average interest rate at end of year	1.42 %	2.08 %	2.58 %
Average interest rate during year	1.69 %	2.43 %	2.64 %

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Employees

As of December 31, 2014, we had 282 full-time employees and 39 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, 2014, Northfield Bank's investment in NSB Services Corp. was $656.0 million, and NSB Services Corp. had assets of $656.1 million and liabilities of $107,000 at that date. At December 31, 2014, NSB Services Corp.'s investment in NSB Realty Trust was $664.5 million, and NSB Realty Trust had $664.5 million in assets, and liabilities of $16,000 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, 2014, Northfield Bank's investment in NSB Insurance Agency was approximately $1,000.

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, 2014.

Expense and Tax Allocation Agreements

Northfield Bank has an agreement with Northfield Bancorp, Inc. to provide it with certain administrative support services, whereby Northfield Bank will be compensated at not less than the fair market value of the services provided. In addition, Northfield Bank and Northfield Bancorp, Inc. have an agreement for allocating and reimbursing Northfield Bancorp, Inc. for Northfield Bank's portion of its consolidated tax liability.

Properties

We operate from our corporate office located at 581 Main Street, Woodbridge, New Jersey and our additional 30 branch offices located in New York and New Jersey, and our commercial loan center in Brooklyn, NY. Our branch offices are located in the New York counties of Richmond and Kings and the New Jersey counties of Middlesex and Union. The net book value of our premises, land, and equipment was $26.2 million at December 31, 2014.

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SUPERVISION AND REGULATION

General

Northfield Bank is a federally chartered savings bank that is regulated, examined and supervised by the Office of the Comptroller of the Currency and 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 depositors, and not for the protection of security holders. Under this system of federal regulation, financial institutions are periodically examined to ensure that they satisfy applicable standards with respect to their capital adequacy, assets, management, earnings, liquidity and sensitivity to market interest rates. Northfield Bank also is regulated to a lesser extent by the Federal Reserve Board, governing reserves to be maintained against deposits and other matters, including payments of dividends and the repurchase of shares of common stock. The Office of the Comptroller of the Currency examines Northfield Bank and prepares reports for the consideration of its board of directors on any operating deficiencies. Northfield Bank's relationship with its depositors and borrowers also is regulated to a great extent by federal law and, to 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 Bank is also a member of and owns stock in the Federal Home Loan Bank of New York, which is one of the twelve regional banks in the Federal Home Loan Bank System.

As a savings and loan holding company, Northfield Bancorp, Inc. is required to comply with the rules and regulations of the Federal Reserve Board. It is required to file certain reports with and is subject to examination by and the enforcement authority of the Federal Reserve Board. Northfield Bancorp, Inc. is also subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Federal Reserve Board, or Congress, could have a material adverse effect on Northfield Bancorp, Inc. and Northfield Bank and their operations.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to Northfield Bank and Northfield Bancorp, Inc. The description is limited to certain material aspects of the statutes and regulations addressed and is not intended to be a complete description of such statutes and regulations and their effects on Northfield Bank and Northfield Bancorp, Inc.

The Dodd-Frank Act

The Dodd-Frank Act significantly changed the bank regulatory structure and has affected the lending, investment, trading and operating activities of depository institutions and their holding companies. The Dodd-Frank Act eliminated our primary federal regulator, the Office of Thrift Supervision, as of July 21, 2011, and required Northfield Bank to be supervised and examined by the Office of the Comptroller of the Currency, the primary federal regulator for national banks. On the same date, the Federal Reserve Board assumed regulatory jurisdiction over savings and loan holding companies, in addition to its role of supervising bank holding companies.

The Dodd-Frank Act also created a new Consumer Financial Protection Bureau with expansive 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, including the authority to regulate "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, such as Northfield Bank, will continue to be examined by their applicable federal bank regulators. The legislation gives state attorney generals the ability to enforce applicable federal

consumer protection laws.

The Dodd-Frank Act also broadened the base for Federal Deposit Insurance Corporation assessments for deposit insurance, permanently increased the maximum amount of deposit insurance to $250,000 per depositor. The legislation also, among other things, requires originators of certain securitized loans to retain a portion of the credit risk, stipulates regulatory rate-setting for certain debit card interchange fees, repealed restrictions on the payment of interest on commercial demand deposits and contains a number of reforms related to mortgage originations. The Dodd-Frank Act increased shareholder influence over boards of directors by requiring companies to give shareholders a non-binding vote on executive compensation and so-called “golden parachute” payments. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to company executives, regardless of whether the company is publicly traded or not.

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Many of the provisions of the Dodd-Frank Act are subject to delayed effective dates and/or require the issuance of implementing regulations. Their effect on operations cannot yet be assessed fully. However, there is a significant possibility that the Dodd-Frank Act will, in the long run, increase regulatory burden, compliance costs and interest expense for Northfield Bank and Northfield Bancorp, Inc.

The Dodd-Frank Act removed federal statutory restrictions on the payment of interest on commercial demand deposit accounts, effective July 21, 2011.

Business Activities

A federal savings bank derives its lending and investment powers from the Home Owners' Loan Act, as amended, and the regulations of the Office of the Comptroller of the Currency. Under these laws and regulations, Northfield Bank may originate mortgage loans secured by residential and commercial real estate, commercial business loans, and consumer loans, and it may invest in certain types of debt securities and certain other assets. Certain types of lending, such as commercial and consumer loans, are subject to aggregate limits calculated as a specified percentage of Northfield Bank's capital or assets. Northfield Bank also may establish subsidiaries that may engage in a variety of activities, including some that are not otherwise permissible for Northfield Bank, including real estate investment and securities and insurance brokerage.

Loans-to-One-Borrower

We generally may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of Northfield Bank's unimpaired capital and unimpaired surplus. An additional amount may be lent, equal to 10% of unimpaired capital and unimpaired surplus, if the loan is secured by readily marketable collateral, which is defined to include certain financial instruments and bullion, but generally does not include real estate. As of December 31, 2014, we were in compliance with our loans-to-one-borrower limitations.

Qualified Thrift Lender Test

Northfield Bank is required to satisfy a qualified thrift lender ("QTL") test, under which we either must qualify as a "domestic building and loan" association as defined by the Internal Revenue Code or maintain at least 65% of our "portfolio assets" in "qualified thrift investments." "Qualified thrift investments" consist primarily of residential mortgages and related investments, including mortgage-backed and related securities. "Portfolio assets" generally mean total assets less specified liquid assets up to 20% of total assets, goodwill and other intangible assets and the value of property used to conduct business. A savings institution that fails the qualified thrift lender test must operate under specified restrictions. The Dodd-Frank Act made noncompliance with the QTL test also subject to agency enforcement action for a violation of law. As of December 31, 2014, we maintained 81.6% of our portfolio assets in qualified thrift investments and, therefore, we met the QTL test.

Standards for Safety and Soundness

Federal law requires each federal banking agency to prescribe for insured depository institutions under its jurisdiction standards relating to, among other things, internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, employee 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 submit or implement an acceptable plan, the appropriate federal banking agency may issue an enforceable order requiring correction of the deficiencies.

Capital Requirements

Federal regulations require savings institutions to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS (capital adequacy, asset quality, management capability, earnings, liquidity, and sensitivity to market risk) rating system and an 8% risk-based capital ratio. In addition, the prompt corrective action standards discussed below also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS financial institution rating system) and, together with the risk-based capital standard itself, a 4% Tier 1 risk-based capital standard. Federal regulations

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also require that in meeting the tangible, leverage, and risk-based capital standards, institutions generally must deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard for savings institutions requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100%, assigned by capital regulations based on the risks believed inherent in the type of asset. Core capital is defined as common shareholders' 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 unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. Additionally, a savings institution that retains credit risk in connection with an asset sale may be required to maintain additional regulatory capital because of the recourse back to the savings bank. In assessing an institution's capital adequacy, the Office of the Comptroller of the Currency takes into consideration not only these numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual associations where necessary.

In July 2013, the Office of the Comptroller of the Currency and the other federal bank regulatory agencies issued a final rule that has revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), adopts a uniform minimum Tier 1 capital to adjusted total assets ratio of 4%,increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The Bank intends to opt-out. The rule limits a banking organization's capital distributions and certain discretionary bonus payments to executive officers if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements. The final rule also implements the Dodd-Frank Act's directive to apply to savings and loan holding companies consolidated capital requirements that are not less stringent than those applicable to their subsidiary institutions. The final rule was effective January 1, 2015. The "capital conservation buffer" will be phased in from January 1, 2016, to January 1, 2019, when the full capital conservation buffer will be effective.

At December 31, 2014, Northfield Bank met each of its capital requirements.

Prompt Corrective Regulatory Action

Under federal Prompt Corrective Action rules, the Office of the Comptroller of the Currency is required to take supervisory actions against undercapitalized savings institutions under its jurisdiction, the severity of which depends upon the institution's level of capital. A savings institution that has total risk-based capital of less than 8% or a leverage ratio or a Tier 1 risk-based capital ratio that generally is less than 4% is considered to be "undercapitalized". A savings institution that has total risk-based capital less than 6%, a Tier 1 core risk-based capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized." A savings institution that

has a tangible capital to assets ratio equal to or less than 2% is deemed to be “critically undercapitalized.”

Generally, the Office of the Comptroller of the Currency is required to appoint a receiver or conservator for a savings institution that is “critically undercapitalized” within specific time frames. The regulations also provide that a capital restoration plan must be filed with the Office of the Comptroller of the Currency within 45 days of the date a savings institution receives notice that it is “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Any holding company for the savings institution required to submit a capital restoration plan must guarantee the lesser of an amount equal to 5% of the savings institution’s assets at the time it was notified or deemed to be undercapitalized by the Office of the Comptroller of the Currency, or the amount necessary to restore the savings institution to adequately capitalized status. This guarantee remains in place until the Office of the Comptroller of the Currency notifies the savings institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the Office of the Comptroller of the Currency has the authority to require payment and collect payment under the guarantee. Various restrictions, such as on capital distributions and

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growth, also apply to “undercapitalized” institutions. The Office of the Comptroller of the Currency may also take any one of a number of discretionary supervisory actions against undercapitalized institutions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

In connection with the final capital rule described earlier, the federal banking agencies have adopted revisions, effective January 1, 2015, to the prompt corrective action framework. Under the revised prompt corrective action requirements, insured depository institutions would be required to meet the following in order to qualify as “well capitalized:” (1) a common equity Tier 1 risk-based capital ratio of 6.5%; (2) a Tier 1 risk-based capital ratio of 8% (increased from 6%); (3) a total risk-based capital ratio of 10% (unchanged from current rules) and (4) a Tier 1 leverage ratio of 5% (unchanged from the current rules).

Capital Distributions

Federal regulations restrict capital distributions by savings institutions, which include cash dividends, stock repurchases and other transactions charged to the capital account of a savings institution. A federal savings institution must file an application with the Office of the Comptroller of the Currency for approval of the capital distribution if:

- the total capital distributions for the applicable calendar year exceeds the sum of the institution’s net income for that year to date plus the institution’s retained net income for the preceding two years that is still available for dividend;
- the institution would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or written regulatory condition; or
- the institution is not eligible for expedited review of its filings (i.e., generally, institutions that do not have safety and soundness, compliance and Community Reinvestment Act ratings in the top two categories or fail a capital requirement).

A savings institution that is a subsidiary of a holding company, which is the case with Northfield Bank, must file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution and receive Federal Reserve Board non-objection to the payment of the dividend.

Applications or notices may be denied if the institution will be undercapitalized after the dividend, the proposed dividend raises safety and soundness concerns or the proposed dividend would violate a law, regulation enforcement order or regulatory condition.

In the event that a savings institution’s capital falls below its regulatory requirements or it is notified by the regulatory agency that it is in need of more than normal supervision, its ability to make capital distributions would be restricted. In addition, any proposed capital distribution could be prohibited if the regulatory agency determines that the distribution would constitute an unsafe or unsound practice.

Transactions with Related Parties

A savings institution’s authority to engage in transactions with related parties or “affiliates” is limited by Sections 23A and 23B of the Federal Reserve Act and its implementing regulation, Federal Reserve Board Regulation W. The term “affiliate” generally means any company that controls or is under common control with an institution, including Northfield Bancorp, Inc. and its non-savings institution subsidiaries. Applicable law limits the aggregate amount of “covered” transactions with any individual affiliate, including loans to the affiliate, to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution’s capital and surplus. Certain covered transactions with affiliates, such as loans to or guarantees issued on behalf of affiliates, are required to be secured by specified amounts of collateral. Purchasing low quality assets from affiliates is generally prohibited. Regulation W also provides that transactions with affiliates, including

covered transactions, must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited by law from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

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Our authority to extend credit to executive officers, directors and 10% or greater shareholders (“insiders”), as well as entities controlled by these persons, is governed by Sections 22(g) and 22(h) of the Federal Reserve Act and its implementing regulation, Federal Reserve Board Regulation O. Among other things, loans to insiders must be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. There is an exception for bank-wide lending programs that do not discriminate in favor of insiders. Regulation O also places individual and aggregate limits on the amount of loans that may be made to insiders based, in part, on the institution’s capital position, and requires that certain prior board approval procedures be followed. Extensions of credit to executive officers are subject to additional restrictions on the types and amounts of loans that may be made. At December 31, 2014, we were in compliance with these regulations.

Enforcement

The Office of the Comptroller of the Currency has primary enforcement responsibility over federal savings institutions, including the authority to bring enforcement action against “institution-related parties,” including officers, directors, certain shareholders, and attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution, receivership, conservatorship or the termination of deposit insurance. 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.

Deposit Insurance

Northfield Bank is a member of the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. Deposit accounts in Northfield Bank are insured up to a maximum of $250,000 for each separately insured depositor by the Federal Deposit Insurance Corporation.

The Federal Deposit Insurance Corporation imposes an assessment for deposit insurance on all depository institutions. Under the Federal Deposit Insurance Corporation’s risk-based assessment system, insured institutions are assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. An institution’s assessment rate depends upon the category to which it is assigned and certain adjustments specified by Federal Deposit Insurance Corporation regulations, with less risky institutions paying lower rates. Assessment rates (inclusive of possible adjustments) currently range from two and one half to 45 basis points of each institution’s total assets less tangible capital. The Federal Deposit Insurance Corporation may increase or decrease the scale uniformly, except that no adjustment can deviate more than two basis points from the base scale without notice and comment rulemaking. The Federal Deposit Insurance Corporation’s current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution’s volume of deposits.

In addition to the Federal Deposit Insurance Corporation assessments, the Financing Corporation is authorized to impose and collect, through the Federal Deposit Insurance Corporation, assessments for anticipated payments, issuance costs and custodial fees on bonds issued by the Financing Corporation in the 1980s to recapitalize the former Federal Savings and Loan Insurance Corporation. The bonds issued by the Financing Corporation are due to mature in 2017 through 2019. For the quarter ended December 31, 2014, the annualized Financing Corporation assessment was equal to 0.60 basis points of total quarterly average assets less quarterly average tangible capital.

The Dodd-Frank Act increased the minimum target ratio for the Deposit Insurance Fund 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 supposed 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 exercised that discretion by establishing a long-term fund ratio of 2%.

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

Insurance of deposits may be terminated by the Federal Deposit Insurance Corporation upon a finding that an 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 condition imposed by the FDIC. Management of Northfield Bank does not know of any practice, condition or violation that may lead to termination of our deposit insurance.

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Federal Home Loan Bank System

Northfield Bank is a member of the Federal Home Loan Bank of New York, and therefore 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, we are required to acquire and hold a specified amount of shares of capital stock in Federal Home Loan Bank of New York.

Community Reinvestment Act and Fair Lending Laws

Savings institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. An institution's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in regulatory restrictions on certain activities such as branching and acquisitions. Northfield Bank received a "Satisfactory" Community Reinvestment Act rating in its most recent examination.

Other Regulations

Interest and other charges collected or contracted for by Northfield Bank are subject to state usury laws and federal laws concerning interest rates. Northfield Bank's operations are also 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;
- Truth in Savings Act; 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, which governs 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;
- Check Clearing for the 21st Century Act (also known as "Check 21"), which gives "substitute checks," such as digital check images and copies made from that image, the same legal standing as the original paper check;

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- The USA PATRIOT Act, which requires banks and savings institutions to, among other things, establish broadened anti-money laundering compliance programs and due diligence policies and controls to ensure the detection and reporting of money laundering. Such required compliance programs are intended to supplement pre-existing compliance requirements that apply 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 and requires all financial institutions offering products or services to retail customers to provide such customers with the financial institution’s privacy policy and allow such customers the opportunity to “opt out” of the sharing of certain personal financial information with unaffiliated third parties.

Holding Company Regulation

Northfield Bancorp, Inc. is a unitary savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has enforcement authority over Northfield Bancorp, Inc. and its non-savings institution subsidiaries. Among other things, that authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to Northfield Bank.

As a savings and loan holding company, Northfield Bancorp, Inc.'s activities are limited to those activities permissible by law for financial holding companies or multiple savings and loan holding companies. A financial holding company may engage in activities that are financial in nature, incidental to financial activities or complementary to a financial activity. Such activities include lending and other activities permitted for bank holding companies, insurance and underwriting equity securities. The Dodd-Frank Act added that any savings and loan holding company that engages in activities that are solely permissible for a financial holding company must meet the qualitative requirements for a bank holding company to be a financial holding company and conduct the activities in accordance with the requirements that would apply to a financial holding company’s conduct of the activity.

Federal law prohibits a savings and loan holding company, 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 Federal Reserve Board and from acquiring or retaining control of any depository not insured by the Federal Deposit Insurance Corporation. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider such things as the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on and the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors. An acquisition by a savings and loan holding company of a savings institution in another state to be held as a separate subsidiary may not be approved unless it is a supervisory acquisition under Section 13(k) of the Federal Deposit Insurance Act or the law of the state in which the target is located authorizes such acquisitions by out-of-state companies.

Savings and loan holding companies have not historically been subjected to consolidated regulatory capital requirements. However, the Dodd-Frank Act requires the Federal Reserve Board to set for all depository institution holding companies minimum consolidated capital levels that are as stringent as those required for the insured depository subsidiaries. The previously discussed final rule regarding regulatory capital requirements implements the Dodd-Frank Act as to savings and loan holding companies. Consolidated regulatory capital requirements identical to those applicable to the subsidiary depository institutions apply to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital conservation buffer will be phased in between 2016 and 2019.The Dodd-Frank Act extended the “source of strength” doctrine to savings and loan holding companies. The Federal Reserve Board has issued 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.

The Federal Reserve Board has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies that it has made applicable to savings and loan holding companies as well. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory review of capital distributions in certain circumstances such as where the company's net income for the past four quarters, net of dividends previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. The policy statement also provides for regulatory review prior to a holding company

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redeeming or repurchasing regulatory capital instruments when the holding company is experiencing financial weaknesses or redeeming or repurchasing common stock or perpetual preferred stock that would result in a net reduction as of the end of a quarter in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies could affect the ability of Northfield Bancorp, Inc. to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

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 disclosure controls and procedures and 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 the effectiveness of our disclosure controls and procedures and whether there have been any changes in our internal control over financial reporting or in other factors that could materially affect internal control over financial reporting.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company, such as Northfield Bancorp, Inc., unless the Federal Reserve Board has been given 60 days prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution's directors, or a determination by the regulator that the acquirer has the power to direct, or directly or indirectly to exercise a controlling influence over, the management or policies of the institution. Acquisition of more than 10% of any class of a savings and loan holding company's voting stock constitutes a rebuttable determination of control under the regulations under certain circumstances including where, as is the case with Northfield Bancorp, Inc., the issuer has registered securities under Section 12 of the Securities Exchange Act of 1934.

In addition, federal regulations provide that no company may acquire control of a savings and loan holding company without the prior approval of the Federal Reserve Board. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination and regulation by the Federal Reserve Board.

TAXATION
Federal Taxation

General. Northfield Bank and Northfield Bancorp, Inc. are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. 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, Inc. or Northfield Bank.

Northfield Bancorp, Inc.'s consolidated federal tax returns are not currently under audit.

Method of Accounting. For federal income tax purposes, Northfield Bancorp, Inc. currently 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.

Northfield Bancorp, Inc. is required to use the specific charge-off method to account for tax bad debt deductions.

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, 2014, 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, 2014, Northfield Bancorp, Inc.'s consolidated group had no net operating loss carryforwards for federal income tax purposes.

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 Taxation

On March 31, 2014, New York State ("NYS") enacted several reforms (the "Tax Reform Package") to its tax structure, including changes to the franchise, sales, estate and personal income taxes. These changes are generally effective on January 1, 2015. The Tax Reform Package is intended to simplify the existing corporate tax code for NYS businesses while remaining relatively neutral in relation to corporate tax receipts.

Under the Tax Reform Package, the NYS corporate income tax rate drops, effective January 1, 2016, from 7.10% to 6.50%. Effective January 1, 2015, the metropolitan commuter transportation district surcharge ("MTA Tax") increases from 17.0% to 25.6% of the surcharge tax base. The MTA Tax rate for years beginning on or after January 1, 2016 will be adjusted based upon future Metropolitan Transit Authority budget projections.

Some of the most significant elements of the Tax Reform Package include the merger of the bank tax into the general corporate franchise tax, expanded application of economic nexus, adoption of water's-edge unitary reporting, and apportionment of source income solely by reference to customer location.

Merger of the Bank Tax into the Corporate Franchise Tax. NYS has historically imposed a franchise tax on general business corporations, commonly referred to as the "Article 9-A Corporate Franchise Tax," and a separate franchise tax

on banking corporations, commonly referred to as the “Article 32 Bank Tax.” Under these statutes, NYS financial service companies and banks are taxed under different regimes, even though the Gramm-Leach-Bliley Act, which became federal law in 1999, changed the federal regulatory system to permit the cross-ownership of finance and banking firms.

The Tax Reform Package repeals the Article 32 Bank Tax, merging it into the Article 9-A Corporate Franchise Tax. It also makes several modifications to the Article 9-A Corporate Franchise Tax to accommodate the merger, most notably providing a choice between two potential financial institution tax deductions: 1) a deduction equal to 32% of modified NYS taxable income available to all thrifts and banks with assets that do not exceed $8 billion; and 2) a deduction based upon 50% of the net interest income received from loans secured by real estate located in NYS or business loans made to NYS borrowers with a principal amount of less than $5 million. Alternatively, for financial institutions with assets that do not exceed $8 billion

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that owned a captive real estate investment trust (“REIT”) as of April 1, 2014, the Tax Reform Package preserves the ability to exclude a percentage of dividends received from the REIT in determining NYS taxable income and increases this exclusion from the current level of 60% to 160% for tax years beginning on or after January 1, 2015. Financial institutions that continue to maintain these grandfathered REITs are prohibited from claiming either of the two financial institution tax deductions described above.

Consequently, under the revised Article 9-A Corporate Franchise Tax structure, for tax years beginning on or after January 1, 2015, the Bank will be required to claim the 160% exclusion for dividends received from its captive REIT subsidiary for any year the REIT remains in existence. If the REIT is liquidated, then the Bank will be entitled to choose on an annual basis between: 1) the 32% of modified taxable income deduction; or 2) the deduction based upon 50% of the net interest income received from NYS real estate loans and small commercial loans to NYS customers.

Expansion of the Application of Economic Nexus. The Tax Reform Package requires that all companies availing themselves of the NYS market, referred to as having an “economic nexus with New York,” will be subject to NYS tax, regardless of whether they have any other connection with NYS. A corporation could thus become a NYS taxpayer without a physical presence in NYS.

Adoption of a Full Water’s-Edge Unitary Combined Filing. The Tax Reform Package requires all firms meeting an ownership test of 50% or more be deemed a unitary business and required to file a combined tax return. Substantial intercompany transactions are eliminated, and a domestic corporation without any assets or customers in NYS, but engaged in a unitary business with a related New York taxpayer, would become part of the NYS unitary group.

Source Income Solely by Reference to the Location of the Customer. The Tax Reform Package requires business income to be apportioned to and taxed by NYS using a single receipts factor based on the customer’s location. These provisions also contain favorable apportionment rules for asset-backed securities that will be beneficial to the Bank.

Northfield Bank reports 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 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 New York State tax returns are currently under audit for tax years 2010 and 2011.

As a Delaware business corporation, Northfield Bancorp, Inc. is required to file an annual report with and pay franchise taxes to the state of Delaware.

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 and commercial real estate loans 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, 2014, $1.46 billion, or 89.6% of our originated total loan portfolio held-for-investment, net, consisted of multifamily and commercial real estate loans.

These types of loans generally expose a lender to greater risk of non-payment and loss than one-to-four family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one-to-four family residential mortgage loans. Also, many of our borrowers have more than one of these types of loans outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one-to-four family residential real estate loan.

In addition, if loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition.

A significant portion of our loan portfolio is unseasoned. It is difficult to judge the future performance of unseasoned loans.

Our net loan portfolio has grown to $1.92 billion at December 31, 2014, from $805.8 million at December 31, 2010. A large portion of this increase is due to increases in multifamily real estate loans. It is difficult to assess the future performance of these recently originated loans because our relatively limited experience in multifamily lending does not provide us with a significant payment history from which to judge future collectability. These loans may experience higher delinquency or charge-off levels than our historical loan portfolio experience, which could adversely affect our future performance.

Our business strategy includes the continuation of significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.
We expect to continue to experience growth in the amount of our assets, the level of our deposits and the scale of our operations. Achieving our growth targets requires us to attract customers that currently bank at other financial institutions in our market, thereby increasing our share of the market. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, 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. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected.

The level of our commercial real estate loan portfolio subjects us to additional regulatory scrutiny.

The Federal Deposit Insurance Corporation and the other federal bank regulatory agencies have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under the guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors, (i) total reported loans for construction, land acquisition and development, and other land represent 100% or more of total capital, or (ii) total reported loans secured by multi-family and non-farm residential properties, loans for construction, land acquisition and development and other land, and loans otherwise sensitive to the general commercial real estate market, including loans to commercial real estate related entities, represent 300% or more of total capital. Based on these factors we have a concentration in multi-family and commercial real estate lending, as such loans represent 271.5% of total bank capital as of December 31, 2014. The particular focus of the guidance is on exposure to

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commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us or that may result in a curtailment of our multi-family and commercial real estate lending and/or the requirement that we maintain higher levels of regulatory capital, either of which would adversely affect our loan originations and profitability.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

We make various assumptions and judgments about the collectability 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, or if delinquencies do not continue to improve or non-accrual and non-performing loans increase, 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.

A worsening of economic conditions could reduce demand for our products and services and/or result in increases in our level of non-performing loans, which could have an adverse effect on our results of operations.
Unlike larger financial institutions that are more geographically diversified, our profitability depends primarily on the general economic conditions in New York, New Jersey and to a lesser extent Eastern Pennsylvania. Local economic conditions have a significant impact on our commercial real estate and construction and consumer loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. Almost all of our loans are to borrowers located in or secured by collateral in the New York metropolitan area.
A deterioration in economic conditions could result in the following consequences, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations:

- demand for our products and services may decline;
- loan delinquencies, problem assets and foreclosures may increase;
- collateral for loans, especially real estate, may decline in value, in turn reducing customers' future borrowing power, and reducing the value of assets and collateral associated with existing loans;
- the value of our securities portfolio may decline; and
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us.

Moreover, a significant decline in general economic conditions, caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic calamities, unemployment or other factors beyond our control

could further impact these local economic conditions and could further negatively affect the financial results of our banking operations. 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.

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Strong competition within our market areas may limit our growth and profitability.

We face intense competition in making loans and attracting deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. Our competitors may also aggressively price loan and deposit products when they enter into new lines of business or new market areas. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. If we are not able to effectively compete in our market area, our profitability may be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets.

There are potential higher risks stemming from the loans we acquired in our Federal Deposit Insurance Corporation-assisted transaction.

The credit risks associated with the loans and other real estate owned we acquired in our FDIC-assisted acquisition of First State Bank in October 2011, was substantially mitigated by the discount we received from the FDIC; however, these assets are not without risk of loss. Although these acquired assets were initially accounted for at fair value, which reflects an estimate of expected credit losses related to these assets, we did not purchase the assets with loss share from the FDIC. To the extent future cash flows are less than those estimated at time of acquisition, we will recognize impairment losses on the underlying loan pools. Fluctuations in national, regional and local economic conditions and other factors may increase the level of charge-offs on the loans we acquired in this transaction and correspondingly reduce our net income.

The composition of our balance sheet continues to be more heavily weighted towards loans and therefore changes in market interest rates in an increasing rate environment 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 would likely 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 affected negatively 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.

Increases in interest rates also may decrease loan demand and/or may make it more difficult for borrowers to repay adjustable rate loans. Additionally, increases in interest rates may increase capitalization rates utilized in valuing income producing properties. This can result in lower appraised values, which can limit the ability of borrowers to refinance existing debt and may result in higher charge-offs of our non-performing collateral dependent loans.

Our balance sheet composition continues to shift towards investments in assets with longer durations.

We 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.

Changes in interest rates also affect the carrying value of our interest earning assets and in particular our securities portfolio. Generally, the value of securities fluctuates inversely with changes in interest rates. At December 31, 2014, the fair value of our securities portfolio (excluding Federal Home Loan Bank of New York stock) totaled $781.3 million.

At December 31, 2014, our simulation model indicated that our net portfolio value (the net present value of our interest-earning assets and interest-bearing liabilities) would decrease by 19.55% if there was an instantaneous parallel 200 basis point increase in market interest rates. 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

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effect of changes in market interest rates on our net portfolio value or net interest income and will likely differ from actual results.

Historically low interest rates may adversely affect our net interest income and profitability.

The Federal Reserve Board has recently maintained interest rates at historically low levels through its targeted federal funds rate and purchases of mortgage-backed securities. As a general matter, our interest-bearing liabilities reprice or mature more quickly than our interest-earning assets, which has resulted in increases in net interest income in the short term. Our ability to lower our interest expense is limited at these interest rate levels while the average yield on our interest-earning assets may continue to decrease. Accordingly, our net interest income (the difference between interest income earned on assets and interest expense paid on liabilities) may decrease, which may have an adverse affect on our profitability.

Our funding sources may prove insufficient to replace deposits and support our future growth.

We must maintain sufficient funds to respond to the needs of depositors and borrowers. As a part of our liquidity management, we use a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These additional sources consist primarily of Federal Home Loan Bank advances, proceeds from the sale of loans, federal funds purchased and brokered certificates of deposit. As we continue to grow, we are likely to become more dependent on these sources. Adverse operating results or changes in industry conditions could lead to difficulty or an inability to access these additional funding sources. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. If we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our operating margins and profitability would be adversely affected.

Our success depends on hiring and retaining certain key personnel.

Our performance largely depends on the talents and efforts of highly skilled individuals. We rely on key personnel to manage and operate our business, including major revenue generating functions such as loan and deposit generation. The loss of key staff may adversely affect our ability to maintain and manage these functions effectively, which could negatively affect our revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in our net income. Our continued ability to compete effectively depends on our ability to attract new employees and to retain and motivate our existing employees.

Changes in our accounting policies or in accounting standards could materially affect how we report our financial condition and results of operations.

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 and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our 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 also 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 estimated fair value. Generally, for assets that are reported at estimated 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.

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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.

Our 2014 Equity Incentive Plan will increase our expenses and reduce our income, and may dilute your ownership interests.

In May 2014, our stockholders approved the Northfield Bancorp, Inc. 2014 Equity Incentive Plan. Stockholders approved the issuance of 1,422,357 shares of common stock pursuant to restricted stock and the issuance of 3,555,892 shares of common stock pursuant to stock options. During 2014, we recognized $2.4 million in non-interest expense relating to this stock benefit plan and we expect to incur similar expenses in the future.

We may fund the 2014 Equity Incentive Plan either through open market purchases or from the issuance of authorized but unissued shares of common stock. Our ability to repurchase shares of common stock to fund this plan will be subject to many factors, including, but not limited to, applicable regulatory restrictions on stock repurchases, the availability of stock in the market, the trading price of the stock, our capital levels, alternative uses for our capital and our financial performance. Our intention is to fund the plan through open market purchases and we repurchased 10.5 million shares during 2014. However, stockholders would experience a reduction in ownership interest in the event newly issued shares of our common stock are used to fund stock options and shares of restricted common stock.

We are required to maintain a significant percentage of our 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 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 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. As of December 31, 2014, we maintained 81.6% of our portfolio assets in 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 real estate loan portfolio and our 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.

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 over short periods of time. 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

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breakdown in 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.

Risks associated with system failures, interruptions, or breaches of security could affect our earnings negatively.

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 such events may still occur or may not be adequately addressed if they do occur. 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 Office of the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation. 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, the establishment of adequate loan loss reserves for regulatory purposes and the timing and amounts of assessments and fees.

In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

Legislative or regulatory responses to perceived financial and market problems could impair our rights against borrowers.

Federal, state and local laws and policies could 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. Restrictions on Northfield Bank’s rights as creditor could result in increased credit losses on our loans and mortgage-backed securities, or increased expense in pursuing our remedies as a creditor.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Recently, several banking institutions have received large fines for non-compliance with these laws and regulations. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, these policies and procedures may not be effective in preventing violations of these laws and regulations.

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Changes in the structure of Fannie Mae and Freddie Mac ("GSEs") and the relationship among the GSEs, the federal government and the private markets, or the conversion of the current conservatorship of the GSEs into receivership, could result in significant changes to our securities portfolio.

The GSEs are currently in conservatorship, with their primary regulator, the Federal Housing Finance Agency, acting as conservator. We cannot predict if, when or how the conservatorships will end, or any associated changes to the GSEs' business structure that could result. We also cannot predict whether the conservatorships will end in receivership. There are several proposed approaches to reform the GSEs which, if enacted, could change the structure of the GSEs and the relationship among the GSEs, the government and the private markets, including the trading markets for agency conforming mortgage loans and markets for mortgage-related securities in which we participate. We cannot predict the prospects for the enactment, timing or content of legislative or rulemaking proposals regarding the future status of the GSEs. Accordingly, there continues to be uncertainty regarding the future of the GSEs, including whether they will continue to exist in their current form. GSE reform, if enacted, could result in a significant change and adversely impact our business operations.

Financial reform legislation has, among other things, tightened capital standards, and created the Consumer Financial Protection Bureau, resulting in new laws and regulations that are expected to increase our costs of operations.

The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years. We expect that our operating and compliance costs, and possibly our interest expense, could increase as a result of the Dodd-Frank Act and the implementing rules and regulations. The need to comply with additional rules and regulations, as well as state laws and regulations to which we were not subject previously, will also divert management's time from managing the remainder of our operations. Higher capital levels could require us to maintain higher levels of assets that earn less interest and dividend income.

Changes in the valuation of our securities portfolio could reduce net income and lower our capital levels.

Our securities portfolio may be affected by fluctuations in market value, potentially reducing accumulated other comprehensive income and/or earnings. Fluctuations in market value may be caused by changes in market interest rates, lower market prices for securities and limited investor demand. Management evaluates securities for other-than-temporary impairment on a quarterly basis, with more frequent evaluation for selected issues. In analyzing a debt issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, industry analysts' reports and, to a lesser extent given the relatively insignificant levels of depreciation in our debt portfolio, spread differentials between the effective rates on instruments in the portfolio compared to risk-free rates. In analyzing an equity issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame. If this evaluation shows impairment to the actual or projected cash flows associated with one or more securities, a potential loss to earnings may occur. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates. We increase or decrease our stockholders' equity by the amount of change in the estimated fair value of the available-for-sale securities, net of taxes. The declines in market value could result in other-than-temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels. Changes in interest rates can also have an adverse effect on our financial condition, as our available-for-sale securities are reported at their estimated fair value, and therefore are impacted by fluctuations in interest rates.

Effective December 10, 2013, pursuant to the Dodd-Frank Act, federal banking and securities regulators issued final rules to implement Section 619 of the Dodd-Frank Act (the "Volcker Rule"). Generally, subject to a transition period and certain exceptions, the Volcker Rule restricts insured depository institutions and their affiliated companies from engaging in short-term proprietary trading of certain securities, investing in funds with collateral comprised of less than 100% loans that are not registered with the Securities and Exchange Commission and from engaging in hedging activities that do not hedge a specific identified risk. After the transition period, the Volcker Rule prohibitions and restrictions will apply to banking entities unless an exception applies. We continue to analyze the impact of the Volcker Rule on our investment portfolio, and whether any changes are required to our investment strategies that could negatively affect our earnings.

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We have become subject to more stringent capital requirements, which may adversely impact our return on equity, require us to raise additional capital, or constrain us from paying dividends or repurchasing shares.

In July 2013, the federal banking agencies approved a new rule that substantially amended the regulatory risk-based capital rules applicable to Northfield Bancorp, Inc. and Northfield Bank. The final rule implements the "Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act.

The final rule includes new minimum risk-based capital and leverage ratios, which were effective for us on January 1, 2015, and refines the definition of what constitutes "capital" for purposes of calculating these ratios. The new minimum capital requirements will be: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6% (increased from 4%); (iii) a total capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4%. The final rule also establishes a "capital conservation buffer" of 2.5%, and will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%, (ii) a Tier 1 to risk-based assets capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement will be phased in beginning in January 2016 at 0.625% of risk-weighted assets and will increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions.

We have analyzed the effects of these new capital requirements as if these new requirements had been in effect as of December 31, 2014, and we believe that Northfield Bank and the Company meet all of these new requirements, including the full 2.5% capital conservation buffer.

The application of more stringent capital requirements, among other things, could result in lower returns on equity, require the raising of additional capital, and result in regulatory actions if we were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of Basel III could result in our having to lengthen the term of our funding, restructure our business models, and/or increase our holdings of liquid assets. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy, and could limit our ability to make distributions, including paying out dividends or buying back shares. Specifically, beginning in 2016, Northfield Bancorp Inc.'s ability to pay dividends will be limited if it does not have the capital conservation buffer required by the new capital rules, which may limit our ability to pay dividends to stockholders. See "Supervision and Regulation."

The value of our deferred tax asset could be reduced if corporate tax rates in the U.S. are decreased or if the City of New York enacts similar legislation to that of the State of New York.

There have been recent discussions by the executive branch regarding potentially decreasing the U.S. corporate tax rate. While we may benefit in some respects from any decreases in these corporate tax rates, any reduction in the U.S. corporate tax rate would result in a decrease to the value of our net deferred tax asset, which could negatively affect our financial condition and results of operations.

There have been recent discussions by representatives of the City of New York regarding changing how taxable income is apportioned for banking entities like ours and decreasing the corporate tax rate. While we may benefit in some respects from any decreases in these corporate tax rates, any reduction in the corporate tax rate would result in a significant decrease to the value of our net deferred tax asset, which could negatively affect our financial condition and results of operations.

Our risk management framework may not be effective in mitigating risk and reducing the potential for significant losses.

Our risk management framework is designed to minimize risk and loss to us. We seek to identify, measure, monitor, report and control our exposure to the types of risk to which we are subject, including strategic, market, liquidity, compliance and operational risks, among others. While we employ a broad and diversified set of risk monitoring and mitigation techniques, those techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Recent economic conditions, heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have resulted in a heightened level of risk for us. Accordingly, we could suffer losses as a result of our failure to properly anticipate and manage these risks.

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Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes.

Our loans to businesses and individuals and our deposit relationships and related transactions are subject to exposure to the risk of loss due to fraud and other financial crimes. Nationally, reported incidents of fraud and other financial crimes have increased. We have also experienced losses due to apparent fraud and other financial crimes. While we have policies and procedures designed to prevent such losses, losses may still occur.

Acquisitions may disrupt our business and dilute stockholder 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 acquisition partners that offer us either significant market presence or the potential to expand our market footprint and improve profitability through economies of scale or expanded services.

Acquiring other banks, businesses, or branches may have an adverse effect on our financial results and may involve various other risks commonly associated with acquisitions.

Various factors may make takeover attempts more difficult to achieve.

Our certificate of incorporation and bylaws, federal regulations, Northfield Bank's charter, Delaware law, shares of restricted stock and stock options that we have granted or may grant to employees and directors, stock ownership by our management and directors and employment agreements that we have entered into with our executive officers, and various other factors may make it more difficult for companies or persons to acquire control of Northfield Bancorp, Inc. without the consent of our board of directors.

We may not pay dividends on our shares of common stock.

Although we currently pay dividends on a quarterly basis, stockholders are not entitled to receive dividends. Federal regulations also may restrict capital distributions, which include cash dividends, to ensure the institution maintains adequate capital requirements.

Legal and regulatory proceedings and related matters could adversely affect us or the financial services industry in general.

We, and other participants in the financial services industry upon whom we rely to operate, have been and may in the future become involved in legal and regulatory proceedings. Most of the proceedings we consider to be in the normal course of our business or typical for the industry; however, it is inherently difficult to assess the outcome of these matters, and other participants in the financial services industry or we may not prevail in any proceeding or litigation. Any adverse determination could negatively affect our business, brand or image, or our financial condition and results of our operations.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties

regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 2. PROPERTIES

The Company operates from the Bank's home office in Staten Island, New York, our corporate offices located at 581 Main Street, Woodbridge, New Jersey, and our additional 29 branch offices located in New York and New Jersey, and its lending office located in Brooklyn, New York. Our branch offices are located in the New York Counties of Richmond, and Kings and the New Jersey Counties of Middlesex and Union. The net book value of our premises, land, and equipment was $26.2 million at December 31, 2014.

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, 2014.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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 February 28, 2015, was 5,017. 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. common stock for the years ended December 31, 2014 and 2013. The following information was provided by the NASDAQ Global Stock Market.

	High	Low	Dividends
Quarter ended December 31, 2014	$15.15	$12.65	$0.07
Quarter ended September 30, 2014	$13.88	$12.64	$0.07
Quarter ended June 30, 2014	$13.52	$12.40	$0.06
Quarter ended March 31, 2014	$13.28	$12.27	$0.06
Quarter ended December 31, 2013	$13.43	$12.00	$0.06
Quarter ended September 30, 2013	$12.50	$11.46	$0.06
Quarter ended June 30, 2013	$11.92	$11.21	$0.31
Quarter ended March 31, 2013	$11.50	$10.73	$0.06

Stock price and dividends have been restated to reflect the completion of our second-step conversion in 2013 at an exchange ratio of 1.4029-to-one.

The sources of funds for the payment of a cash dividend are the retained proceeds from the 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."

Stock Performance Graph

Set forth below is a stock performance graph (Source: SNL Financial) comparing (a) the cumulative total return on the Northfield Bancorp, Inc.'s common stock for the period December 31, 2009, through December 31, 2014, (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.

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Index	As of 12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
Northfield Bancorp, Inc.	100.00	99.96	108.12	117.43	148.65	170.03
NASDAQ Composite Index	100.00	118.15	117.22	138.02	193.47	222.16
NASDAQ Bank Index	100.00	114.16	102.17	121.26	171.86	180.31
SNL U.S. Thrift Index*	100.00	104.49	87.90	106.91	137.20	147.56

*For 2014, we added the SNL U.S. Thrift Index, which includes companies that we believe operate similar business models, certain of which we consider to be our peers in the financial institutions industry.

Northfield Bancorp, Inc. had in effect at December 31, 2014, the 2014 Equity Incentive Plan which was approved by stockholders on May 28, 2014. The 2014 Equity Incentive Plan provides for the issuance of up to 4,978,249 equity awards. As of December 31, 2014, the Compensation Committee of the Board of Directors had awarded 1,001,200 shares of restricted stock, and 2,502,600 stock options.

Northfield Bancorp, Inc. had in effect at December 31, 2014, 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 4,311,796 equity awards. As of December 31, 2014, the Compensation Committee of the Board of Directors awarded 1,171,856 shares of restricted stock, and 2,928,410 stock options with tandem stock appreciation rights. These share amounts have been restated as a result of the completion of the second-step conversion at a ratio of 1.4029-to-one.

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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, 2014.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs [1]
October 1, 2014, through October 31, 2014	1,681,850	$13.63	1,681,850	1,433,908
November 1, 2014, through November 30, 2014	234,412	$14.11	233,700	1,206,773
December 1, 2014, through December 31, 2014	337,400	$14.20	337,400	2,175,785
Total	2,253,662	$13.77	2,252,950	

(1) On December 17, 2014, the Company's Board of Directors revised its current repurchase program to allow for the repurchase of up to an additional $20.0 million of the Company's common stock for a total of $170.0 million as of this date. The repurchase program permits shares to be repurchased in open market or private transactions, through block trades, and pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Securities and Exchange Commission. The number of shares remaining to be purchased at December 31, 2014, is calculated utilizing the remaining approved repurchase amount of $32.2 million divided by the closing price of the stock on that day.

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ITEM 6. SELECTED FINANCIAL DATA

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.

	At December 31,				
	2014	2013	2012	2011	2010
	(In thousands)				
Selected Financial Condition Data:					
Total assets	$3,020,869	$2,702,764	$2,813,201	$2,376,918	$2,247,167
Cash and cash equivalents	76,709	61,239	128,761	65,269	43,852
Trading securities	6,422	5,998	4,677	4,146	4,095
Securities available-for-sale, at estimated market value	771,239	937,085	1,275,631	1,098,725	1,244,313
Securities held-to-maturity	3,609	—	2,220	3,617	5,060
Loans held-for-sale	—	—	—	452	1,170
Loans held-for-sale (non-performing)	—	471	5,447	3,448	—
Loans held-for-investment:					
Purchased credit-impaired (PCI) loans	44,816	59,468	75,349	88,522	—
Loans acquired	265,685	77,817	101,433	—	—
Originated loans, net	1,632,494	1,352,191	1,066,200	985,945	827,591
Loans held-for-investment, net	1,942,995	1,489,476	1,242,982	1,074,467	827,591
Allowance for loan losses	(26,292)	(26,037)	(26,424)	(26,836)	(21,819)
Net loans held-for-investment	1,916,703	1,463,439	1,216,558	1,047,631	805,772
Bank owned life insurance	129,015	125,113	93,042	77,778	74,805
Federal Home Loan Bank of New York stock, at cost	29,219	17,516	12,550	12,677	9,784
Other real estate owned	752	634	870	3,359	171
Deposits	1,620,665	1,492,689	1,956,860	1,493,526	1,372,842
Borrowed funds	778,658	470,325	419,122	481,934	391,237
Total liabilities	2,426,941	1,986,656	2,398,328	1,994,268	1,850,450
Total stockholders' equity	$593,928	$716,108	$414,873	$382,650	$396,717

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands)				
Selected Operating Data:					
Interest income	$91,701	$92,470	$91,539	$91,017	$86,495
Interest expense	15,352	16,948	22,644	25,413	24,406
Net interest income before provision for loan losses	76,349	75,522	68,895	65,604	62,089
Provision for loan losses	645	1,927	3,536	12,589	10,084
Net interest income after provision for loan losses	75,704	73,595	65,359	53,015	52,005
Non-interest income:					
Bargain purchase gain, net of tax	—	—	—	3,560	—
Non-interest income (other)	8,460	10,161	8,586	8,275	6,842
Non-interest expense	52,042	53,873	48,998	41,530	38,684
Income before income taxes	32,122	29,883	24,947	23,320	20,163
Income tax expense	11,856	10,736	8,916	6,497	6,370

Net income	$20,266	$19,147	$16,031	$16,823	$13,793
Net income per common share - basic	$0.41	$0.35	$0.30	$0.30	$0.24
Net income per common share - diluted	$0.41	$0.34	$0.29	$0.30	$0.24
Weighted average basic shares outstanding	49,006,129	54,637,680	54,339,467	56,216,794	58,066,110
Weighted average diluted shares outstanding	50,032,259	55,560,309	55,115,680	56,842,889	58,461,615

Note: Weighted average basic and diluted shares have been restated to reflect the completion of our second-step conversion on January 24, 2013, at an exchange ratio of 1.4029-to-one.

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	At or For the Years Ended December 31,				
	2014	2013	2012	2011	2010
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on assets (ratio of net income to average total assets)	0.73 %	0.70 %	0.65 %	0.72 %	0.65 %
Return on equity (ratio of net income to average equity)	3.07	2.70	4.08	4.27	3.46
Interest rate spread[2]	2.74	2.68	2.76	2.75	2.78
Net interest margin[1]	2.97	2.97	2.98	3.01	3.10
Dividend payout ratio[5]	63.57	140.28	10.74	22.00	23.98
Efficiency ratio[3]	61.36	62.87	63.24	53.63	56.12
Non-interest expense to average total assets	1.88	1.97	1.99	1.79	1.82
Average interest-earning assets to average interest-bearing liabilities	139.12	142.73	122.83	122.23	125.52
Average equity to average total assets	23.75	25.90	15.94	16.95	18.81
Asset Quality Ratios:					
Non-performing assets to total assets	0.51	0.68	1.30	1.99	2.72
Non-performing loans to total loans	0.75	1.19	2.86	4.07	7.36
Originated non-performing loans to originated loans[6]	0.83	1.18	2.98	4.43	7.36
Allowance for loan losses to non-performing loans held-for-investment[7]	180.29	150.23	87.73	66.40	35.83
Allowance for loan losses to total loans held-for-investment, net[8]	1.35	1.75	2.13	2.50	2.64
Allowance for loan losses to originated loans held-for-investment, net[6]	1.61	1.93	2.48	2.72	2.64
Capital Ratios:					
Total capital (to risk-weighted assets)[4]	22.95	28.94	22.30	24.71	27.39
Tier I capital (to risk-weighted assets)[4]	21.77	27.69	21.04	23.42	26.12
Tier I capital (to adjusted assets)[4]	16.46	19.88	12.65	13.42	13.43
Other Data:					
Number of full service offices	30	30	29	24	20
Full time equivalent employees	302	306	306	277	243

(1) The net interest margin represents net interest income as a percent of average interest-earning assets for the period.
(2) 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.
(3) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.
(4) Capital ratios are presented for Northfield Bank only.
(5) Dividend payout ratio is calculated as total dividends declared for the year (excluding any dividends waived by Northfield Bancorp, MHC) divided by net income for the year. 2013 includes a special dividend of $0.25 per share.
(6) Excludes PCI loans held-for-investment.
(7) Excludes non-performing loans held-for-sale, carried at aggregate lower of cost or estimated fair value, less costs to sell.

(8) Includes PCI loans held-for-investment.

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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

Net income was $20.3 million and $19.1 million for the years ended December 31, 2014 and 2013, respectively. Significant variances from the prior year are as follows: an $827,000 increase in net interest income, a $1.3 million decrease in the provision for loan losses, a $1.7 million decrease in non-interest income, a $1.8 million decrease in non-interest expense, and a $1.1 million increase in income tax expense. Net income in 2014 included the following non-routine transactions: a reduction of compensation and benefits of $937,000 ($560,000 after-tax) related to the settlement of the former Flatbush Federal Savings & Loan Association pension plan and a charge of $570,000 related to the write-down of deferred assets as a result of changes in tax laws enacted in the State of New York during 2014.

Our assets increased by $318.1 million, or 11.8%, to $3.02 billion at December 31, 2014, from $2.70 billion at December 31, 2013. The increase was primarily attributable to a $453.3 million, or 31.0%, increase in net loans-held-for-investment, partially offset by a $165.8 million, or 17.7%, decrease in securities available-for sale.

Our liabilities increased by $440.3 million, or 22.2%, to $2.43 billion, at December 31, 2014, from $1.99 billion at December 31, 2013. The increase was primarily due to increases in borrowings of $286.1 million, deposits of $128.0 million, and securities sold under agreements to repurchase of $22.2 million.

Our stockholders' equity decreased by $122.2 million, or 17.1%, to $593.9 million at December 31, 2014, from $716.1 million at December 31, 2013. This decrease was primarily attributable to stock repurchases of $138.7 million and dividend payments of $12.9 million, partially offset by net income of $20.3 million for the year ended December 31, 2014, an increase in stock compensation activity of $5.2 million and a decrease in accumulated other comprehensive loss of $3.9 million primarily as a result of the increase in fair value of our securities available-for-sale portfolio in response to the decrease in the interest rate environment from December 31, 2013.

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 U.S. GAAP. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our 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. This quarterly process is performed by the accounting department, in conjunction with the credit administration department, and approved by the Controller. The Chief Financial Officer performs a final review of the calculation. All supporting documentation with regard to the evaluation process is maintained by the accounting department. Each quarter a summary of the allowance for loan losses is presented by the Chief Financial Officer to the audit committee of the board of directors.

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The analysis of the allowance for loan losses has a component for impaired loans held-for-investment, purchased credit-impaired ("PCI") loans, and a component for general loan losses, including unallocated reserves. Management has defined an impaired loan (excluding PCI loans) to be a loan for which it is probable, based on current information, that we 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 a lower sales price to effect a quick sale, and costs to dispose of any supporting collateral. Determining the estimated fair value of underlying collateral (and related costs to sell) can be difficult in illiquid real estate markets and is subject to significant assumptions and estimates. Management employs an independent third-party expert in appraisal preparation and review to ascertain the reasonableness of updated appraisals. Projecting the expected cash flows under TDRs 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 excludes impaired, trouble-debt restructured, held-for-sale and PCI 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 (using appropriate look-back and loss emergence periods) 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; changes in lending staff; concentration of loan type; current economic conditions; and other relevant factors considered appropriate by management. The loss emergence period is the estimated time from the date of the loss event to the actual recognition of the loss (typically via the first charge-off), and is determined based upon a study of the Company's past loss experience by loan group. In evaluating the estimated loss factors to be utilized for each loan group, management also reviews actual loss history over an extended period of time as reported by the Federal Deposit Insurance Corporation for institutions both nationally and in our market area, during 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. We also maintain an unallocated component related to the general loss allocation. 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 and the internal and external credit risk rating process, including loans that are not subject to an independent third party review, such as loans that are less than $500,000.
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.

We have a concentration of loans secured by real property located in New York City, New Jersey, and to a lesser extent Eastern Pennsylvania. 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, or a decline in real estate market values in New York, or New Jersey, or Eastern Pennsylvania. 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 the Comptroller of the Currency, as an integral part of their examination process, will review our allowance for loan losses and may require us to

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recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination. Our last completed Safety and Soundness regulatory examination was as of June 30, 2014.

Additionally, loans acquired with no evidence of credit deterioration are held-for-investment and initially valued at an estimated fair value on the date of acquisition, with no initial related allowance for loan losses. These loans are collectively evaluated for impairment on a quarterly basis as part of our analysis of the allowance for loan losses.

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 other real estate owned. When we acquire other real estate owned, we generally obtain 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 carrying value. Holding costs and declines in estimated fair value result in charges to expense after acquisition.

Purchased Credit-Impaired Loans. Purchased credit-impaired loans, or "PCI" loans, are subject to our internal credit review. If and when credit deterioration occurs at the loan pool level subsequent to the acquisition date, a provision for credit losses for PCI loans will be charged to earnings for the full amount of the decline in expected cash flows for the pool. Under the accounting guidance for acquired credit impaired loans, the allowance for loan losses on PCI loans is measured at each financial reporting date based on future expected cash flows. This assessment and measurement is performed at the pool level and not at the individual loan level. Accordingly, decreases in expected cash flows resulting from further credit deterioration, on a pool basis, as of such measurement date compared to those originally estimated are recognized by recording a provision and allowance for credit losses on PCI loans. Subsequent increases in the expected cash flows of the loans in each pool would first reduce any allowance for loan losses on PCI loans; and any excess will be accreted prospectively as a yield adjustment. The analysis of expected cash flows for pools incorporates updated pool level expected prepayment rates, default rates, and delinquency levels, and loan level loss severity given default assumptions. The expected cash flows are estimated based on factors which include loan grades established in Northfield Bank's ongoing credit review program, likelihood of default based on observations of specific loans during the credit review process as well as applicable industry data, loss severity based on updated evaluation of cash flows from available collateral, and the contractual terms of the underlying loan agreement. Actual cash flows could differ from those expected, and others provided with the same information could draw different reasonable conclusions and calculate different expected cash flows.

Goodwill and Other Intangibles. We record all assets and liabilities in acquisitions, including goodwill and other intangible assets, at fair value as of the acquisition date, and expense all acquisition related costs as incurred. Goodwill totaling $16.2 million at December 31, 2014, is not amortized but is subject to annual tests for impairment or more often if events or circumstances indicate it may be impaired. Other intangible assets, such as core deposit intangibles, are amortized over their estimated useful lives and are subject to impairment tests if events or circumstances indicate a possible inability to realize the carrying amount. Such evaluation of other intangible assets is based on undiscounted cash flow projections. The initial recording of goodwill and other intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets and assumed liabilities.

The goodwill impairment analysis is generally a two-step test. However, we may, under current accounting guidance, first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. We are not required to calculate the fair value of our reporting unit if, based on a qualitative assessment, we determine that it was more likely than not that the unit's fair value was not less than its carrying amount. During 2014, we elected to perform step one of the two-step goodwill impairment test for our reporting unit,

but could perform the optional quantitative assessment in future periods. The first step compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional step must be performed. That additional step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in a manner similar to the amount of goodwill calculated in a business combination, i.e., by measuring the excess of the estimated fair value of the reporting unit, as determined in the first step above, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles, as if the reporting unit was being acquired in a business combination at the impairment test date. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value. The loss establishes a new basis in the goodwill and subsequent reversal of goodwill impairment losses are not permitted.

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 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 securities in our portfolio. In determining estimated fair values, each quarter management utilizes the services of an independent third-party service, 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, if identifiable. 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. In addition, we compare securities prices to a second independent pricing service that is utilized as part of our asset liability risk management process and analyze significant anomalies in pricing including significant fluctuations, or lack thereof, in relation to other securities. At December 31, 2014, and for each quarter end in 2014, all securities were priced by an independent third-party pricing service, and management made no adjustment to the prices received.

Determining that a decline in a security's estimated fair value is other-than-temporary is inherently subjective, and becomes increasing 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 private label 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.

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 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 director and 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

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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. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

Comparison of Financial Condition at December 31, 2014 and 2013

Total assets increased $318.1 million, or 11.8%, to $3.02 billion at December 31, 2014, from $2.70 billion at December 31, 2013. The increase was primarily attributable to increases in net loans held-for-investment of $453.3 million, cash and cash equivalents of $15.5 million and Federal Home Loan Bank of New York (FHLB) stock of $11.7 million, partially offset by a decrease in securities available-for-sale of $165.8 million.

Cash and cash equivalents increased by $15.5 million, or 25.3%, to $76.7 million at December 31, 2014, from $61.2 million at December 31, 2013. Balances fluctuate based on the timing of receipt of security and loan repayments and the redeployment of cash into higher yielding assets, or the funding of deposit or borrowing obligations.

The Company's securities available-for-sale portfolio totaled $771.2 million at December 31, 2014, compared to $937.1 million at December 31, 2013. At December 31, 2014, $699.8 million of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac, or Ginnie Mae. In addition, the Company held $70.0 million in corporate bonds, all of which were considered investment grade at December 31, 2014, and also held $410,000 of equity investments in money market mutual funds. The effective duration of the securities portfolio at December 31, 2014 was 3.71 years.

Securities held-to-maturity increased to $3.6 million at December 31, 2014, from $0 at December 31, 2013, primarily due to purchases of securities, partially offset by principal payments.

Total loans held-for-investment, net, increased $453.5 million to $1.94 billion at December 31, 2014, as compared to $1.49 billion at December 31, 2013.

Originated loans held-for-investment, net, totaled $1.63 billion at December 31, 2014, as compared to $1.35 billion at December 31, 2013. The increase was primarily due to an increase in multifamily real estate loans, which increased $201.2 million, or 23.1%, to $1.1 billion at December 31, 2014, from $871.0 million at December 31, 2013. The following table details our multifamily originations for the year ended December 31, 2014 (dollars in thousands):

Originations	Weighted Average Interest Rate	Weighted Average Loan-to-Value Ratio	(F)ixed or (V)ariable	Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans	Amortization Term
$293,037	3.48%	59%	V	80	5 to 30 Years
5,710	4.57%	42%	F	172	2 to 15 Years
298,747	3.50%	59%			

Acquired loans increased by $187.9 million to $265.7 million at December 31, 2014, from $77.8 million at December 31, 2013, primarily due to the purchase of $186.5 million of one-to-four family residential real estate loans during the third quarter of 2014. The following table provides the details of the one-to-four family residential real estate loans purchased during the year ended December 31, 2014 (dollars in thousands):

Purchases	Weighted Average Interest Rate	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change	Amortization Term	Amortization Type
$71,782	2.47%	67%	53	30 Years	Fully amortizing
114,692	2.57%	61%	51	20 Years *	Delayed amortizing
$186,474	2.53%	63%			

*After an interest-only period for the first 10 years

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The weighted average coupon of 2.53% is net of the servicing fee. Of the total loans purchased, $114.7 million, or 62% of the balance, is interest-only for the initial 10 years and will re-price in less than five years at one month LIBOR plus a weighted average margin of 1.65%. The remainder of the purchase is scheduled to make principal and interest payments and will re-price in less than five years at one month LIBOR plus a weighted average margin of 1.83%. Additionally, the geographic locations of the loans are as follows: 46.0% in New York, 30.5% in Massachusetts, and 23.5% in other states.

PCI loans, primarily acquired as part of a transaction with the FDIC, totaled $44.8 million at December 31, 2014, as compared to $59.5 million at December 31, 2013. The Company recorded accretion of interest income of $4.9 million for the year ended December 31, 2014, as compared to $5.7 million for the year ended December 31, 2013.

Bank owned life insurance increased $3.9 million, or 3.1%, to $129.0 million at December 31, 2014. The increase was due to income earned in 2014.

Federal Home Loan Bank of New York stock, at cost, increased $11.7 million, or 66.8%, to $29.2 million at December 31, 2014, from $17.5 million at December 31, 2013. This increase was attributable to required purchases due to increases in borrowings outstanding with the Federal Home Loan Bank of New York over the same time period.

Premises and equipment, net, decreased $2.8 million, or 9.7%, to $26.2 million at December 31, 2014, from $29.1 million at December 31, 2013. This decrease was primarily attributable to depreciation expense of $3.6 million, partially offset by additions to leasehold improvements from the renovation of existing branches.

Other real estate owned increased $118,000 to $752,000 at December 31, 2014, from $634,000 at December 31, 2013. This increase was attributable to acquisitions during the year.

Deposits increased $128.0 million, or 8.6%, to $1.62 billion at December 31, 2014, from $1.49 billion at December 31, 2013. The increase was attributable to increases of $51.3 million in savings accounts, $45.2 million in certificates of deposit ($40.2 million of which were brokered deposits), $29.1 million in transaction accounts, and $2.3 million in money market accounts.

Borrowings, consisting primarily of Federal Home Loan Bank advances and repurchase agreements, increased by $308.3 million, or 65.6%, to $778.7 million at December 31, 2014, from $470.3 million at December 31, 2013. The increase in borrowings was primarily to fund the acquisition of the one-to-four family residential real estate loan pool discussed above. Management utilizes borrowings to mitigate interest rate risk, for short-term liquidity to fund loan growth, and to a lesser extent as part of leverage strategies.

Accrued expenses and other liabilities increased $2.6 million to $19.8 million at December 31, 2014, from $17.2 million at December 31, 2013.

Total stockholders' equity decreased by $122.2 million to $593.9 million at December 31, 2014, from $716.1 million at December 31, 2013. This decrease was primarily attributable to stock repurchases of $138.7 million and dividend payments of $12.9 million. These decreases were partially offset by net income of $20.3 million for the year ended December 31, 2014, a $5.2 million increase in stock compensation activity and a $3.9 million decrease in accumulated other comprehensive loss, primarily as a result of the increase in fair value of our securities available-for-sale portfolio in response to the decrease in the interest rate environment from December 31, 2013.

Comparison of Operating Results for the Years Ended December 31, 2014 and 2013

Net Income. Net income was $20.3 million and $19.1 million for the years ended December 31, 2014 and 2013, respectively. Significant variances from the prior year are as follows: an $827,000 increase in net interest income, a $1.3 million decrease in the provision for loan losses, a $1.7 million decrease in non-interest income, a $1.8 million decrease in non-interest expense, and a $1.1 million increase in income tax expense.

Interest Income. Interest income decreased by $769,000, or 0.8%, to $91.7 million for the year ended December 31, 2014, as compared to $92.5 million for the year ended December 31, 2013. The decrease was primarily due to a six basis point decrease in yields earned on interest-earning assets to 3.57% from 3.63% for the prior year, partially offset by an increase in average interest-earning assets of $23.9 million, or 0.9%, from $2.54 billion at December 31, 2013, to $2.57 billion at December 31, 2014. The increase in average interest-earning assets was due primarily to an increase in average loans outstanding of $289.0 million, partially offset by a decrease in mortgage-backed securities of $217.7 million and other securities of $50.0 million. Generally, rates on all earning assets decreased due to the general decline in market interest rates

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for these asset types. The year-ended December 31, 2014 included loan prepayment income of $1.2 million compared to $2.2 million for the year ended December 31, 2013.

Interest Expense. Interest expense decreased $1.6 million, or 9.4%, to $15.4 million for the year ended December 31, 2014, from $16.9 million for the year ended December 31, 2013. The decrease was attributable to a decrease in interest expense on borrowings of $486,000, or 4.7%, and a decrease in interest expense on deposits of $1.1 million, or 17.1%. The decrease in interest expense on borrowings was attributable to a decrease of 74 basis points in the average cost of borrowings to 1.69% from 2.43% for the prior year, reflecting lower market interest rates for borrowed funds, partially offset by an increase of $159.6 million, or 37.2%, in average borrowings outstanding. The decrease in interest expense on deposits was attributable to a decrease in the average cost of interest-bearing deposits of five basis points to 0.43% from 0.48% for the prior year, reflecting lower market interest rates for short-term deposits, as well as a decrease of $96.1 million, or 7.1%, in average interest-bearing deposits. The decrease in average deposit balances was attributable to a decrease of $63.5 million in certificates of deposit and a decrease of $32.6 million in savings, NOW, and money market accounts.

Net Interest Income. Net interest income increased $827,000, or 1.1%, to $76.3 million for the year ended December 31, 2014, from $75.5 million for the year ended December 31, 2013. The increase was driven by a $23.9 million, or 0.9%, increase in average interest-earning assets and a 12 basis point decline in the cost of interest-bearing liabilities to 0.83% for the current year as compared to 0.95% for the prior year. Net interest margin remained level at 2.97%. The increase in average interest-earning assets was due primarily to an increase in average loans outstanding of $289.0 million partially offset by decreases in average mortgage-backed securities of $217.7 million and other securities of $50.0 million.

Provision for Loan Losses. The provision for loan losses decreased $1.3 million, or 66.5%, to $645,000 for the year ended December 31, 2014, from $1.9 million for the year ended December 31, 2013. The decrease in the provision for loan losses was primarily attributable to continued improvement in asset quality indicators, and to a lesser extent, the Company's PCI portfolio, which had a reversal of a previously recorded impairment, and lower originated loan growth of $280.3 million, or 20.7%, for the year ended December 31, 2014, compared to $286.0 million, or 26.8%, for the year ended December 31, 2013. Net charge-offs were $390,000 for the year ended December 31, 2014, compared to net charge-offs of $2.3 million for the year ended December 31, 2013.

Non-interest Income. Non-interest income decreased $1.7 million, or 16.7%, to $8.5 million for the year ended December 31, 2014, from $10.2 million for the year ended December 31, 2013. This decrease was primarily a result of a $3.0 million decrease in gains on securities, net, and a $331,000 decrease in other non-interest income, primarily related to the sale in 2013 of vacant land adjacent to a branch, partially offset by increases of $295,000 in income on bank owned life insurance and $891,000 in fees and service charges for customer services. Additionally, there were no other than temporary impairment charges in 2014, as compared to $434,000 in 2013. Securities gains, net, in 2014 included losses of $155,000 related to the Company’s trading portfolio, while 2013 included gains of $963,000 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's deferred compensation plan (the "Plan"). 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 compensation expense, reflecting the change in the Company’s obligations under the Plan.

Non-interest Expense. Non-interest expense decreased $1.8 million, or 3.4%, to $52.0 million for the year ended December 31, 2014, from $53.9 million for the year ended December 31, 2013. This was due primarily to a $947,000 decrease in compensation and employee benefits, attributable to the combined effects of a benefit recorded on the settlement of a pension plan acquired in the Flatbush Federal Bancorp, Inc. and Flatbush Federal Savings & Loan

Association merger (the "Merger") and a decrease in the mark-to-market expense adjustment related to the Company's deferred compensation plan which is described above, partially offset by increased health benefit costs. Additionally, there were decreases of $621,000 in data processing costs due to conversion costs related to the Merger, and $427,000 in professional fees, also related primarily to the Merger. These decreases were partially offset by a $498,000 increase in other expenses, primarily related to higher costs in respect of one PCI loan, and excise taxes recorded related to the settlement of the Flatbush pension plan noted above.

Income Tax Expense. The Company recorded income tax expense of $11.9 million for the year ended December 31, 2014, compared to $10.7 million for the year ended December 31, 2013. The effective tax rate for the year ended December 31, 2014, was 36.9%, as compared to 35.9% for the year ended December 31, 2013, as a result of higher pre-tax earnings and the deferred tax asset write-down of $570,000 related to the New York State tax law change enacted in the first quarter of 2014.

Comparison of Operating Results for the Years Ended December 31, 2013 and 2012

Net Income. Net income was $19.1 million and $16.0 million for the years ended December 31, 2013 and 2012, respectively. Significant variances from the prior year are as follows: a $6.6 million increase in net interest income, a $1.6 million decrease in the provision for loan losses, a $1.6 million increase in non-interest income, a $4.9 million increase in non-interest expense, and a $1.8 million increase in income tax expense.

Interest Income. Interest income increased by $931,000, or 1.0%, to $92.5 million for the year ended December 31, 2013, as compared to $91.5 million for the year ended December 31, 2012. The increase was primarily the result of an increase in average interest-earning assets of $232.3 million, or 10.1%. The increase in average interest-earning assets was due primarily to an increase of $238.7 million in average loans outstanding, other securities of $13.2 million and $4.7 million in interest-earning assets in other financial institutions, which were partially offset by a $24.8 million decrease in mortgage-backed securities. This was partially offset by a 33 basis point decrease in yields earned on interest-earning assets to 3.63% from 3.96% for the prior year. Generally, rates on all earning assets decreased due to the general decline in market interest rates for these asset types.

Interest Expense. Interest expense decreased $5.7 million, or 25.2%, to $16.9 million for the year ended December 31, 2013, from $22.6 million for the year ended December 31, 2012. The decrease was attributable to a decrease in interest expense on borrowings of $2.4 million, or 18.4% and a decrease in interest expense on deposits of $3.3 million, or 33.9%. The decrease in interest expense on borrowings was primarily attributable to a decrease of 21 basis points, or 8.0%, in the cost of borrowings, reflecting lower market interest rates for borrowed funds, assisted by a decrease of $55.4 million, or 11.42%, in average borrowings outstanding. The decrease in interest expense on deposits was attributable to a decrease in the cost of interest-bearing deposits of 22 basis points, or 31.4%, to 0.48% for the year ended December 31, 2013, from 0.70% for the year ended December 31, 2012, reflecting lower market interest rates for short-term deposits. The decrease in the cost of deposits was further assisted by a decrease of $44.2 million, or 3.2%, in average interest-bearing deposits. The decrease in average deposit balances was attributable to a decrease of $109.8 million in certificates of deposit, partially offset by an increase of $65.6 million in savings, NOW, and money market accounts.

Net Interest Income. Net interest income for the year ended December 31, 2013, increased $6.6 million, or 9.6%, as the $232.3 million, or 10.1%, increase in our average interest-earning assets more than offset the one basis point decrease in our net interest margin to 2.97%. The increase in average interest-earning assets was due primarily to increases in average net loans outstanding of $238.7 million, other securities of $13.2 million, and deposits in financial institutions of $4.7 million partially offset by a decrease in mortgage-backed securities of $24.8 million. The December 31, 2013 year included loan prepayment income of $2.2 million compared to $1.5 million for the year ended December 31, 2012. The year ended December 31, 2013, also included a recovery of $256,000 of interest that was previously applied to principal. Rates paid on interest-bearing liabilities decreased 25 basis points to 0.95% for the current year as compared to 1.20% for the prior year. This was offset by a 33 basis point decrease in yields earned on interest earning assets to 3.63% for the year ended December 31, 2013, as compared to 3.96% for 2012.

Provision for Loan Losses. The provision for loan losses decreased $1.6 million, or 45.5%, to $1.9 million for the year ended December 31, 2013, from $3.5 million for the year ended December 31, 2012. The decrease in the provision for loan losses resulted primarily from a decrease in net charge-offs of approximately $1.6 million, and a decrease in non-performing loans, partially offset by loan growth. Originated loan growth was approximately 26.8% for the year ended December 31, 2013, compared to 8.1% for the year ended December 31, 2012. Net charge-offs were $2.3 million for the year ended December 31, 2013, compared to net charge-offs of $3.9 million for the year ended December 31, 2012.

Non-interest Income. Non-interest income increased $1.6 million, or 18.3%, to $10.2 million for the year ended December 31, 2013, from $8.6 million for the year ended December 31, 2012. This increase was primarily a result of an increase of $683,000 in gain on securities transactions, net, a $724,000 increase in income on bank owned life insurance, and a $401,000 increase in other non-interest income that was primarily related to the sale of vacant land adjacent to a branch, partially offset by an increase of $410,000 in other-than-temporary impairment losses on securities. Securities gains in 2013 included $963,000 related to the Company's trading portfolio, while 2012 included securities gains of $384,000 related to the Company's trading portfolio.

Non-interest Expense. Non-interest expense increased $4.9 million, or 9.9%, for the year ended December 31, 2013, compared to the year ended December 31, 2012. This was due primarily to a $3.0 million increase in compensation and employee benefits which is related to increased staff due to branch openings and the Merger, additional ESOP expense related to the issuance of shares in the second step conversion. The increase in non-interest expense also includes to a lesser extent salary adjustments effective January 1, 2013, and includes an increase of $579,000 in expense related to the Company's deferred compensation plan

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which is described above, and had no effect on net income. Additionally, there was a $1.5 million increase in occupancy expense primarily related to new branches, the Merger, and the renovation of existing branches, and a $562,000 increase in data processing fees due to data conversion charges related to the Merger. This increase was partially offset by a $394,000 decrease in professional fees.

Income Tax Expense. The Company recorded income tax expense of $10.7 million for the year ended December 31, 2013, compared to $8.9 million for the year ended December 31, 2012. The effective tax rate for the year ended December 31, 2013, was 35.9%, as compared to 35.7% for the year ended December 31, 2012.

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,								
	2014			2013			2012		
	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)								
Interest-earning assets:									
Loans [(1)]	$1,628,325	$73,407	4.51 %	$1,339,348	$68,472	5.11 %	$1,100,632	$61,514	5.59 %
Mortgage-backed securities [(2)]	797,146	16,861	2.12	1,014,856	21,920	2.16	1,039,677	26,791	2.58
Other securities[(2)]	79,879	604	0.76	129,908	1,459	1.12	116,664	2,588	2.22
Federal Home Loan Bank of New York stock	21,349	772	3.62	13,905	536	3.85	13,391	591	4.41
Interest-earning deposits	41,373	57	0.14	46,156	83	0.18	41,462	55	0.13
Total interest-earning assets	2,568,072	91,701	3.57	2,544,173	92,470	3.63	2,311,826	91,539	3.96
Non-interest-earning assets	207,490			192,007			153,827		
Total assets	$2,775,562			$2,736,180			$2,465,653		
Interest-bearing liabilities:									
Savings, NOW, and money market accounts	$950,234	2,211	0.23	$982,825	2,635	0.27	$917,210	4,136	0.45
Certificates of deposit	306,803	3,180	1.04	370,351	3,866	1.04	480,194	5,701	1.19
Total interest-bearing	1,257,037	5,391	0.43	1,353,176	6,501	0.48	1,397,404	9,837	0.70

deposits									
Borrowings	588,890	9,961	1.69	429,332	10,447	2.43	484,687	12,807	2.64
Total interest-bearing liabilities	1,845,927	15,352	0.83	1,782,508	16,948	0.95	1,882,091	22,644	1.20
Non-interest-bearing deposits	236,425			222,832			173,854		
Accrued expenses and other liabilities	33,911			22,176			16,802		
Total liabilities	2,116,263			2,027,516			2,072,747		
Stockholders' equity	659,299			708,664			392,906		
Total liabilities and stockholders' equity	$2,775,562			$2,736,180			$2,465,653		
Net interest income		$76,349			$75,522			$68,895	
Net interest rate spread (3)			2.74 %			2.68 %			2.76 %
Net interest-earning assets (4)	$722,145			$761,665			$429,735		
Net interest margin (5)			2.97 %			2.97 %			2.98 %
Average interest-earning assets to interest-bearing liabilities	139.12 %			142.73 %			122.83 %		

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(1) Includes non-accruing loans.
(2) Securities available-for-sale are reported at amortized cost.
(3) 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.
(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(5) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis

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, 2014 vs. 2013			Year Ended December 31, 2013 vs. 2012		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
	Volume	Rate	Increase (Decrease)	Volume	Rate	Increase (Decrease)
	(In thousands)					
Interest-earning assets:						
Loans	$10,868	$(5,933)	$4,935	$12,554	$(5,596)	$6,958
Mortgage-backed securities	(4,613)	(446)	(5,059)	(623)	(4,248)	(4,871)
Other securities	(464)	(391)	(855)	268	(1,397)	(1,129)
Federal Home Loan Bank of New York stock	266	(30)	236	22	(77)	(55)
Interest-earning deposits	(8)	(18)	(26)	6	22	28
Total interest-earning assets	6,049	(6,818)	(769)	12,227	(11,296)	931
Interest-bearing liabilities:						
Savings, NOW and money market accounts	(78)	(346)	(424)	293	(1,794)	(1,501)
Certificates of deposit	(686)	—	(686)	(1,141)	(694)	(1,835)
Total deposits	(764)	(346)	(1,110)	(848)	(2,488)	(3,336)
Borrowings	(2,691)	2,205	(486)	(1,069)	(1,291)	(2,360)
Total interest-bearing liabilities	(3,455)	1,859	(1,596)	(1,917)	(3,779)	(5,696)
Change in net interest income	$9,504	$(8,677)	$827	$14,144	$(7,517)	$6,627

Asset Quality

Purchased Credit Impaired (“PCI”) Loans

PCI loans were recorded at estimated fair value using discounted expected future cash flows deemed to be collectible on the date acquired. Based on its detailed review of PCI loans and experience in loan workouts, management believes it has a reasonable expectation about the amount and timing of future cash flows and accordingly has classified PCI loans ($44.8 million at December 31, 2014) as accruing, even though they may be contractually past due. At December 31, 2014, based on contractual principal, 7.8% of PCI loans were past due 30 to 89 days, and 24.1% were past due 90 days or more, as compared to 6.6% and 14.9%, respectively, at December 31, 2013. The amount and

timing of expected cash flows as of December 31, 2014 did not change significantly from our last recast during the second quarter of 2014.

Originated and Acquired Loans

The discussion that follows includes originated and acquired loans, both held-for-investment and held-for-sale.

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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. At December 31, 2014, our non-performing loans totaled $14.6 million or 0.75% of total loans held-for-investment. At the same time, net charge-offs have remained low at 0.02% of average loans outstanding for the year ended December 31, 2014, as compared to 0.17% for the year ended December 31, 2013, and 0.36% for the year ended December 31, 2012. Net charge-offs in 2013 include $856,000 related to the transfer of $2.4 million of loans from held-for-investment to held-for-sale and $1.3 million related to the transfer of $1.6 million of loans held-for-investment to held-for-sale in 2012.

Non-performing Assets and Delinquent Loans. Non-performing loans decreased $3.2 million, or 18.1%, to $14.6 million at December 31, 2014, from $17.8 million at December 31, 2013. The following table details non-performing assets at December 31, 2014 and 2013 (in thousands).

	December 31,	
	2014	2013
Non-accruing loans:		
Held-for-investment	$4,332	$6,649
Held-for-sale	—	471
Non-accruing loans subject to restructuring agreements:		
Held-for-investment	9,543	10,651
Held-for-sale	—	—
Total non-accruing loans	13,875	17,771
Loans 90 days or more past due and still accruing:		
Held-for-investment	708	32
Total non-performing loans	14,583	17,803
Other real estate owned	752	634
Total non-performing assets	$15,335	$18,437
Loans subject to restructuring agreements and still accruing	$24,213	$26,190
Accruing loans 30 to 89 days delinquent	$12,253	$13,331

The following table details non-performing loans by loan type at December 31, 2014 and 2013. At December 31, 2014, there were no loans held-for-sale. At December 31, 2013, the table includes $471,000 of multi-family non-accruing loans held-for-sale.

	December 31,	
	2014	2013
	(in thousands)	
Non-accrual loans:		
Real estate loans:		
Commercial	$11,164	$12,450
One-to-four family residential	2,205	2,989
Construction and land	—	108
Multifamily	—	544
Home equity and lines of credit	98	1,239
Commercial and industrial	408	441
Total non-accrual loans:	13,875	17,771
Loans delinquent 90 days or more and still accruing:		
Real estate loans:		

One-to-four family residential	708	—
Other	—	32
Total loans delinquent 90 days or more and still accruing	708	32
Total non-performing loans	$14,583	$17,803

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Generally, loans, excluding PCI 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 consecutive months of performance under the loan terms, and factors indicating reasonable doubt about the timely collection of payments no longer exist. Therefore, loans may be current in accordance with their loan terms, or may be less than 90 days delinquent and still be on a non-accruing status.

The decrease in non-accrual loans was attributable primarily to the sale of $2.9 million of loans held-for-investment and $2.0 million of loans returning to accrual status. These decreases were partially offset by $1.6 million of loans being placed on non-accrual status during the year ended December 31, 2014.

At December 31, 2014, the Company had $12.3 million of accruing loans that were 30 to 89 days delinquent, as compared to $13.3 million at December 31, 2013. 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.

	December 31,	
	2014	2013
	(in thousands)	
Real estate loans:		
Commercial	$6,492	$4,274
One-to-four family residential	4,353	5,644
Multifamily	1,090	2,483
Home equity and lines of credit	135	94
Commercial and industrial loans	122	815
Other loans	60	21
Total	$12,252	$13,331

Included in non-accruing loans are loans subject to restructuring agreements totaling $9.5 and $10.7 million at December 31, 2014, and December 31, 2013, respectively. At December 31, 2014, the entire $9.5 million of loans subject to restructuring agreements were not performing in accordance with their restructured terms, as compared to $7.5 million, or 70.4%, at December 31, 2013. Three separate relationships account for the loans not performing in accordance with their restructured terms at December 31, 2014, of which one relationship is made up of several loans totaling $7.2 million primarily collateralized by real estate, with an aggregate appraised value of $9.5 million based on an appraisal performed within the last 18 months. The Company also holds loans subject to restructuring agreements that are on accrual status, which totaled $24.2 million and $26.2 million at December 31, 2014, and December 31, 2013, respectively. At December 31, 2014, loans totaling $1.6 million, or 6.6%, of the $24.2 million were not performing in accordance with their restructured terms as compared to $3.6 million, or 13.7% of the $26.2 million at December 31, 2013. These loans were less than 90 days delinquent at December 31, 2014. Generally, the types of concessions that we make to troubled borrowers include reductions to both temporary and permanent interest rates, extensions of payment terms, and to a lesser extent forgiveness of principal and interest.

The table below sets forth the amounts and categories of the TDRs as of December 31, 2014, and December 31, 2013.

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	At December 31,			
	2014		2013	
	Non-Accruing	Accruing	Non-Accruing	Accruing
	(in thousands)			
Troubled Debt Restructurings:				
Real estate loans:				
Commercial	$9,135	$19,570	$9,495	$21,536
One-to-four family residential	—	1,927	607	1,176
Construction and land	—	—	108	—
Multifamily	—	1,990	—	2,074
Home equity and lines of credit	—	327	—	341
Commercial and industrial loans	408	399	441	1,063
	$9,543	$24,213	$10,651	$26,190

Allowance for loan losses. The allowance for loan losses to non-performing loans (held-for-investment) increased from 150.23% at December 31, 2013, to 180.29% at December 31, 2014. This increase was primarily attributable to a decrease in non-performing loans of $3.2 million, from $17.8 million at December 31, 2013, to $14.6 million at December 31, 2014. At December 31, 2014, 72.1% of the appraisals utilized for our impairment analysis were completed within the last 12 months and 27.9% were completed within the last 18 months. All appraisals older than 12 months were reviewed by management and appropriate adjustments were made utilizing current market indices. Generally, non-performing loans are charged down to the appraised value of collateral less costs to sell, which reduces the 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 originated loans held-for-investment, net, decreased to 1.61% at December 31, 2014, from 1.93% at December 31, 2013. The decrease in the provision for loan losses was primarily attributable to continued improvement in asset quality indicators, and to a lesser extent, the Company's PCI portfolio, which had a reversal of a previously recorded impairment, and lower originated loan growth in 2014 as compared to 2013. Net charge-offs were $390,000 and $2.3 million for the years ended December 31, 2014 and 2013, respectively, compared to a provision of $645,000 and $1.9 million for the years ended December 31, 2014 and 2013, respectively.

Specific reserves on impaired loans increased $123,000, or 4.7%, from $2.6 million, at December 31, 2013, to $2.8 million at December 31, 2014. At December 31, 2014, the Company had 32 loans classified as impaired and recorded a total of $2.8 million of specific reserves on 15 of the 32 impaired loans. At December 31, 2013, the Company had 36 loans classified as impaired and recorded a total of $2.6 million of specific reserves on 12 of the 36 impaired loans.

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The following table sets forth activity in our allowance for loan losses, by loan type, at December 31, for the years indicated.

	Real estate loans											
	Commercial	One-to-four Family Residential	Construction and Land	Multifamily	Home Equity and Lines of Credit	Commercial and Industrial	Insurance Premium Loans	Other	PCI	Acquired	Unallocated	Total Allowance for Loan Losses
	(in thousands)											
2011	$15,180	$967	$1,189	$6,772	$418	$975	$186	$40	$—	$—	$1,109	$26,836
Provision for loan losses	1,021	956	(152)	1,034	207	189	(3)	(44)	236	—	92	3,536
Recoveries	107	—	—	9	—	86	18	25	—	—	—	245
Charge-offs	(1,828)	(1,300)	(43)	(729)	(2)	(90)	(198)	(3)	—	—	—	(4,193)
2012	14,480	623	994	7,086	623	1,160	3	18	236	—	1,201	26,424
Provision for loan losses	(654)	648	(1,356)	2,945	728	(557)	(3)	1	352	—	(177)	1,927
Recoveries	1	18	567	—	—	201	—	73	—	—	—	860
Charge-offs	(1,208)	(414)	—	(657)	(491)	(379)	—	(25)	—	—	—	(3,174)
2013	12,619	875	205	9,374	860	425	—	67	588	—	1,024	26,037
Provision for loan losses	(3,279)	134	(185)	2,817	530	543	—	26	(188)	62	185	645
Recoveries	72	—	246	35	—	8	—	41	—		—	402
Charge-offs	(103)	(58)	—	(7)	(489)	(135)	—	—	—		—	(792)
2014	$9,309	$951	$266	$12,219	$901	$841	$—	$134	$400	$62	$1,209	$26,292

During the year ended December 31, 2014, the Company recorded net charge-offs of $390,000, a decrease of $1.9 million, or 83.1%, as compared to net charge-offs of $2.3 million for the year ended December 31, 2013. The decrease in net charge-offs was primarily attributable to a $1.2 million decrease in net charge-offs related to commercial real estate loans, a $338,000 decrease in net charge-offs related to one-to-four family residential real estate loans and a $685,000 decrease in net charge-offs related to multifamily loans, partially offset by a $321,000 decrease in net recoveries related to construction and land loans. 2013 net charge-offs include $471,000 related to loans transferred to held-for-sale. As a result of increases in outstanding balances, the allowance for loan losses allocated to multifamily real estate loans increased by $2.8 million, or 30.3%, from $9.4 million at December 31, 2013, to $12.2 million at December 31, 2014. In addition, as a result of reduced non-performing loans and net charge-offs incurred, the Company's historical and general loss factors have decreased, thus decreasing the allowance for loan losses allocated to commercial real estate loans. Allowance for loan losses allocated to one-to-four family residential, construction and land, home equity and lines of credit, and commercial and industrial loans increased from December 31, 2013, to December 31, 2014. This increase was primarily attributable to growth in the portfolios.

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Management of Market Risk

General. A majority of our assets and liabilities are monetary in nature. Consequently, our most significant form of market risk is interest rate risk. Our assets, consisting primarily of mortgage-related assets and loans, generally have longer maturities than our liabilities, which consist primarily of deposits and wholesale borrowings. As a result, a principal part of our business strategy involves managing interest rate risk and limiting the exposure of our net interest income to changes in market interest rates. Accordingly, our board of directors has established a management risk committee, comprised of our Chief Investment Officer, who chairs this Committee, our Chief Executive Officer, our President/Chief Operating Officer, our Chief Financial Officer, our Chief Lending Officer, 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 management committee of our board of directors the level of risk that is appropriate given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

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

- originating multifamily loans and commercial real estate loans that generally tend to have shorter maturities than one-to-four family residential real estate loans and have higher interest rates that generally reset from five to ten years;
- investing in shorter term investment grade corporate securities and mortgage-backed securities; and
- obtaining general financing through lower-cost core deposits and longer-term Federal Home Loan Bank advances and repurchase agreements.

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

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

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

The table below sets forth, as of December 31, 2014, our calculation of the estimated changes in our NPV, NPV ratio, and percent change in net interest income that would result from the designated instantaneous and sustained changes in interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous

assumptions, including relative levels of market interest rates, loan prepayments and deposit repricing characteristics including decay rates, and correlations to movements in interest rates, and should not be relied on as indicative of actual results (dollars in thousands).

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Change in Interest Rates (basis points)	NPV at December 31, 2014 Estimated Present Value of Assets	Estimated Present Value of Liabilities	Estimated NPV	Estimated Change In NPV	Estimated Change in NPV %	Estimated NPV/Present Value of Assets Ratio	Net Interest Income Percent Change
400	$2,666,893	$2,236,062	$430,831	$(233,202)	(35.12)%	16.15%	(16.56)%
300	2,750,724	2,272,781	477,943	(186,090)	(28.02)	17.38	(12.29)
200	2,844,970	2,310,727	534,243	(129,790)	(19.55)	18.78	(7.96)
100	2,943,080	2,349,959	593,121	(70,912)	(10.68)	20.15	