Northfield Bancorp, Inc.
Form 10-K
March 16, 2017
Table of Contents

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, 2016
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	80-0882592
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
581 Main Street, Suite 810 Woodbridge, New Jersey	07095
(Address of Principal Executive Offices)	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 ý
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 ý
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 ý 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 ý 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	ý
Non-accelerated filer ¨	Smaller reporting company ¨	

Table of Contents

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

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, 2016 was $615,976,344.

As of February 28, 2017, there were outstanding 48,843,879 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Definitive Proxy Statement (the 2017 Proxy Statement) for the 2017 Annual Meeting of the Stockholders to be held May 24, 2017, will be incorporated by reference in Part III. The 2017 Proxy Statement will be filed within 120 days of December 31, 2016.

Table of Contents

NORTHFIELD BANCORP, INC.

ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	Part I.	Page
Item 1.	Business	1
Item 1A.	Risk Factors	34
Item 1B.	Unresolved Staff Comments	43
Item 2.	Properties	43
Item 3.	Legal Proceedings	43
Item 4.	Mine Safety Disclosures	43
	Part II.	
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	44
Item 6.	Selected Financial Data	47
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	49
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	66
Item 8.	Financial Statements and Supplementary Data	66
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	126
Item 9A.	Controls and Procedures	126
Item 9B.	Other Information	126
	Part III.	
Item 10.	Directors, Executive Officers and Corporate Governance	127
Item 11.	Executive Compensation	127
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	127
Item 13	Certain Relationships and Related Transactions, and Director Independence	127
Item 14	Principal Accounting Fees and Services	127
	Part IV.	
Item 15	Exhibits, Financial Statement Schedules	128
Item 16	Form 10-K Summary	130
Signatures		131

Table of Contents

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, tax policies, 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.

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.

Table of Contents

Northfield Bancorp, Inc.

Northfield Bancorp, Inc., a Delaware corporation (the "Company"), was organized in June 2010 and is the 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, Suite 810, Woodbridge, New Jersey 07095, and its telephone number at this address is (732) 499-7200. The Company's electronic filings with the Securities and Exchange Commission, including copies of annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these filings, if any, are available, free of charge, as soon as practicable after they are filed with the Securities and Exchange Commission under the Investor Relations section of the Company's website, 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 from its home office located in Staten Island, New York, its operations center located in Woodbridge, New Jersey, its 37 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 Hunterdon, Mercer, Middlesex, and Union.

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

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, and home equity loans and lines of credit, as well as acquires pools of loans from time to time. 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 through Federal Home Loan Bank ("FHLB") of New York advances and repurchase agreements with brokers. 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. In addition, Northfield Bank refers its customers to independent third parties that provide non-deposit investment products and one-to-four family residential mortgage products.

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

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 since March 1, 1887, 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 position, as our major strengths in attracting and retaining customers in our market areas.

Table of Contents

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

Our deposit sources are primarily concentrated in the communities surrounding our branch offices in the New York counties of Richmond (Staten Island) and Kings (Brooklyn), and Hunterdon, Mercer, Middlesex and Union counties in New Jersey. As of June 30, 2016 (the latest date for which information is publicly available), we ranked fifth in deposit market share for Federal Deposit Insurance Corporation (FDIC) Insured Institutions in Staten Island with a 10.61% market share. As of that date, we had a 0.68% deposit market share in Brooklyn, New York, and a combined deposit market share of 1.32% in the Hunterdon, Mercer, 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,				
	2016	2015	2014	2013	2012
Hunterdon County, NJ	3.0%	3.2%	4.2%	4.6%	6.2%
Mercer County, NJ	3.5	3.6	5.1	5.7	7.6
Union County, NJ	4.2	4.5	6.2	6.9	8.8
Middlesex County, NJ	3.5	3.8	5.2	6.1	7.9
Richmond County, NY	4.4	5.0	6.2	7.8	9.1
Kings County, NY	4.5	5.2	6.4	8.3	9.5
National Average	4.7	5.0	5.6	6.7	7.9

The following table sets forth median household income at December 31, 2016 and 2015, for the communities we serve, as published by the U.S. Census Bureau:

	Median Household Income At December 31,	
	2016	2015
Hunterdon County, NJ	$113,676	$106,925
Mercer County, NJ	73,343	72,375
Union County, NJ	67,257	69,222
Middlesex County, NJ	79,140	78,734
Richmond County, NY	71,706	72,559
Kings County, NY	49,716	46,965

Lending Activities

Our principal lending activity is the origination of multifamily real estate loans and, to a lesser extent, other commercial real estate loans (typically on office, retail, and industrial properties), in New York City, New Jersey, and eastern Pennsylvania. We also originate one-to-four family residential real estate loans (non-owner occupied investment properties), construction and land loans, commercial and industrial loans, and home equity loans and lines of credit.

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 the fourth quarter of 2015 we discontinued an origination assistance agreement with a third-party underwriter to originate residential real estate loans that conformed to secondary market underwriting standards, whereby the third-party underwriter would process and underwrite one-to-four family residential real estate loans that we funded at origination, and we elected 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 activity may be adversely affected by changes in economic

Table of Contents

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. Our commercial and industrial loans typically are generated through our loan officers and, to a lesser extent, referrals from accountants and other professional contacts. We generally retain in our portfolio all loans we originate and have historically only sold non-performing loans as part of a package of loans that were sold through the use of a third-party broker, or individual loans that were sold to individual third parties.

Loans acquired in an assisted transaction with the FDIC in 2011, and in the mergers with Flatbush Federal Bancorp, Inc. (2012) and Hopewell Valley (2016), with deteriorated credit quality, herein referred to as purchased credit-impaired ("PCI") loans, have a carrying value of $30.5 million at December 31, 2016. The accounting and reporting for these 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 three 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) originated loans held-for-investment, which are carried at amortized cost, less net charge-offs and the allowance for loan losses, and (3) 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. PCI and acquired loans are periodically evaluated for impairment after their initial valuation and, if determined to be impaired, could have an associated allowance for loan losses.

Loan Approval Procedures and Authority. Our lending activities follow written, non-discriminatory, underwriting standards approved 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 or certified appraiser approved by our board of directors. The appraisals of multifamily and other commercial real estate properties are also reviewed by an independent third-party appraiser. 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 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 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 and $5.4 million, at December 31, 2013 and 2012, respectively. There were no loans held for sale at December 31, 2016, 2015, and 2014.

Table of Contents

	At December 31,								
	2016		2015		2014		2013		2012
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	(Dollars in thousands)								
Loans originated:									
Real estate loans:									
Multifamily	$1,506,335	50.86 %	$1,318,461	55.66 %	$1,072,193	55.31 %	$870,951	58.61 %	$610,129
Commercial	412,667	13.93	402,073	16.97	390,288	20.13 %	340,174	22.89	315,450
One-to-four family residential	105,968	3.58	98,332	4.15	74,401	3.84 %	64,753	4.36	64,733
Home equity and lines of credit	65,437	2.21	61,413	2.59	54,533	2.81 %	46,231	3.11	33,573
Construction and land	14,065	0.47	18,652	0.79	21,412	1.10 %	14,152	0.95	23,243
Commercial and industrial loans	31,906	1.08	25,554	1.08	12,945	0.67 %	10,162	0.68	14,786
Other loans	1,497	0.05	2,256	0.10	2,157	0.12 %	2,310	0.16	1,830
Total loans originated	2,137,875	72.18	1,926,741	81.34	1,627,929	83.98 %	1,348,733	90.76	1,063,744
PCI loans	30,498	1.03	33,115	1.40	44,816	2.31 %	59,468	4.00	75,349
Loans acquired:									
Real estate loans:									
One-to-four family residential	317,639	10.73	330,672	13.96	234,478	12.10	60,262	4.06	78,237
Multifamily	215,389	7.27	64,779	2.73	18,844	0.97	3,930	0.26	5,763
Commercial	188,001	6.35	11,160	0.47	11,999	0.62	13,254	0.89	17,053
Home equity and lines of credit	25,522	0.86	2,404	0.10	—	—	—	—	—
Construction and land	20,887	0.71	—	—	364	0.02	371	0.03	380
Commercial and industrial loans	25,443	0.86	—	—	—	—	—	—	—
Other loans	359	0.01	—	—	—	—	—	—	—
Total loans acquired	793,240	26.79	409,015	17.26	265,685	13.71	77,817	5.24	101,433
Total loans	$2,961,613	100.00 %	$2,368,871	100.00 %	$1,938,430	100.00 %	$1,486,018	100.00 %	$1,240,526
Other items:									
Deferred loan costs (fees), net	6,471		4,844		4,565		3,458		2,456
Allowance for loan losses	(24,595)		(24,770)		(26,292)		(26,037)		(26,424
Net loans held-for-investment	$2,943,489		$2,348,945		$1,916,703		$1,463,439		$1,216,558

At December 31, 2016, PCI loans consisted of approximately 30% commercial real estate loans and 48% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2015, these loans consisted of approximately 28% commercial real estate loans and 52% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2014, these 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 and 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 and 52% 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 and weighted average contractual rate by loan type at December 31, 2016. Demand loans (loans having no stated repayment schedule or maturity) and overdraft loans are reported as being due in the year ending December 31, 2017. Maturities are based on the final contractual payment date and do not reflect the effect of prepayments, repricing and scheduled principal amortization.

Table of Contents

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,								
2017	$—	— %	$673	7.00 %	$723	5.55 %	$589	3.40 %
2018	241	4.75 %	15,167	5.04 %	607	4.77 %	617	3.25 %
2019	—	— %	1,629	5.20 %	417	5.34 %	801	3.37 %
2020 to 2021	473	6.25 %	5,156	4.80 %	398	5.77 %	2,491	3.65 %
2022 to 2026	81,911	3.83 %	21,514	4.46 %	2,233	4.59 %	11,138	3.53 %
2027 to 2031	55,070	4.44 %	66,313	4.56 %	12,399	4.04 %	16,831	3.81 %
2032 and beyond	1,368,640	3.56 %	302,215	4.35 %	89,191	3.57 %	32,970	3.31 %
Total	$1,506,335	3.61 %	$412,667	4.43 %	$105,968	3.68 %	$65,437	3.49 %

	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,						
2017	$4,016	4.97 %	$12,378	4.29 %	$1,235	0.17 %
2018	3,337	5.34 %	345	5.42 %	54	5.55 %
2019	—	— %	2,335	4.42 %	—	— %
2020 to 2021	—	— %	7,393	3.64 %	30	10.73 %
2022 to 2026	119	4.83 %	8,825	4.68 %	75	5.96 %
2027 to 2031	533	6.49 %	401	4.74 %	—	— %
2032 and beyond	6,060	4.04 %	229	8.21 %	103	4.25 %
Total	$14,065	4.71 %	$31,906	4.30 %	$1,497	1.15 %

Acquired Loans

	One-to-Four-Family Residential		Multifamily		Commercial Real Estate		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,								
2017	$3,627	4.65 %	$—	— %	$2,270	5.05 %	$422	3.27 %
2018	2,193	4.75 %	40	7.01 %	1,623	4.74 %	842	3.38 %
2019	2,348	5.18 %	6,396	3.35 %	5,315	4.80 %	1,150	3.76 %
2020 to 2021	1,675	6.58 %	141	7.07 %	12,629	4.58 %	1,494	3.50 %

2022 to 2026	3,651	5.36	%	200,168	3.15	%	34,881	4.34	%	6,430	3.86	%
2027 to 2031	10,404	4.06	%	4,259	3.71	%	19,399	4.80	%	11,303	3.83	%
2032 and beyond	293,741	2.81	%	4,385	4.47	%	111,884	5.11	%	3,881	2.49	%
Total	$317,639	2.95	%	$215,389	3.20	%	$188,001	4.89	%	$25,522	3.59	%

Table of Contents

	Acquired Loans (continued)					
	Commercial and Industrial		Construction and Land		Other	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)					
Due during the years ending December 31,						
2017	$8,155	4.16 %	$10,395	4.87 %	$265	5.39 %
2018	3,202	4.71 %	488	4.75 %	42	9.61 %
2019	1,199	4.51 %	—	— %	46	11.56 %
2020 to 2021	3,423	4.69 %	—	— %	6	15.75 %
2022 to 2026	5,039	5.02 %	4,564	4.77 %	—	— %
2027 to 2031	533	4.91 %	—	— %	—	— %
2032 and beyond	3,892	5.41 %	5,440	4.87 %	—	— %
Total	$25,443	4.69 %	$20,887	4.85 %	$359	6.85 %

	PCI loans		Total Loans	
	Amount	Weighted Average Rate(1)	Amount	Weighted Average Rate
	(Dollars in thousands)			
Due during the years ending December 31,				
2017	$5,019	7.22 %	$49,767	4.74 %
2018	752	12.30 %	29,550	5.10 %
2019	1,894	11.80 %	23,530	4.91 %
2020 to 2021	3,403	13.99 %	38,712	5.30 %
2022 to 2026	3,083	6.89 %	383,631	3.64 %
2027 to 2031	2,847	7.38 %	200,292	4.42 %
2032 and beyond	13,500	9.18 %	2,236,131	3.68 %
Total	$30,498	9.23 %	$2,961,613	3.79 %

(1) Represents estimated accretable yield.

At December 31, 2016, the Company had a total of $2.24 billion in loans due to mature in 2032 and beyond, of which $57.3 million, or 2.56%, are fixed rate loans.

The following table sets forth fixed- and adjustable-rate loans at December 31, 2016, that are contractually due after December 31, 2017:

	Due After December 31, 2017		
	Fixed Rate	Adjustable Rate	Total
	(Dollars in thousands)		
Real estate loans:			
Multifamily	$98,861	$1,407,474	$1,506,335
Commercial	41,959	370,035	411,994
One-to-four family residential	27,919	77,326	105,245
Construction and land	92	9,957	10,049
Home equity and lines of credit	33,363	31,485	64,848

Commercial and industrial loans	11,937	7,591	19,528
Other loans	262	—	262
PCI loans	3,397	22,082	25,479
Acquired loans	285,635	482,471	768,106
Total loans	$503,425	$2,408,421	$2,911,846

7

Multifamily Real Estate Loans. Originated loans secured by multifamily properties totaled approximately $1.51 billion, or 50.9% of our total loan portfolio, at December 31, 2016. We include in this category properties having more than four residential units and a business or businesses where the majority of space is utilized for residential purposes which we refer to as mixed-use. At December 31, 2016, we had 865 originated multifamily real estate loans, with an average loan balance of approximately $1.7 million, although there are a large number of loans with balances substantially greater than this average. At December 31, 2016, our largest multifamily real estate loan had a principal balance of $30.9 million, was secured by four apartment buildings located in Staten Island, New York, 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. 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. Beginning in October 2016, the Federal Reserve Statistical Release no longer publishes the LIBOR rate and we now use Intercontinental Exchange (“ICE”) market data reports to obtain LIBOR rates. 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 10-year term. In addition, our multi-family loans may contain an initial interest-only period which typically does not exceed two years; however, these loans are underwritten on a fully amortizing basis. Loans that we have purchased typically adjust to different indexes.

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 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 maximum 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, except when warranted.

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, or interest payments on the loan increase, 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 had a principal balance of $6.7 million at December 31, 2016, and was performing in accordance with its original contractual terms at that date.

Commercial Real Estate Loans. Originated commercial real estate loans (other than multifamily real estate loans) totaled $412.7 million, or 13.9% of our loan portfolio as of December 31, 2016. At December 31, 2016, our commercial real estate loan portfolio consisted of 391 loans with an average loan balance of approximately $1.1 million, although there are a large number of loans with balances substantially greater than this average. At December 31, 2016, our largest commercial real estate loan had a principal balance of $21.1 million, was secured by a mall with two small retail buildings located in New Jersey, 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 following table sets forth the property types collateralizing our commercial real estate loans as of December 31, 2016:

Table of Contents

	At December 31, 2016	
	Amount	Percent
	(Dollars in thousands)	
Mixed use (majority of space is non-residential)	$117,866	28.6 %
Retail	104,478	25.3
Office buildings	73,528	17.8
Warehousing	21,437	5.2
Accommodations	22,365	5.4
Services	21,464	5.2
Healthcare facilities	14,909	3.6
Manufacturing	7,299	1.8
Restaurant	7,221	1.7
Schools/day care	5,667	1.4
Recreational	3,512	0.9
Other	12,921	3.1
	$412,667	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. Adjustable rate loans generally have been indexed to the five-year LIBOR swaps rate as published in the Federal Reserve Statistical Release, adjusted for a negotiated margin. Beginning in October 2016, the Federal Reserve Statistical Release no longer publishes the LIBOR rate and we now use ICE market data reports to obtain LIBOR rates. 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 10-year term. Loans that we have acquired and purchased typically adjust to different indexes.

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 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 maximum 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 than multifamily residential real estate loans. Commercial real estate loans also generally have greater credit risk compared to multifamily residential real estate loans, as they typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. 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 multifamily residential properties.

Construction and Land Loans. At December 31, 2016, originated construction and land loans totaled $14.1 million, or 0.5% of total loans receivable, and the additional un-advanced portion of these construction loans totaled $3.3 million. At December 31, 2016, we had 18 construction and land loans with an average loan balance of approximately $783,000 and our largest construction and land loan had a principal balance of $3.9 million and was secured by land. At December 31, 2016, this loan was 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.

Table of Contents

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 only 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 municipal approvals 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 three 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 multifamily and commercial real estate loans. Construction and land loans have greater credit risk than long-term financing on improved, income-producing 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 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 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, 2016, originated commercial and industrial loans totaled $31.9 million or 1.1% of the total loan portfolio and the additional un-advanced portion of these commercial and industrial loans totaled $25.0 million. As of December 31, 2016, we had 193 commercial and industrial loans with an average loan balance of approximately $166,000, although we originate these types of loans in amounts substantially greater than this average. At December 31, 2016, our largest commercial and industrial loan had a principal balance of $5.0 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 indexed 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 the prime rate as published in The Wall Street Journal.

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 of up to $250,000 using a scoring system developed by a third-party vendor. The scoring system provides a consistent 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 serve primarily the Company's existing markets and the acquisition of Hopewell Valley in 2016 further allowed the Company to expand its commercial and industrial lending in New Jersey and Pennsylvania.

Commercial and industrial loans generally carry higher interest rates than multifamily and commercial 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, 2016, we had 271 originated one-to-four family residential real estate loans outstanding with an aggregate balance of $106.0 million, or 3.6% of our total loan portfolio. As of December 31, 2016, the average balance of originated one-to-four family residential real estate loans was approximately $393,000, although we have originated this type of loan in amounts substantially greater than this average. At December 31, 2016, our largest loan of this type had a principal balance of $4.9 million, was collateralized by 48 two-bedroom individual condominiums, and was performing in accordance with its original contractual terms. We no longer offer loans secured by owner-occupied, one-to-four family residential real estate loans. In the fourth quarter of 2015 we discontinued an origination assistance agreement with a third-party underwriter to originate residential real estate loans that conformed to secondary market underwriting standards, whereby the third-party underwriter would process and underwrite one-to-four family residential real estate loans that we funded at origination, and we elected either to portfolio the loans or sell them to the third-party. 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 $2.4 million and $1.2 million during the years ended December 31, 2015 and 2014, respectively.

We historically have not offered "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. However, during 2014 and 2015, we purchased pools of one-to-four family residential real estate loans, a substantial amount of which are interest-only mortgage loans. For further details on these purchases, see the "Acquired Loans" discussion below. We also historically have not offered 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.

Home Equity Loans and Lines of Credit. At December 31, 2016, we had 1,171 originated home equity loans and lines of credit with an aggregate outstanding balance of $65.4 million, or 2.2% of our total loan portfolio. Of this total, outstanding home equity lines of credit totaled $32.0 million, or 1.1%, of our total loan portfolio and home equity loans totaled $33.4 million, or 1.1%, of our total loan portfolio. At December 31, 2016, the average home equity loan and line of credit balance was approximately $57,000, although we originate these types of loans in amounts substantially greater than this average. At December 31, 2016, our largest outstanding home equity line of credit was $589,000 and was performing in accordance with its original contractual terms. At December 31, 2016, our largest outstanding home equity loan was $367,000 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, 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.

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 are 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 are aggregated and accounted for as pools of loans based on common risk characteristics. PCI loans had a carrying balance of approximately $30.5 million at December 31, 2016, or 1.0% of our total loan portfolio. PCI loans consisted of approximately 30% commercial real estate loans and 48% commercial and industrial loans, with the remaining balance in residential and home equity loans. At December 31, 2016, 6.6% of PCI loans were past due 30 to 89 days, and 19.3% were past due 90 days or more.

Table of Contents

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 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 2016, we acquired $342.6 million of loans as part of the Hopewell Valley acquisition, and in addition, we also purchased loan pools, primarily multifamily loans, totaling $165.9 million.

The following table provides the details of the loans purchased during the year ended December 31, 2016 (dollars in thousands):

Amounts[1][2]	Weighted Average Interest Rate[2]	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans	(F)ixed or (V)ariable	Amortization Term
$ 27,415	3.98%	30%	120	F	30 Years
48,445	2.95%	53%	46	V	30 Years
82,242	2.93%	49%	33	V	30 Years
7,760	2.85%	66%	30	V	30 Years
$ 165,862	3.11%	45%			

(1) At time of purchase
(2) Comprised of $153.2 million multifamily loans, $7.8 million commercial real estate loans, and $4.9 million one-to-four family residential loans
(3) Net of servicing fee retained by the originating bank
The properties securing the above loans are primarily located in New York State.

During 2015, we purchased loan pools totaling $185.0 million, the most significant of which were a $127.4 million pool of one-to-four family residential loans and a $47.4 million pool of multifamily loans. The following table provides the details of the one-to-four family residential loans purchased during the year ended December 31, 2015 (dollars in thousands):

Amounts[1]	Weighted Average Interest Rate[2]	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change	Amortization Term	Amortization Type
$49,345	2.49%	62%	44	30 Years	Fully amortizing
78,086	2.38%	59%	35	20 Years[3]	Delayed amortizing
$127,431	2.42%	60%			

(1) At time of purchase
(2) Net of servicing fee retained by the originating bank
(3) 20 years of amortization begins after an interest-only period for the first 10 years

Of the total loans purchased in the table above, $78.1 million, or 61%, are interest-only for the first 10 years and will re-price in less than five years at one-month LIBOR plus a weighted average margin of 1.6%; a floor rate also is included in the terms. The remainder of the loan pool 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 1.9%, also with a floor rate included in the terms. The properties securing the loans (by state) are located as follows: 62.5% in New York, 22.2% in Massachusetts, and 15.3% in other states.

The multifamily loans purchased in 2015 had a weighted average interest rate of 3.37%, a weighted average loan-to-value ratio of 41.1%, with terms of 10 to 15 years and amortization ranging from 15 to 30 years at December 31, 2015. The properties securing these loans are located in New York State.

Table of Contents

The following table provides the details of the one-to-four family residential loans purchased in 2014 (dollars in thousands):

Amounts[1]	Weighted Average Interest Rate[2]	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[3]	Delayed amortizing
$186,474	2.53%	63%			

(1) At time of purchase
(2) Net of servicing fee retained by the originating bank
(3) 20 years of amortization begins after an interest-only period for the first 10 years

The weighted average coupon of 2.53% noted in the table above is net of the servicing fee retained by the originating bank. Of the total loans purchased, $114.7 million, or 62%, are 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 1.7%. The remainder of the loan pool 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 1.8%. The locations of the properties (by state) securing the loans are as follows: 46.0% in New York, 30.5% in Massachusetts, and 23.5% in other states.

At December 31, 2016, acquired loans totaled approximately $793.2 million and consisted of approximately 40.0% one-to-four family residential loans, 27.2% multifamily loans, and 23.7% commercial real estate loans, with the remaining balance in home equity, construction and land, and commercial and industrial loans. At December 31, 2015, acquired loans totaled approximately $409.0 million and consisted of approximately 80.8% one-to-four family residential loans and 15.8% multifamily loans, with the remaining balance in commercial real estate and home equity loans. At December 31, 2014, acquired loans totaled approximately $265.7 million and consisted of approximately 88.3% one-to-four family residential loans and 7.1% multifamily loans, with the remaining balance in commercial real estate and industrial 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 generally send the borrower a final demand for payment and refer the loan to legal counsel to commence foreclosure and related legal proceedings. At times, we may shorten or lengthen 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 consecutive six-month period.

Table of Contents

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.

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, 2016, 2015, 2014, 2013, and 2012, we had TDRs of $1.8 million, $4.4 million, $9.5 million, $10.7 million, and $19.3 million, respectively, which are included in the appropriate categories within non-accrual loans. Additionally, we had $20.6 million, $22.3 million, $24.2 million, $26.2 million, and $25.7 million, of TDRs on accrual status at December 31, 2016, 2015, 2014, 2013, and 2012, 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, 2016, 75.1% of TDRs were commercial real estate loans, 16.1% were one-to-four family residential loans, 6.8% were multifamily loans, 1.5% were home equity loans, and 0.5% were commercial and industrial loans. At December 31, 2016, all of the $20.6 million in accruing TDR loans were performing in accordance with their restructured terms. At December 31, 2016, loans totaling $1.4 million, or 76.4%, of the $1.8 million in non-accruing TDRs were not performing in accordance with their restructured terms. Three separate relationships account for these non-performing loans, which are primarily collateralized by real estate with an aggregate estimated fair value of $1.4 million.

Table of Contents

	At December 31, 2016	2015	2014	2013	2012
	(Dollars in thousands)				
Non-accrual loans:					
Real estate loans:					
Commercial[1]	$5,513	$5,232	$11,164	$12,450	$22,425
One-to-four family residential	1,629	2,574	2,205	2,989	6,333
Construction and land	—	113	—	108	2,070
Multifamily	43	559	—	544	1,169
Home equity and lines of credit	127	329	98	1,239	1,694
Commercial and industrial loans	9	—	408	441	1,256
Total non-accrual loans	7,321	8,807	13,875	17,771	34,947
Loans delinquent 90 days or more and still accruing:					
Real estate loans:					
Commercial	—	—	—	—	349
One-to-four family residential	52	—	708	—	270
Home equity and lines of credit	8	—	—	—	—
Other	—	—	—	32	2
Commercial and industrial loans	—	15	—	—	—
Total loans delinquent 90 days or more and still accruing	60	15	708	32	621
Total non-performing loans	7,381	8,822	14,583	17,803	35,568
Other real estate owned	850	45	752	634	870
Total non-performing assets	$8,231	$8,867	$15,335	$18,437	$36,438
Ratios:					
Non-performing loans to total loans held-for-investment, net	0.25 %	0.37 %	0.75 %	1.20 %	2.86 %
Non-performing assets to total assets	0.21 %	0.28 %	0.51 %	0.68 %	1.30 %
Total assets	$3,850,094	$3,202,584	$3,020,869	$2,702,764	$2,813,201
Loans held-for-investment, net	$2,968,084	$2,373,715	$1,942,995	$1,489,476	$1,242,982

[1] Included in commercial real estate non-accrual loans at December 31, 2016, is a loan with a balance of approximately $3.3 million which was partially paid off in January 2017, from the sale of one of the properties collateralizing the loan, totaling approximately $3.1 million. No impairment reserve was required on this loan as of December 31, 2016.

At December 31, 2016, 6.6% of PCI loans were past due 30 to 89 days, and 19.3% were past due 90 days or more. At December 31, 2015, 7.9% of PCI loans were past due 30 to 89 days, and 21.4% were past due 90 days or more. At December 31, 2014, 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, 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, 5.4% of PCI loans were past due 30 to 89 days, and 11.4% were past due 90 days or more.

The following table sets forth the property types collateralizing non-accrual commercial real estate loans at December 31, 2016:

	At December 31, 2016	
	Amount	Percent

	(Dollars in thousands)		
Warehousing	$3,341	60.6	%
Restaurants	1,000	18.1	
Office buildings	541	9.8	
Mixed use	341	6.2	
Other	290	5.3	
Total	$5,513	100.0	%

Table of Contents

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 one commercial real estate property with a carrying value of $850,000 at December 31, 2016, and one mixed-use property with a carrying value of $45,000 at December 31, 2015.

Potential Problem Loans and Classification of Assets. Our loan officers and credit administration department 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 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, 2016, classified assets, excluding loans on non-accrual status, consisted of substandard assets of $26.1 million and no doubtful or loss assets. At December 31, 2016, we also had $11.5 million of assets designated as special mention. At December 31, 2015, classified assets, excluding loans on non-accrual status, consisted of substandard assets of $30.1 million and no doubtful or loss assets. At December 31, 2015, we also had $10.6 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 OCC, 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 risk ratings on a semi-annual basis.

At December 31, 2016, the Company had $10.1 million of accruing loans that were 30 to 89 days delinquent, as compared to $21.6 million at December 31, 2015.

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,	
	2016	2015
	(Dollars in thousands)	
Real estate loans:		
Commercial	$4,578	$13,957
One-to-four family residential	3,621	4,209

Multifamily	1,440	2,965
Home equity and lines of credit	263	374
Commercial and industrial loans	148	104
Other loans	50	11
Total	$10,100	$21,620

The decrease in the delinquent loans was due in part to one commercial real estate loan with a balance of $5.6 million at December 31, 2015, which was 31 days delinquent and became current during the first quarter of 2016. This loan had a balance of $5.5 million at December 31, 2016, is classified as an accruing TDR, and adequately covered by collateral with a recent appraised value of $9.3 million.

Table of Contents

Allowance for Loan Losses

We provide for loan losses based on the consistent application of our documented allowance for loan loss methodology. Loan losses are charged to the allowance for loans losses and recoveries are credited to it. Additions to the allowance for loan losses are provided by charges against income based on various factors, which, in our judgment, deserve current recognition in estimating probable losses. 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,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Balance at beginning of year	$24,770	$26,292	$26,037	$26,424	$26,836
Charge-offs:					
Commercial real estate	(638)	(1,431)	(103)	(1,208)	(1,828)
One-to-four family residential	(20)	(277)	(58)	(414)	(1,300)
Construction and land	—	—	—	—	(43)
Multifamily	(278)	(120)	(7)	(657)	(729)
Home equity and lines of credit	—	(115)	(489)	(491)	(2)
Commercial and industrial	(66)	(71)	(135)	(379)	(90)
Insurance premium finance loans	—	—	—	—	(198)
Other	(2)	(1)	—	(25)	(3)
Total charge-offs	(1,004)	(2,015)	(792)	(3,174)	(4,193)
Recoveries:					
Commercial real estate	181	2	72	1	107
One-to-four family residential	2	20	—	18	—
Construction and land	—	—	246	567	—
Multifamily	—	25	35	—	9
Home equity and lines of credit	2	42	—	—	—
Commercial and industrial	4	34	8	201	86
Insurance premium finance loans	—	—	—	—	18
Other	5	17	41	73	25
Total recoveries	194	140	402	860	245
Net charge-offs	(810)	(1,875)	(390)	(2,314)	(3,948)
Provision for loan losses	635	353	645	1,927	3,536
Balance at end of year	$24,595	$24,770	$26,292	$26,037	$26,424
Ratios:					
Net charge-offs to average loans outstanding	0.03%	0.09%	0.02%	0.17%	0.36%
Allowance for loan losses to non-performing loans held-for-investment at end of year (1)	333.23	280.78	180.29	150.23	87.73
Allowance for loan losses to originated loans held-for-investment, net at end of year (2)	1.10	1.24	1.58	1.88	2.46
Allowance for loan losses to total loans held-for-investment at end of year (3)	0.83	1.04	1.35	1.75	2.13

[1] Excludes non-performing loans held-for-sale, carried at lower of cost or estimated fair value, less costs to sell.
[2] Excludes PCI loans, acquired loans held-for-investment and loans held-for-sale (and related allowance for loan losses).
[3] Includes PCI and acquired loans held-for-investment.

At December 31, 2016 and 2015, the allowance for loan losses related to PCI loans was $896,000 and $783,000, respectively. Loans held-for-sale are excluded from the allowance for loan losses coverage ratios in the table above.

Table of Contents

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. Prior to December 31, 2016, we maintained an amount identified as the unallocated component within the allowance for loan losses related to indicators of loan losses not fully captured in other components of the allowance for loan losses methodology, as well as the inherent imprecision of the loss estimation process. During the fourth quarter of 2016, the Company enhanced the allowance for loan losses qualitative framework to more fully capture the risks related to certain loan loss factors. These enhancements are meant to increase the level of precision in the allowance for loan losses. As a result, the Company will no longer have an unallocated reserve in its allowance for loan losses, as the risks and uncertainties meant to be captured by the unallocated allowance have been included in the qualitative framework for the respective loan portfolios.

	At December 31,					
	2016		2015		2014	
	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	$5,432	13.93 %	$7,106	16.97 %	$9,309	20.13 %
One-to-four family residential	664	3.58	787	4.15	951	3.84
Construction and land	172	0.47	261	0.79	266	1.10
Multifamily	14,952	50.86	12,387	55.66	12,219	55.31
Home equity and lines of credit	588	2.21	795	2.59	901	2.81
Commercial and industrial	1,720	1.08	1,288	1.08	841	0.67
PCI loans	896	1.03	783	1.40	400	2.31
Loans Acquired	75	26.79	115	17.26	62	13.71
Other	96	0.05	155	0.10	134	0.12
Total allocated allowance	24,595	100.00 %	23,677	100.00 %	25,083	100.00 %
Unallocated	—		1,093		1,209	
Total	$24,595		$24,770		$26,292	

	At December 31,			
	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
	(Dollars in thousands)			
Real estate loans:				
Commercial	$12,619	22.89 %	$14,480	25.43 %
One-to-four family residential	875	4.36	623	5.22
Construction and land	205	0.95	994	1.87
Multifamily	9,374	58.61	7,086	49.18

Home equity and lines of credit	860	3.11	623	2.71
Commercial and industrial	425	0.68	1,160	1.19
Insurance premium finance loans	—	—	3	—
PCI loans	588	4.00	236	6.07
Loans Acquired	—	5.24	—	8.18
Other	67	0.16	18	0.15
Total allocated allowance	25,013	100.00 %	25,223	100.00 %
Unallocated	1,024		1,201	
Total	$26,037		$26,424	

Table of Contents

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 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, municipal obligations (including bonds, tax anticipation notes and bond anticipation notes), 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 FHLB of New York or as permitted for community reinvestment purposes or to fund Northfield 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, 2016, 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 "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies - Securities Valuation and Impairment" for further discussion). At December 31, 2016, our investment portfolio consisted primarily of mortgage-backed securities guaranteed by GSEs and, to a lesser extent, private label mortgage-backed securities, municipal bonds, corporate debt securities and mutual funds. 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.

Table of Contents

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

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

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, 2016, our corporate bond portfolio consisted of investment-grade securities, the majority of which had remaining maturities generally shorter than five 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 investment-grade ratings from Standard & Poor's, Moody's or Fitch. 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 not rated investment grade at the time of purchase, 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.

Table of Contents

The following table sets forth the amortized cost and estimated fair value of our available-for-sale and held-to-maturity securities portfolios (excluding FHLB of New York common stock) at the dates indicated. As of December 31, 2016, 2015, and 2014, we also had a trading portfolio with a fair value of $7.9 million, $6.7 million and $6.4 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,					
	2016		2015		2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)					
Securities available-for-sale:						
Mortgage-backed securities:						
Pass-through certificates:						
GSEs	$225,047	$224,549	$228,557	$231,700	$292,162	$299,340
REMICs:						
GSEs	230,500	224,293	305,387	297,824	408,328	400,450
Non-GSEs	280	270	597	579	1,060	1,026
Debt securities						
Municipal bonds	2,151	2,158	—	—	—	—
Corporate bonds	45,373	45,159	11,002	11,011	69,975	70,013
Other securities						
Equity investments (1)	1,233	1,218	481	481	410	410
Other	1,250	1,250	—	—	—	—
Total securities available-for-sale	$505,834	$498,897	$546,024	$541,595	$771,935	$771,239

(1) Mutual funds

	At December 31,					
	2016		2015		2014	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)					
Securities held-to-maturity:						
Mortgage-backed securities:						
Pass-through certificates - GSEs	$10,148	$ 10,118	$10,346	$ 10,369	$3,609	$ 3,691
Total securities held-to-maturity	$10,148	$ 10,118	$10,346	$ 10,369	$3,609	$ 3,691

The following table sets forth the amortized cost and estimated fair value of securities as of December 31, 2016, for issuers that exceeded 10% of our stockholders' equity as of that date:

	At December 31,	
	2016	
	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)	

Mortgage-backed securities:		
Freddie Mac	$223,992	$221,812
Fannie Mae	$233,812	$229,431

Table of Contents

Portfolio Maturities and Yields. The composition and maturities of the investment securities portfolio at December 31, 2016, 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, 2016, 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	$139	5.50 %	$43,706	3.20 %	$44,336	2.93 %	$136,866	2.26 %	$225,047	$224,549	2.58 %
REMICs:											
GSEs	—	— %	30,064	2.03 %	13,125	1.94 %	187,311	1.74 %	230,500	224,293	1.79 %
Non-GSEs	—	— %	101	1.63 %	—	— %	179	0.93 %	280	270	1.19 %
Debt securities											
Municipal bonds	1,735	0.81 %	100	3.45 %	316	3.39 %	—	— %	2,151	2,158	1.31 %
Corporate bonds	—	— %	40,595	2.00 %	4,778	2.38 %			45,373	45,159	2.04 %
Equity investments	1,233	1.78 %	—	— %	—	— %	—	— %	1,233	1,218	1.78 %
Other	1,250	1.70 %	—	— %	—	— %	—	— %	1,250	1,250	1.70 %
Total securities available-for-sale	$4,357	1.49 %	$114,566	2.46 %	$62,555	2.69 %	$324,356	1.96 %	$505,834	$498,897	2.16 %
Securities held-to-maturity:											
Mortgage-backed securities:											
Pass-through certificates:											
GSEs	$—	— %	$—	— %	$—	— %	$10,148	3.50 %	$10,148	$10,118	3.50 %
Total securities held-to-maturity	$—	— %	$—	— %	$—	— %	$10,148	3.50 %	$10,148	$10,118	3.50 %

Sources of Funds

General. Deposits traditionally have been our primary source of funds for our securities and lending activities. We also borrow from the FHLB 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 stockholders' equity, including retained earnings.

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 to businesses and consumers 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, 2016 and 2015, we had brokered deposits totaling $98.8 million and $157.1 million,

Table of Contents

respectively. In addition, municipal deposits are a growing source of funds. At December 31, 2016 and 2015, we had municipal deposits of $362.8 million and $158.2 million, respectively. Municipal deposits are primarily secured by mortgaged-backed securities.

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.

At December 31, 2016, we had $536.1 million in certificates of deposit, of which $237.7 million had remaining maturities of one year or less.

The following table sets forth the distribution of our average total deposit accounts, by account type, for the periods indicated:

	For the Year Ended December 31,								
	2016			2015			2014		
	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	$372,946	14.50 %	— %	$262,318	13.68 %	— %	$236,425	15.83 %	— %
NOW	414,366	16.10	0.23 %	181,341	9.47	0.25 %	120,680	8.08	0.36 %
Money market accounts	746,798	29.02	0.63 %	490,418	25.60	0.48 %	431,406	28.89	0.31 %
Savings	458,086	17.80	0.46 %	468,749	24.47	0.46 %	398,148	26.66	0.11 %
Certificates of deposit	580,973	22.58	1.12 %	512,977	26.78	1.07 %	306,803	20.54	1.04 %
Total deposits	$2,573,169	100.00%	0.56 %	$1,915,803	100.00%	0.55 %	$1,493,462	100.00%	0.36 %

As of December 31, 2016, the aggregate amount of our outstanding certificates of deposit in amounts greater than or equal to $100,000 was $209.3 million. The following table sets forth the maturity of these certificates at December 31, 2016:

	December 31, 2016
	(Dollars in thousands)
Three months or less	$ 23,134
Over three months through six months	29,001
Over six months through one year	60,398
Over one year to three years	82,133
Over three years	14,674
Total	$ 209,340

Borrowings. Our borrowings consist primarily of advances from the FHLB of New York and the Federal Reserve Bank, as well as securities sold under agreements to repurchase (repurchase agreements) with third-party financial institutions. As of December 31, 2016, our FHLB advances totaled $453.2 million, or 14.0%, of total liabilities, repurchase agreements totaled $8.0 million, or 0.2%, of total liabilities, floating rate advances totaled $11.5 million, or 0.4%, of total liabilities and capitalized lease obligations totaled $523,000, or 0.02%, of total liabilities. At December 31, 2016, the Company had the ability to obtain additional funding from the FHLB of New York and Federal Reserve Bank discount window of approximately $837.8 million, utilizing unencumbered securities of $123.0

million and multifamily loans of $798.6 million. Repurchase agreements are primarily secured by mortgage-backed securities. Advances from the FHLB of New York are secured by our investment in the common stock of the FHLB of New York as well as by pledged mortgage-backed securities and loans.

Table of Contents

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,		
	2016	2015	2014
	(Dollars in thousands)		
Balance at end of year	$473,206	$558,129	$778,658
Average balance during year	$491,802	$594,926	$588,890
Maximum outstanding at any month end	$529,988	$760,088	$830,092
Weighted average interest rate at end of year	1.44 %	1.57 %	1.42 %
Weighted average interest rate during year	1.50 %	1.56 %	1.69 %

Employees

As of December 31, 2016, we had 330 full-time employees and 36 part-time employees. Our employees are not represented by any collective bargaining group. Management believes that we have a good working relationship with our employees.

Subsidiary Activities

Northfield-Bancorp, Inc. owns 100% of Northfield Investments, Inc., an inactive New Jersey investment company, and 100% of Northfield Bank. Northfield Bank owns 100% of NSB Services Corp., a Delaware corporation, which in turn owns 100% of the voting common stock of NSB Realty Trust. NSB Realty Trust is a Maryland real estate investment trust that holds mortgage loans, mortgage-backed securities and other investments. These entities enable us to segregate certain assets for management purposes, and promote our ability to raise 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, 2016, Northfield Bank's investment in NSB Services Corp. was $695.0 million, and NSB Services Corp. had assets of $704.9 million and liabilities of $9.8 million at that date. At December 31, 2016, NSB Services Corp.'s investment in NSB Realty Trust was $704.7 million, and NSB Realty Trust had $704.7 million in assets, and liabilities of $16,000 at that date.

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, 2016.

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.

Table of Contents

SUPERVISION AND REGULATION

General

Northfield Bank is a federally chartered savings bank that is regulated, examined, and supervised by the OCC and the FDIC. 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 FDIC'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 FRB, governing reserves to be maintained against deposits and other matters, including payments of dividends and the repurchase of shares of common stock. The OCC 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 FHLB of New York, which is one of the 11 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 FRB. It is required to file certain reports with and is subject to examination by and the enforcement authority of the FRB. 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 FDIC, the OCC, the FRB, 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.

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 OCC. 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 loaned, 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, 2016, 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, 2016, we maintained 80.3% of our portfolio assets in qualified thrift investments and, therefore, we met the QTL test.

Table of Contents

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 federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio. These capital requirements were effective January 1, 2015, and are the result of a final rule implementing recommendations of the Basel Committee on Banking Supervision and certain requirements of the Dodd-Frank Act.

In determining the amount of risk-weighted assets for purposes of calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g., recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital generally is defined as common stockholders' equity and retained earnings. Tier 1 capital generally is defined as common equity Tier 1 plus additional Tier 1 capital. Additional Tier 1 capital includes certain noncumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets. In assessing an institution's capital adequacy, the OCC takes into consideration, not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions when deemed necessary.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted asset above the amount necessary to meet its minimum risk-based capital requirements. The capital conservation buffer requirement was phased in beginning January 1, 2016, at 0.625% of risk-weighted assets and increases each year until fully implemented at 2.5% on January 1, 2019.

Prompt Corrective Regulatory Action

Federal law requires, among other things, that federal bank regulators take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For this purpose, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically

undercapitalized. OCC regulations were amended to incorporate the previously mentioned increased regulatory capital standards that were effective January 1, 2015. Under the amended regulations, an institution is deemed to be “well capitalized” if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

Table of Contents

The regulations provide that a capital restoration plan must be filed with the OCC 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 5.0% of the savings institution's assets at the time it was notified or deemed to be undercapitalized by the OCC, or the amount necessary to restore the savings institution to adequately capitalized status. This guarantee remains in place until the OCC notifies the savings institution that it has maintained adequately capitalized status for each of four consecutive calendar quarters, and the OCC has the authority to require payment and collect payment under the guarantee. Various restrictions, including on growth and capital distributions, also apply to "undercapitalized" institutions. If an "undercapitalized" institution fails to submit an acceptable capital plan, it is treated as "significantly undercapitalized." "Significantly undercapitalized" institutions must comply with one or more additional restrictions including, but not limited to, an order by the OCC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, cease receipt of deposits from correspondent banks or dismiss officers or directors and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. The OCC 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.

Capital Distributions

Federal regulations restrict "capital distributions" by savings institutions. For purposes of the regulations, capital distributions generally include cash dividends and other transactions charged to the capital account of a savings institution. A federal savings institution must file an application with the OCC 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 FRB at least 30 days before the board of directors declares a dividend or approves a capital distribution and receive FRB non-objection to the payment of the dividend.

Applications or notices may be denied if the institution will be undercapitalized after the proposed 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.

Table of Contents

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, FRB 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 (although certain subsidiaries of the institution itself are not considered affiliates). 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.

Authority to extend credit to executive officers, directors and 10% or greater shareholders (insiders), as well as entities controlled by insiders, is governed by Sections 22(g) and 22(h) of the Federal Reserve Act and its implementing regulation, FRB 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, 2016, Northfield Bank was in compliance with these regulations.

Enforcement

The OCC 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 FDIC. Deposit accounts in Northfield Bank are insured up to a maximum of $250,000 for each separately insured depositor by the FDIC.

The FDIC assesses insured depository institutions to maintain the Deposit Insurance Fund. Under the FDIC's risk-based assessment system, institutions deemed less risky pay lower assessments. Assessments for institutions with less than $10 billion of assets are now based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of an institution's failure within three years. That system, effective July 1, 2016, replaced the previous system under which institutions were placed into risk categories.
The Dodd-Frank Act required the FDIC to revise its procedures to base assessments upon each insured institution's total assets less tangible equity instead of deposits. The FDIC finalized a rule, effective April 1, 2011, that set the

assessment range at 2.5 to 45 basis points of total assets less tangible equity. In conjunction with the Deposit Insurance Fund's reserve ratio achieving 1.15%, the assessment range (inclusive of possible adjustments) was reduced for insured institutions of less than $10 billion of total assets to 1.5 basis points to 30 basis points, effective July 1, 2016.

The Dodd-Frank Act increased the minimum target Deposit Insurance Fund ratio from 1.15% of estimated insured deposits to 1.35% of estimated insured deposits. The Federal Deposit Insurance Corporation must seek to achieve the 1.35% ratio by September 30, 2020. The Dodd-Frank Act requires insured institutions with assets of $10 billion or more to fund the increase from 1.15% to 1.35% and, effective July 1, 2016, such institutions are subject to a surcharge to achieve that goal. The Dodd-Frank Act eliminated the 1.5% maximum fund ratio, instead leaving it to the discretion of the Federal Deposit Insurance

Table of Contents

Corporation, and the Federal Deposit Insurance Corporation has exercised that discretion by establishing a long-range fund ratio of 2%.

The FDIC 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. Future insurance assessments cannot be predicted.

Insurance of deposits may be terminated by the FDIC 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 in writing. Management of Northfield Bank does not know of any practice, condition, or violation that may lead to termination of the Company's deposit insurance.

In addition to the FDIC assessments, the Financing Corporation is authorized to impose and collect, through the FDIC, 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, 2016, the annualized Financing Corporation assessment was equal to 0.56 basis points of total quarterly average assets less quarterly average tangible capital.

Federal Home Loan Bank System

Northfield Bank is a member of the FHLB of New York, and therefore is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. The Federal Home Loan Bank System provides a central credit facility primarily for member institutions. Members of the FHLB are required to acquire and hold a specified amount of shares of FHLB capital stock. Northfield Bank was in compliance with this requirement at December 31, 2016.

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. In the most recent Community Reinvestment Act Public Disclosure issued by the OCC on August 13, 2013, Northfield Bank was rated “Satisfactory”. Northfield Bank underwent a Community Reinvestment Act regulatory examination in December of 2016, for which the OCC has not yet issued their report.

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 and the Fair Housing 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;
- Flood Disaster Protection Act, requiring flood insurance of collateral properties located in designated flood zones; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

Table of Contents

The operations of Northfield Bank also are subject to the:

- Truth in Savings Act;
- 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;
- 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 FRB. The FRB has enforcement authority over Northfield Bancorp, Inc. and its non-savings institution subsidiaries. Among other things, that authority permits the FRB 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 (if Northfield Bancorp elects financial holding company status and otherwise qualifies to be a financial holding company) 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 under Section 4(c)(8) of the Bank Holding Company Act, 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. Multiple savings and loan companies are authorized to engage in activities specified by FRB regulation, including activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act.

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 FRB and from acquiring or retaining control of any depository not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the FRB 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 FRB 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 applied to savings and loan holding companies as of January 1, 2015. As is the case with institutions themselves, the capital

Table of Contents

conservation buffer is being phased in between 2016 and 2019. Northfield Bancorp, Inc. exceeded the FRB's consolidated capital requirements as of December 31, 2016.

The Dodd-Frank Act extended the "source of strength" doctrine to savings and loan holding companies. The FRB 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 FRB has issued a policy statement regarding the payment of dividends and the repurchase of shares of common stock by bank and savings and loan holding companies. 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 specifies that a holding company should advise FRB supervisory staff prior to redeeming or repurchasing common or perpetual preferred stock when the holding company is experiencing financial weaknesses or redeeming or repurchasing common stock or perpetual preferred stock such that the repurchase or redemption 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 occurs. These regulatory policies could affect the ability of Northfield Bancorp, Inc. to pay dividends, repurchase 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 FRB 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 FRB. Any company that acquires such control becomes a "savings and loan holding company" subject to registration, examination, and regulation by the FRB.

Table of Contents

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, 2016, 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, 2016, 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

In 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 were 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 dropped, effective January 1, 2016, from 7.10% to 6.50%. Effective January 1, 2015, the Metropolitan Transportation Authority (“MTA”) Tax Surcharge rate allocable to business activities carried on in the Metropolitan Commuter Transportation District increased from 17.0% to 25.6%. The MTA

Table of Contents

surcharge rate for years beginning on or after January 1, 2016 was 28% and for tax years beginning on or after January 1, 2017, and before January 1, 2018, the MTA surcharge rate has increased from 28% to 28.3%.

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 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 on 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 (NYC). In 2015, NYC enacted corporate tax reforms, which are effective retroactive for tax years beginning on or after January 1, 2015. NYC generally conforms its tax law to NYS tax law and adopted conforming Tax Reform Package provisions similar to those

described above for NYS. For tax years beginning on or after January 1, 2015, the NYC income tax rate applied to the Company apportioned NYC taxable income is 8.85%.

Our NYS and NYC tax returns are currently under audit for tax years 2010 through 2012.

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.

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.

Table of Contents

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."

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

The OCC 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 multifamily 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 multifamily and commercial real estate lending, as such loans represent 374% of Northfield Bank's capital as of December 31, 2016. The particular focus of the guidance is on exposure to 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 multifamily 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.

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 originate multifamily loans and to a lesser extent other commercial real estate loans. At December 31, 2016, $1.92 billion, or 89.5% of our originated total loan portfolio held-for-investment, net, consisted of multifamily and other 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 sale of such properties securing the loans. 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 $2.94 billion at December 31, 2016, from $1.22 billion at December 31, 2012. 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. These loans may experience higher delinquency or charge-off levels than our historical loan portfolio experience, which could adversely affect our future performance.

Table of Contents

Failure to successfully implement our growth strategies could cause us to incur significant costs and expenses which may negatively affect our financial condition and results of operations

We expect to continue to grow our assets, the level of our deposits or borrowings, and the scale of our operations. Achieving our growth targets depends, in part, on our ability to attract customers that currently bank at other financial institutions in our market, thereby increasing our share of the market, implement new lines of business or offer new products and services within existing lines of business, identify favorable loan and investment opportunities, and acquire other banks and non bank entities. Our ability to grow successfully will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, 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.

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.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for us for the fiscal year beginning January 1, 2020. This standard, referred to as Current Expected Credit Loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. This will change the current method of providing allowances for loan losses that are probable, which may require us to increase our allowance for loan losses, and to greatly increase the types of data we will need to collect and review to determine the appropriate level of the allowance for loan losses. We are currently evaluating the effect the CECL model will have on our consolidated financial statements, but the extent of the effect is indeterminable at this time as it will be dependent upon the nature and characteristics of the Company's loan portfolio at the adoption date, as well as economic conditions and forecasts at that date. Any requirement to increase our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses could have a material adverse effect on our financial condition and results of operations.

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 decline in 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, 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.

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;

Table of Contents

- 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 affect 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.
Strong traditional and non-traditional competition within our market areas may limit our growth and profitability.

We face intense competition in making loans and attracting deposits. Price competition from other financial institutions, credit unions, money market and mutual funds, insurance companies, and other non-traditional competitors such as financial technology companies 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 also may price loan and deposit products aggressively 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 compete effectively 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.

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 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 transaction and savings accounts to higher rate money market or 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 value of our interest earning assets and in particular the carrying value of our securities portfolio. Generally, the value of interest-earning assets fluctuates inversely with changes in interest rates.

At December 31, 2016, 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 13.47% 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

Table of Contents

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

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

The FRB has 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 effect 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 FHLB 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.

Cyber-attacks or other security breaches could adversely affect our operations, net income, or reputation.

We regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. In some cases, this confidential or proprietary information is collected, compiled, processed, transmitted, or stored by third parties on our behalf.

Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions, and the increased sophistication and activities of perpetrators of cyber-attacks and mobile phishing. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e-mail, text or voice mail, is an emerging threat targeting the customers of financial entities. A failure in or breach of our operational or information security systems, or those of our third-party service providers, as a result of cyber-attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and/or cause losses.

If this confidential or proprietary information were to be mishandled, misused, or lost, we could be exposed to significant regulatory consequences, reputational damage, civil litigation, and financial loss.

Although we employ a variety of physical, procedural, and technological safeguards to protect this confidential and proprietary information from mishandling, misuse, or loss, these safeguards do not provide absolute assurance that mishandling, misuse, or loss of the information will not occur, and that if mishandling, misuse, or loss of information does occur, those events will be promptly detected and addressed. Similarly, when confidential or proprietary information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agree to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. As information security risks and cyber threats continue to evolve, we may be required to expend additional

Table of Contents

resources to continue to enhance our information security measures and/or to investigate and remediate any information security vulnerabilities.

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 affect 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.

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.

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 includes 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, 2016, we maintained 80.3% 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, including fraud.

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

Table of Contents

business decisions or their implementation, and customer attrition due to potential negative publicity. In the event of a 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 effect 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 OCC, the FRB, and the FDIC. As a result, we are limited in the manner in which we conduct our business, undertake new investments and activities, and obtain financing. This regulatory structure is designed primarily for the protection of the Deposit Insurance Fund and our depositors, and not to benefit our stockholders. This regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement actions and examination policies, including policies with respect to capital levels, the timing and amount of dividend payments, the classification of assets, 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.

Table of Contents

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. Our operating and compliance costs have increased, and could continue to 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.

Final regulations could restrict our ability to originate and sell loans.

The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid legal liability under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that meet this "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau's rule, a "qualified mortgage" loan must not contain certain specified features, including:

- excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- interest-only payments;
- negative-amortization; or
- terms longer than 30 years.

Also, to qualify as a "qualified mortgage", a loan must be made to a borrower whose total monthly debt-to-income ratio does not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower on the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance, and assessments.

In addition, the Dodd-Frank Act requires the Consumer Financial Protection Bureau to adopt rules and publish forms that combine certain disclosures that consumers receive in connection with applying for and closing on certain mortgage loans under the Truth in Lending Act and the Real Estate Settlement Procedures Act. The Consumer Financial Protection Bureau has implemented a final rule to implement this requirement, and the final rule was effective in October 2015.

In addition, the Dodd-Frank Act requires the regulatory agencies to issue regulations that require securitizers of loans to retain "not less than 5% of the credit risk for any asset that is not a qualified residential mortgage." The regulatory agencies have issued a final rule to implement this requirement. The final rule provides that the definition of "qualified residential mortgage" includes loans that meet the definition of a qualified mortgage issued by the Consumer Financial Protection Bureau for purposes of its regulations.

These rules could have a significant effect on the secondary market for loans and the types of loans we originate, and restrict our ability or desire to make certain types of loans or loans to certain borrowers, which could limit our growth or profitability.

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 period. If

Table of Contents

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 also can 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.

Federal banking regulations restrict 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. We continue to analyze the impact of this regulation on our investment portfolio, and whether any changes are required to our investment strategies that could negatively affect our earnings.

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

"Basel III" regulatory capital reforms and changes required by the Dodd-Frank Act were effective for us on January 1, 2015, and substantially amended the regulatory risk-based capital rules applicable to Northfield Bancorp, Inc. and Northfield Bank. The new minimum capital requirements are: (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 was phased in beginning January 1, 2016, at 0.625% of risk-weighted assets and increases each year until fully implemented at 2.5% on January 1, 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 full effect as of December 31, 2016, 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 "Item 1. Business - Supervision and Regulation."

The value of our deferred tax asset could be reduced if corporate tax rates in the U.S. are decreased.

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.

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. 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

Table of Contents

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.

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. These include:

- integrating personnel with diverse business backgrounds;
- converting customers to new systems;
- combining different corporate cultures; and
- retaining key employees.

The success of an acquisition will depend, in part, on our ability to realize the anticipated benefits and cost savings. If we are unable to integrate an acquired company successfully, the anticipated benefits and cost savings may not be realized fully or may take longer to realize than expected. A significant decline in asset valuations or cash flows may also cause us not to realize expected benefits.

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.

Table of Contents

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.

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 37 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 Hunterdon, Mercer, Middlesex, and Union. The net book value of our premises, land, and equipment was $26.9 million at December 31, 2016.

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, 2016.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

Table of Contents

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, 2017, was 4,449. 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 and dividend information for Northfield Bancorp, Inc. common stock for the years ended December 31, 2016 and 2015. The following market information was provided by the NASDAQ Global Stock Market.

	High	Low	Dividends
Quarter ended December 31, 2016	$20.59	$14.88	$ 0.08
Quarter ended September 30, 2016	$16.28	$14.38	$ 0.08
Quarter ended June 30, 2016	$16.58	$14.31	$ 0.08
Quarter ended March 31, 2016	$16.68	$14.43	$ 0.07
Quarter ended December 31, 2015	$16.40	$14.71	$ 0.07
Quarter ended September 30, 2015	$15.86	$14.60	$ 0.07
Quarter ended June 30, 2015	$15.26	$14.32	$ 0.07
Quarter ended March 31, 2015	$14.90	$14.06	$ 0.07

The Company is subject to state law limitations and federal banking regulatory policy on the payment of dividends. Delaware law generally limits dividends to our capital surplus or, if there is no capital surplus, our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, see "Item 1. Business - Supervision and Regulation - Holding Company Regulation."

The sources of funds for the payment of a cash dividend are 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 "Item 1. Business - 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, 2011, through December 31, 2016, (b) the cumulative total return of the stocks included in the NASDAQ Composite Index over such period, (c) the cumulative total return on stocks included in the NASDAQ Bank Index over such period, and, (d) the cumulative total return on stocks included in the SNL U.S. Thrift Index over such period. Cumulative return assumes the reinvestment of dividends, and is expressed in dollars based on an assumed investment of $100.

Table of Contents

Index	As of 12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Northfield Bancorp, Inc.	100.00	108.61	137.49	157.26	172.36	220.54
NASDAQ Composite Index	100.00	117.45	164.57	188.84	201.98	219.89
NASDAQ Bank Index	100.00	118.69	168.21	176.48	192.08	265.02
SNL U.S. Thrift Index	100.00	121.63	156.09	167.88	188.78	231.23

Issuer Purchases of Equity Securities

The following table shows the Company’s repurchases of its common stock for each calendar month in the three months ended December 31, 2016:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [2]	Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs [2]
October 1, 2016, through October 31, 2016	224	$ 16.04	—	—
November 1, 2016, through November 30, 2016	503	$ 18.21	—	—
December 1, 2016, through December 31, 2016	558	$ 18.70	—	—
Total	1,285	$ 18.04	—	

(1) Share repurchases are due to net settlement arrangements whereby shares are withheld to pay taxes incurred upon exercise of options or upon vesting of restricted shares, or to pay the exercise price of the option.

Table of Contents

(2) In 2014, the Company's Board of Directors revised its stock repurchase program to allow for the repurchase of a total of $170.0 million of the Company's common stock. On May 27, 2015, the Company’s Board of Directors authorized an increase of $15.0 million to its stock repurchase plan bringing the total authorized to $185.0 million at that 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. There were no shares remaining to be purchased at December 31, 2016, or December 31, 2015.

Table of Contents

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,				
	2016	2015	2014	2013	2012
	(Dollars in thousands, except share data)				
Selected Financial Condition Data:					
Total assets	$3,850,094	$3,202,584	$3,020,869	$2,702,764	$2,813,201
Cash and cash equivalents	96,085	51,853	76,709	61,239	128,761
Trading securities	7,857	6,713	6,422	5,998	4,677
Securities available-for-sale, at estimated market value	498,897	541,595	771,239	937,085	1,275,631
Securities held-to-maturity	10,148	10,346	3,609	—	2,220
Loans held-for-sale (non-performing)	—	—	—	471	5,447
Loans held-for-investment:					
PCI loans	30,498	33,115	44,816	59,468	75,349
Loans acquired	793,240	409,015	265,685	77,817	101,433
Originated loans, net	2,144,346	1,931,585	1,632,494	1,352,191	1,066,200
Loans held-for-investment, net	2,968,084	2,373,715	1,942,995	1,489,476	1,242,982
Allowance for loan losses	(24,595)	(24,770)	(26,292)	(26,037)	(26,424)
Net loans held-for-investment	2,943,489	2,348,945	1,916,703	1,463,439	1,216,558
Bank owned life insurance	148,047	132,782	129,015	125,113	93,042
FHLB of New York stock, at cost	25,123	25,803	29,219	17,516	12,550
Other real estate owned	850	45	752	634	870
Deposits	2,713,587	2,052,929	1,620,665	1,492,689	1,956,860
Borrowed funds	473,206	558,129	778,658	470,325	419,122
Total liabilities	3,228,898	2,642,805	2,426,941	1,986,656	2,398,328
Total stockholders' equity	$621,196	$559,779	$593,928	$716,108	$414,873

	Years Ended December 31,				
	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Selected Operating Data:					
Interest income	$124,972	$ 101,758	$ 91,701	$ 92,470	$ 91,539
Interest expense	21,668	19,688	15,352	16,948	22,644
Net interest income before provision for loan losses	103,304	82,070	76,349	75,522	68,895
Provision for loan losses	635	353	645	1,927	3,536
Net interest income after provision for loan losses	102,669	81,717	75,704	73,595	65,359
Non-interest income	10,072	7,898	8,460	10,161	8,586
Non-interest expense	72,946	58,109	52,042	53,873	48,998
Income before income taxes	39,795	31,506	32,122	29,883	24,947
Income tax expense	13,665	11,975	11,856	10,736	8,916
Net income	$26,130	$ 19,531	$ 20,266	$ 19,147	$ 16,031
Net income per common share - basic	$0.59	$ 0.46	$ 0.41	$ 0.35	$ 0.30
Net income per common share - diluted	$0.57	$ 0.45	$ 0.41	$ 0.34	$ 0.29
Weighted average basic shares outstanding	44,374,389	42,285,712	49,006,129	54,637,680	54,339,467
Weighted average diluted shares outstanding	45,717,887	43,478,481	50,032,259	55,560,309	55,115,680

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.

Table of Contents

	At or For the Years Ended December 31,				
	2016	2015	2014	2013	2012
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Return on assets (ratio of net income to average total assets)(1)	0.70 %	0.63 %	0.73 %	0.70 %	0.65 %
Return on equity (ratio of net income to average equity)(1)	4.26	3.41	3.07	2.70	4.08
Interest rate spread(2)	2.80	2.63	2.74	2.68	2.76
Net interest margin(3)	2.98	2.83	2.97	2.97	2.98
Dividend payout ratio(4)	53.86	62.38	63.57	140.28	10.74
Efficiency ratio(5) (6)	64.34	64.59	61.36	62.87	63.24
Non-interest expense to average total assets	1.95	1.86	1.88	1.97	1.99
Average interest-earning assets to average interest-bearing liabilities	128.68	129.12	139.12	142.73	122.83
Average equity to average total assets	16.44	18.32	23.75	25.90	15.94
Asset Quality Ratios:					
Non-performing assets to total assets	0.21	0.28	0.51	0.68	1.30
Non-performing loans(7) to total loans(8)	0.25	0.37	0.75	1.19	2.86
Allowance for loan losses to non-performing loans held-for-investment(9)	333.23	280.78	180.29	150.23	87.73
Allowance for loan losses to total loans held-for-investment, net(10)	0.83	1.04	1.35	1.75	2.13
Allowance for loan losses to originated loans held-for-investment, net(11)	1.10	1.24	1.58	1.88	2.46
Capital Ratios(12):					
Common equity Tier 1 capital (to risk-weighted assets)	17.75	20.19	NA	NA	NA
Total capital (to risk-weighted assets)	18.56	21.21	22.95	28.94	22.30
Tier I capital (to risk-weighted assets)	17.75	20.19	21.77	27.69	21.04
Tier I capital (to adjusted assets)	14.55	15.72	16.46	19.88	12.65
Other Data:					
Number of full service offices	38	30	30	30	29
Full time equivalent employees	348	290	302	306	306

(1) The year ended December 31, 2016, includes merger-related charges of $2.4 million, net of tax, associated with the acquisition of Hopewell Valley. The year ended December 31, 2015, includes merger-related charges of $574,000, net of tax, associated with the acquisition of Hopewell Valley and a $795,000

charge related to the write-down of deferred tax assets resulting from New York City tax reforms. The year ended December 31, 2014, includes a gain of $560,000, net of 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 tax assets resulting from New York State tax reforms.

(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 net interest margin represents net interest income as a percent of average interest-earning assets for the period.

(4) 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.

(5) The efficiency ratio represents non-interest expense divided by the sum of net interest income and non-interest income.

(6) The year ended December 31, 2016, includes merger-related pre-tax charges of $4.0 million associated with the acquisition of Hopewell Valley. The year ended December 31, 2015, includes merger-related pre-tax charges of $672,000 associated with the acquisition of Hopewell Valley. The year ended December 31, 2014, includes a pre-tax gain of $937,000, related to the settlement of the former Flatbush Federal Savings & Loan Association pension plan.

(7) Non-performing loans consist of non-accruing loans and loans 90 days or more past due and still accruing (excluding PCI loans), and are included in total loans held-for-investment, net, and non-performing loans held-for-sale.

(8)

(9) Includes originated loans held-for-investment, PCI loans, acquired loans and non-performing loans held-for-sale. Excludes non-performing loans held-for-sale, carried at lower of cost or estimated fair value, less costs to sell.

(10) Includes PCI and acquired loans held-for-investment.

(11) Excludes PCI loans, acquired loans held-for-investment and loans held-for-sale (and related allowance for loan losses).

(12) Capital Ratios are presented for Northfield Bank only.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

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

Net income was $26.1 million, or $0.57 per diluted common share, and $19.5 million, or $0.45 per diluted common share, for the years ended December 31, 2016 and 2015, respectively. Net income for the year ended December 31, 2016, included merger-related expenses of $4.0 million ($2.4 million, after tax) associated with the Hopewell Valley acquisition. Net income for the year ended December 31, 2015, included merger-related expenses of $672,000 ($574,000, after tax) associated with the Hopewell Valley acquisition and a tax charge of $795,000 related to the write-down of deferred tax assets as a result of New York City tax reforms enacted in April 2015.

Our assets increased by $647.5 million, or 20.2%, to $3.85 billion at December 31, 2016, from $3.20 billion at December 31, 2015. The increase was primarily attributable to increases in loans held-for-investment, net, of $594.4 million, cash and cash equivalents of $44.2 million, goodwill of $22.3 million, and bank owned life insurance of $15.3 million. The increases were partially offset by a decrease in securities available-for-sale of $42.7 million. The overall increase in assets was primarily due to assets acquired from Hopewell Valley. Our liabilities increased by $586.1 million, or 22.2%, to $3.23 billion, at December 31, 2016, from $2.64 billion at December 31, 2015. The increase was primarily attributable to an increase in deposits of $660.7 million, partially offset by decreases in securities sold under agreements to repurchase of $55.0 million and other borrowings of $29.9 million. The increase in deposits was primarily due to $456.2 million of deposits acquired from Hopewell Valley.

Our stockholders' equity increased by $61.4 million, or 11.0%, to $621.2 million at December 31, 2016, from $559.8 million at December 31, 2015. This increase was primarily due to common stock issued in conjunction with the Hopewell Valley transaction, which resulted in a $41.7 million increase in equity (discussed above) and net income of $26.1 million, partially offset by dividends payments of $14.1 million. To a lesser extent, the recognition of stock compensation expense associated with equity awards and the exercise of stock options, partially offset by an increase in unrealized losses on our securities-available-for sale portfolio, also contributed to the increase in equity.

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 and Impaired Loans. The allowance for loan losses is the estimated amount considered necessary to cover probable and reasonably estimable incurred 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.

The analysis of the allowance for loan losses has a component for impaired loans held-for-investment and PCI loans, and a component for general loan losses. Prior to December 31, 2016, we maintained an amount identified as the unallocated component within the allowance for loan losses related to indicators of loan losses not fully captured in other components of the allowance for loan losses methodology, as well as the inherent imprecision of the loss estimation process. During the fourth quarter of 2016, the Company enhanced the allowance for loan losses qualitative framework to more fully capture the risks related to certain loan loss factors. These enhancements are meant to increase the level of precision in the allowance for loan losses. As a result, the Company will no longer have an unallocated reserve in its allowance for loan losses, as the risks and uncertainties meant to be captured by the unallocated allowance have been included in the qualitative framework for the respective loan portfolios.

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 identified as a TDR. 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, when appropriate, 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 all 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, and PCI loans, with loans being placed into groups with 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 net loss experience (using appropriate look-back and loss emergence periods) as adjusted, if appropriate, for our qualitative assessment of factors which may not be fully captured in our historical quantitative net loss rates applied to:

- changes in lending policies and procedures;
- changes in local, regional, national, and international economic and business conditions and developments that affect the collectability of our portfolio, including the condition of various market segments;
- changes in the nature and volume of our portfolio and in the terms of our loans;
- changes in the experience, ability and depth of lending management and other relevant staff;
- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- changes in the quality of our loan review system;

- changes in the value of underlying collateral for collateral-dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in our existing portfolio.

The loss emergence period is the estimated time from the date of the loss event to the actual recognition of the loss (typically the first charge-off), and is determined based upon a study of the Company's past loss experience by loan groups.

Table of Contents

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, which could have a material effect on our financial results.

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 OCC, as an integral part of their examination process, will review our allowance for loan losses and may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

Additionally, held-for-investment loans acquired with no evidence of credit deterioration are 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.

Purchased Credit-Impaired Loans. 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, 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 $38.4 million at December 31, 2016, 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.

Table of Contents

The goodwill impairment analysis is generally a two-step test. However, under current accounting guidance, we first assess qualitative factors to determine whether it is necessary to perform the 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 2016, we elected to perform step one of the two-step goodwill impairment test for our reporting unit, but may 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, municipal bonds, mutual funds and loan 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, 2016, and for each quarter end in 2016, 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 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

Table of Contents

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 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, 2016 and 2015

Total assets increased $647.5 million, or 20.2%, to $3.85 billion at December 31, 2016, from $3.20 billion at December 31, 2015. The increase was primarily attributable to increases in loans held-for-investment, net, of $594.4 million, cash and cash equivalents of $44.2 million, goodwill of $22.3 million, and bank owned life insurance of $15.3 million. The increases were partially offset by a decrease in securities available-for-sale of $42.7 million. The overall increase in assets was primarily due to assets acquired from the Hopewell Valley acquisition.

Total loans held-for-investment, net, increased $594.4 million to $2.97 billion at December 31, 2016, as compared to $2.37 billion at December 31, 2015. The increase was primarily attributable to the addition of $342.6 million of loans acquired from Hopewell Valley, three loan pool purchases totaling $165.9 million, which consisted of primarily multifamily loans, and, to a lesser extent, originated loan growth.

Originated loans held-for-investment, net, totaled $2.14 billion at December 31, 2016, as compared to $1.93 billion at December 31, 2015. The increase was primarily due to an increase in multifamily real estate loans of $187.9 million, or 14.2%, to $1.51 billion at December 31, 2016, from $1.32 billion at December 31, 2015. The following tables details our multifamily real estate originations for the years ended December 31, 2016 and 2015 (dollars in thousands):

Year ended December 31, 2016

Multifamily 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
$312,716	3.41%	62%	V	80	30 Years
11,821	3.76%	40%	F	140	7- 20 Years

$324,537	3.42%	62%

Year ended December 31, 2015

Multifamily 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
$394,694	3.37%	60%	V	75	15 to 30 Years
5,829	4.01%	26%	F	180	15 Years
$400,523	3.37%	59%			

Table of Contents

Acquired loans increased by $384.2 million to $793.2 million at December 31, 2016, from $409.0 million at December 31, 2015, due to $342.6 million of loans acquired from Hopewell Valley, and loan pool purchases totaling $165.9 million, which consisted primarily of multifamily loans, partially offset by paydowns. The following table provides the details of the loans purchased during the year ended December 31, 2016 (dollars in thousands):

The following table provides the details of the loans purchased during the year ended December 31, 2016 (dollars in thousands):

Amounts[1][2]	Weighted Average Interest Rate[3]	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans	(F)ixed or (V)ariable	Amortization Term
$ 27,415	3.98%	30%	120	F	30 Years
48,445	2.95%	53%	46	V	30 Years
82,242	2.93%	49%	33	V	30 Years
7,760	2.85%	66%	30	V	30 Years
$ 165,862	3.11%	45%			

(1) At time of purchase
(2) Comprised of $153.2 million multifamily loans, $7.8 million commercial real estate loans, and $4.9 million one-to-four family residential loans
(3) Net of servicing fee retained by the originating bank
The properties securing the above loans are primarily located in New York State.

The following table provides the details of the one-to-four family residential real estate loans purchased during the year ended December 31, 2015 (dollars in thousands):

Amounts[1]	Weighted Average Interest Rate[2]	Weighted Average Loan-to-Value Ratio	Weighted Average Months to Next Rate Change	Amortization Term	Amortization Type
$49,345	2.49%	62%	44	30 Years	Fully amortizing
78,086	2.38%	59%	35	20 Years[3]	Delayed amortizing
$127,431	2.42%	60%			

(1) At time of purchase
(2) Net of servicing fee
(3) 20 years of amortization begins after an interest-only period for the first 10 years
The weighted average coupon of 2.42% noted in the above table is net of the servicing fee retained by the originating bank. Of the total loans purchased in the table above, $78.1 million, or 61%, are interest-only for the first 10 years and will re-price in less than five years at one month LIBOR plus a weighted average margin of 1.6%; a floor rate also is included in the terms. The remainders of the loan pools are 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 1.9%, also with a floor rate included in the terms. The properties securing the loans are located (by state) as follows: 62.5% in New York, 22.2% in Massachusetts, and 15.3% in other states.

The multifamily loans purchased in 2015 had a weighted average interest rate of 3.37%, a weighted average loan-to-value ratio of 41.1%, and an amortization term of 10 to 15 years at time of purchase. The loans are secured by properties located in New York State.

Purchased credit-impaired (PCI) loans totaled $30.5 million at December 31, 2016, as compared to $33.1 million at December 31, 2015, and included $4.8 million of PCI loans acquired as part of the Hopewell Valley acquisition. The remaining $25.7 million of PCI loans were primarily acquired as part of a transaction with the Federal Deposit

Insurance Corporation. The Company accreted interest income of $5.2 million for the year ended December 31, 2016, as compared to $4.5 million for the year ended December 31, 2015.

Cash and cash equivalents increased by $44.2 million, or 85.3%, to $96.1 million at December 31, 2016, from $51.9 million at December 31, 2015, due in part to $55.5 million of cash and cash equivalents acquired in the Hopewell transaction. 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.

Table of Contents

The securities available-for-sale portfolio totaled $498.9 million at December 31, 2016, compared to $541.6 million at December 31, 2015. At December 31, 2016, $448.8 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 $45.2 million in corporate bonds, all of which were considered investment grade at December 31, 2016, and other securities of $4.9 million (including $1.2 million of equity investments in mutual funds). The effective duration of the securities portfolio at December 31, 2016 was 3.96 years.

Bank owned life insurance increased $15.3 million, or 11.5%, to $148.0 million at December 31, 2016, from $132.8 million at December 31, 2015. The increase was primarily due to $11.3 million of bank owned life insurance acquired from Hopewell Valley, as well as income earned on bank owned life insurance for the year ended December 31, 2016.

Goodwill increased $22.3 million, or 137.7%, to $38.4 million at December 31, 2016, from $16.2 million at December 31, 2015, due to goodwill arising on the Hopewell Valley acquisition.

Total liabilities increased $586.1 million, or 22.2%, to $3.23 billion at December 31, 2016, from $2.64 billion at December 31, 2015. The increase was primarily attributable to an increase in deposits of $660.7 million, partially offset by decreases in securities sold under agreements to repurchase of $55.0 million and other borrowings of $29.9 million due to a shift in our balance sheet funding strategy. The increase in deposits was primarily due to $456.2 million of deposits acquired from Hopewell Valley.

Deposits increased $660.7 million, or 32.2%, to $2.71 billion at December 31, 2016, from $2.05 billion at December 31, 2015. The increase was attributable to increases of $377.0 million in transaction accounts, $270.5 million in money market accounts, and $36.2 million in certificate of deposit accounts, partially offset by a decrease in savings accounts of $23.1 million.

Borrowings, consisting primarily of FHLB advances and repurchase agreements, decreased by $84.9 million, or 15.2%, to $473.2 million at December 31, 2016, from $558.1 million at December 31, 2015. 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. The growth in deposits enabled the Company to reduce its borrowings in 2016.

Total stockholders’ equity increased by $61.4 million to $621.2 million at December 31, 2016, from $559.8 million at December 31, 2015. This increase was primarily due to common stock issued in conjunction with the Hopewell Valley transaction, which resulted in a $41.7 million increase in equity, and net income of $26.1 million, partially offset by dividends payments of $14.1 million. To a lesser extent, the recognition of stock compensation expense associated with equity awards and the exercise of stock options, partially offset by an increase in unrealized losses on our securities-available-for sale portfolio, also contributed to the increase in equity.

Comparison of Operating Results for the Years Ended December 31, 2016 and 2015

Net Income. Net income was $26.1 million and $19.5 million for the years ended December 31, 2016 and 2015, respectively. Net income for the year ended December 31, 2016, included merger-related expenses of $4.0 million ($2.4 million, after tax), associated with the acquisition of Hopewell Valley. Net income for the year ended December 31, 2015, included merger-related expenses of $672,000 ($574,000, after tax), associated with the acquisition of Hopewell Valley and a tax charge of $795,000 related to the write-down of deferred tax assets as a result of New York City tax reforms enacted in April 2015. Other significant variances from the prior year are as follows: a $21.2 million increase in net interest income, a $2.2 million increase in non-interest income, a $14.8 million increase in non-interest expense, and a $1.7 million increase in income tax expense.

Interest Income. Interest income increased by $23.2 million, or 22.8%, to $125.0 million for the year ended December 31, 2016, as compared to $101.8 million for the year ended December 31, 2015, due to an increase in the average balance of interest-earning assets of $561.0 million, or 19.3%, and a 10 basis point increase in the yields earned to 3.61% from 3.51% for the prior year. The increase in the average balance of interest-earning assets was primarily attributable to an increase in average loans of $632.3 million, partially offset by a decrease in average mortgage-backed securities of $95.3 million. The increase in average loan balances was largely due to $342.6 million of loans added through the Hopewell Valley acquisition, $165.9 million in loan pool purchases of primarily multifamily loans, and, to a lesser extent, originated loan growth. The Company accreted interest income related to its PCI loans of $5.2 million for the year ended December 31, 2016, as compared to $4.5 million for the year ended December 31, 2015. Interest income for the year ended December 31, 2016, included loan prepayment income of $1.9 million, compared to $2.1 million for the year ended December 31, 2015.

Table of Contents

Interest Expense. Interest expense increased $2.0 million, or 10.1%, to $21.7 million for the year ended December 31, 2016, from $19.7 million for the year ended December 31, 2015. The increase was due to an increase of $3.9 million in interest expense on deposits, partially offset by a decrease of $1.9 million in interest expense on borrowings. The increase in interest expense on deposits was attributable to an increase in the average balance of interest-bearing deposits of $546.7 million, or 33.1%, to $2.20 billion for the year ended December 31, 2016, from $1.65 billion for the year ended December 31, 2015, and a two basis point increase in the cost of interest-bearing deposits to 0.65% from 0.63%. The decrease in interest expense on borrowings was attributable to a decrease in the average balance of borrowings of $103.1 million and a six basis point decrease in borrowing costs from 1.56% at December 31, 2015, to 1.50% at December 31, 2016.

Net Interest Income. Net interest income for the year ended December 31, 2016, increased $21.2 million, or 25.9%, to $103.3 million, from $82.1 million for the prior year, primarily due to a $561.0 million, or 19.3%, increase in our average interest-earning assets and a 15 basis point increase in our net interest margin to 2.98%. Yields earned on interest-earning assets increased 10 basis points to 3.61% for the year ended December 31, 2016, from 3.51% for the year ended December 31, 2015. The cost of interest-bearing liabilities decreased eight basis points to 0.80% for the year ended December 31, 2016, as compared to 0.88% for the prior year.

Provision for Loan Losses. The provision for loan losses increased $282,000 to $635,000 for the year ended December 31, 2016, from $353,000 for the year ended December 31, 2015, primarily due to growth of the originated loan portfolio, partially offset by an improvement in asset quality indicators, including declines in non-performing and delinquent loans, and lower net charge-offs. Acquired loans, including those acquired from Hopewell Valley, are valued at estimated fair value on the date of acquisition, with no related allowance for loan losses. Net charge-offs were $810,000 for the year ended December 31, 2016, compared to net charge-offs of $1.9 million for the year ended December 31, 2015.

Non-interest Income. Non-interest income increased $2.2 million, or 27.5%, to $10.1 million for the year ended December 31, 2016, from $7.9 million for the year ended December 31, 2015, primarily due to increases in fees and service charges for customer services of $989,000, income on bank owned life insurance of $231,000, and gains on securities transactions, net, of $1.2 million. These increases were partially offset by a decrease in other income of $198,000, primarily related to realized gains on sales of other real estate owned properties during 2015. Securities gains, net, in 2016 included gains of $507,000, net, related to the Company’s trading portfolio, while 2015 results included losses of $396,000 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 increased $14.8 million, or 25.5%, to $72.9 million for the year ended December 31, 2016, from $58.1 million for the year ended December 31, 2015, primarily due to: (1) a $10.0 million increase in compensation and employee benefits largely driven by increased salary and benefit expense attributable to the addition of Hopewell Valley employees and general merit-related salary increases effective January 1, 2016, charges of $2.4 million related to severance, retention, and change-in-control compensation associated with the Hopewell Valley acquisition, and an increase in stock compensation expense related to the 2014 Equity Incentive Plan; (2) a $1.4 million increase in occupancy expense due to the addition of nine Hopewell Valley branches; (3) a $2.3 million increase in data processing costs, of which approximately $1.1 million was due to conversion costs associated with the Hopewell Valley acquisition; (4) an increase in professional fees of $424,000; and (5) an $832,000 increase in other expense, primarily due to increases in core deposit premium amortization, advertising costs, and general office expenses related to the Hopewell Valley acquisition.

Income Tax Expense. The Company recorded income tax expense of $13.7 million for the year ended December 31, 2016, compared to $12.0 million for the year ended December 31, 2015. The effective tax rate for the year ended December 31, 2016, was 34.3% compared to 38.0% for the year ended December 31, 2015. Income tax expense for the year ended December 31, 2016, included $211,000 in non-deductible merger related expenses. Income tax expense for the year ended December 31, 2015, included a deferred tax asset write-down of $795,000 related to New York City tax reforms enacted in April 2015 and $574,000 in non-deductible merger related expenses.

Table of Contents

Comparison of Operating Results for the Years Ended December 31, 2015 and 2014

Net Income. Net income was $19.5 million and $20.3 million for the years ended December 31, 2015 and 2014, respectively. Significant variances from the prior year are as follows: a $5.7 million increase in net interest income, a $292,000 decrease in the provision for loan losses, a $562,000 decrease in non-interest income, and a $6.1 million increase in non-interest expense.

Interest Income. Interest income increased by $10.1 million, or 11.0%, to $101.8 million for the year ended December 31, 2015, as compared to $91.7 million for the year ended December 31, 2014. The increase was primarily due to a $335.1 million, or 13.0%, increase in average interest-earning assets, partially offset by a six basis point decline in the yields earned to 3.51% from 3.57% for the prior year. The increase in average interest-earning assets was due primarily to an increase in average loans outstanding of $520.7 million, partially offset by a decrease in average mortgage-backed securities of $176.5 million. The decline in yields was primarily due to lower rates earned on loans. The year ended December 31, 2015 included loan prepayment income of $2.1 million compared to $1.2 million for the year ended December 31, 2014.

Interest Expense. Interest expense increased $4.3 million, or 28.2%, to $19.7 million for the year ended December 31, 2015, from $15.4 million for the year ended December 31, 2014. The increase was primarily attributable to an increase in interest expense on deposits, resulting from a $396.4 million, or 31.5%, increase in the average balance of interest bearing deposits and a 20 basis point increase in the cost of interest bearing deposits to 0.63% from 0.43% for the prior year, due to higher rates offered on our deposit products to remain competitive.

Net Interest Income. Net interest income increased $5.7 million, or 7.5%, to $82.1 million for the year ended December 31, 2015, from $76.3 million for the year ended December 31, 2014. The increase was driven by a $335.1 million, or 13.0%, increase in average interest-earning assets, partially offset by a 14 basis point decrease in our net interest margin to 2.83% from 2.97% for the prior year. Net interest income for the year ended December 31, 2015, also was affected by an increase in interest expense, driven by a $402.5 million, or 21.8%, increase in our average interest-bearing liabilities. The cost of interest-bearing liabilities increased five basis points to 0.88% from 0.83% for the prior year, resulting from an increase in the cost of interest-bearing deposits, partially offset by lower rates on borrowed funds.

Provision for Loan Losses. The provision for loan losses decreased $292,000, or 45.3%, to $353,000 for the year ended December 31, 2015, from $645,000 for the year ended December 31, 2014. While the loan portfolio has grown during the year, continued improvement in asset quality indicators, non-accrual trends, and general improvement in economic and business conditions, have helped lower the provision. Net charge-offs were $1.9 million for the year ended December 31, 2015, compared to net charge-offs of $390,000 for the year ended December 31, 2014. The increased level of charge-offs was primarily related to five previously impaired loans to one borrower that were restructured during the first quarter of 2015 and then subsequently sold in the fourth quarter of 2015. These loans had existing specific reserves associated with them that adequately covered the charge-offs, resulting in no significant effect on the provision for loan losses for the year ended December 31, 2015.

Non-interest Income. Non-interest income decreased $562,000, or 6.6%, to $7.9 million for the year ended December 31, 2015, from $8.5 million for the year ended December 31, 2014, due to decreases in fees and service charges for customer services of $128,000, income on bank owned life insurance of $135,000, and gains on securities transactions, net, of $566,000. These decreases were partially offset by an increase in other income of $267,000, primarily related to realized gains on sales of other real estate owned properties during the year ended December 31, 2015. Securities losses, net, in 2015 included losses of $396,000 related to the Company’s trading portfolio, while 2014 results included losses of $155,000 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 increased $6.1 million, or 11.7%, to $58.1 million for the year ended December 31, 2015, from $52.0 million for the year ended December 31, 2014. This was primarily due to a $3.6 million increase in compensation and employee benefits, primarily attributable to increased salary expense and equity compensation expense, related to equity awards issued in June 2014 and May 2015, a $423,000 increase in occupancy costs, attributable to higher rent and real estate taxes, a $579,000 increase in professional fees, primarily attributable to merger expenses associated with the Company's merger with Hopewell Valley, which was completed on January 8, 2016, and a $1.3

million increase in other expenses, largely due to an increase in Directors' equity awards. By comparison, non-interest expense for the year ended December 31, 2014, was favorably affected by a pre-tax gain of $937,000 related to the settlement of the former Flatbush Federal Savings & Loan Association pension plan.

Income Tax Expense. The Company recorded income tax expense of $12.0 million for the year ended December 31, 2015, compared to $11.9 million for the year ended December 31, 2014. The effective tax rate for the year ended December 31, 2015, was 38.0% compared to 36.9% for the year ended December 31, 2014. Income tax expense for the year ended December 31, 2015, included a deferred tax asset write-down of $795,000 related to New York City tax reforms enacted in April 2015, whereas the prior year included a deferred tax asset write-down of $570,000 related to New York State tax reforms enacted in March 2014. The year ended December 31, 2015, also included $574,000 in non-deductible merger related expenses.

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 are 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,											
	2016				2015				2014			
	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]	$2,781,336	$111,776	4.02	%	$2,149,011	$87,179	4.06	%	$1,628,325	$73,407	4.51	%
Mortgage-backed securities [2]	525,355	10,832	2.06	%	620,653	12,982	2.09	%	797,146	16,861	2.12	%
Other securities[2]	57,240	908	1.59	%	42,017	328	0.78	%	79,879	604	0.76	%
FHLB of New York stock	25,405	1,171	4.61	%	25,484	1,149	4.51	%	21,349	772	3.62	%
Interest-earning deposits	74,892	285	0.38	%	66,017	120	0.18	%	41,373	57	0.14	%
Total interest-earning assets	3,464,228	124,972	3.61	%	2,903,182	101,758	3.51	%	2,568,072	91,701	3.57	
Non-interest-earning assets	268,154				219,566				207,490			
Total assets	$3,732,382				$3,122,748				$2,775,562			
Interest-bearing liabilities:												
Savings, NOW, and money market accounts	$1,619,250	7,758	0.48	%	$1,140,508	4,957	0.43	%	$950,234	2,211	0.23	%
Certificates of deposit	580,973	6,529	1.12	%	512,977	5,466	1.07	%	306,803	3,180	1.04	%
Total interest-bearing deposits	2,200,223	14,287	0.65	%	1,653,485	10,423	0.63	%	1,257,037	5,391	0.43	%

Borrowings	491,802	7,381	1.50	%	594,926	9,265	1.56	%	588,890	9,961	1.69	%
Total interest-bearing liabilities	2,692,025	21,668	0.80	%	2,248,411	19,688	0.88	%	1,845,927	15,352	0.83	%
Non-interest-bearing deposits	372,946				262,318				236,425			
Accrued expenses and other liabilities	53,808				39,936				33,911			
Total liabilities	3,118,779				2,550,665				2,116,263			
Stockholders' equity	613,603				572,083				659,299			
Total liabilities and stockholders' equity	$3,732,382				$3,122,748				$2,775,562			
Net interest income		$103,304				$82,070				$76,349		
Net interest rate spread (3)			2.81	%			2.63	%			2.74	%
Net interest-earning assets (4)	$772,203				$654,771				$722,145			
Net interest margin (5)			2.98	%			2.83	%			2.97	%
Average interest-earning assets to interest-bearing liabilities			128.68	%			129.12	%			139.12	%

58

Table of Contents

(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, 2016 vs. 2015		Year Ended December 31, 2015 vs. 2014	
	Increase (Decrease) Due	Total Increase	Increase (Decrease) Due to	Total Increase

	to					
	Volume	Rate	(Decrease)	Volume	Rate	(Decrease)
	(Dollars in thousands)					
Interest-earning assets:						
Loans	$25,404	$(807)	$24,597	$20,051	$(6,279)	$13,772
Mortgage-backed securities	(1,967)	(183)	(2,150)	(3,694)	(185)	(3,879)
Other securities	151	429	580	(296)	20	(276)
FHLB of New York stock	(4)	26	22	166	211	377
Interest-earning deposits	18	147	165	41	22	63
Total interest-earning assets	23,602	(388)	23,214	16,268	(6,211)	10,057
Interest-bearing liabilities:						
Savings, NOW and money market accounts	2,252	549	2,801	504	2,242	2,746
Certificates of deposit	753	310	1,063	2,205	81	2,286
Total deposits	3,005	859	3,864	2,709	2,323	5,032
Borrowings	(1,558)	(326)	(1,884)	105	(801)	(696)
Total interest-bearing liabilities	1,447	533	1,980	2,814	1,522	4,336
Change in net interest income	$22,155	$(921)	$21,234	$13,454	$(7,733)	$5,721

Asset Quality

Purchased Credit-Impaired Loans

PCI loans are 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 ($30.5 million at December 31, 2016) as accruing, even though they may be contractually past due. At December 31, 2016, 6.6% of PCI loans were past due 30 to 89 days, and 19.3% were past due 90 days or more, as compared to 7.9% and 21.4%, respectively, at December 31, 2015.

Originated and Acquired Loan

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

Table of Contents

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, 2016, our non-performing loans totaled $7.4 million, or 0.25%, of total loans held-for-investment. At the same time, net charge-offs have remained low at 0.03% of average loans outstanding for the year ended December 31, 2016, as compared to 0.09% for the year ended December 31, 2015, and 0.02% for the year ended December 31, 2014.

Non-performing Assets and Delinquent Loans. The following table details non-performing assets at December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Non-accrual loans:		
Held-for-investment[(1)]	$5,540	$4,456
Non-accruing loans subject to restructuring agreements:		
Held-for-investment	1,781	4,351
Total non-accruing loans	7,321	8,807
Loans 90 days or more past due and still accruing:		
Held-for-investment	60	15
Total non-performing loans	7,381	8,822
Other real estate owned	850	45
Total non-performing assets	$8,231	$8,867
Loans subject to restructuring agreements and still accruing	$20,628	$22,284
Accruing loans 30 to 89 days delinquent	$10,100	$21,620

The following table details non-performing loans by loan type at December 31, 2016 and 2015 (in thousands):

	December 31,	
	2016	2015
Non-accrual loans:		
Real estate loans:		
Commercial[(1)]	$5,513	$5,232
One-to-four family residential	1,629	2,574
Construction and land	—	113
Multifamily	43	559
Home equity and lines of credit	127	329
Commercial and industrial	9	—
Total non-accrual loans:	7,321	8,807
Loans delinquent 90 days or more and still accruing:		
Real estate loans:		
One-to-four family residential	52	—
Home equity and lines of credit	8	—
Commercial and industrial	—	15
Total loans delinquent 90 days or more and still accruing	60	15
Total non-performing loans	$7,381	$8,822

(1) Included in non-accrual commercial real estate loans is a loan with a balance of approximately $3.3 million at December 31, 2016, which was partially paid off in January 2017, from the sale of one of the properties collateralizing the loan, totaling approximately $3.1 million. No impairment reserve was required on this loan as of December 31, 2016.

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.

Table of Contents

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 (in thousands):

	December 31,	
	2016	2015
Real estate loans:		
Commercial	$4,578	$13,957
One-to-four family residential	3,621	4,209
Multifamily	1,440	2,965
Home equity and lines of credit	263	374
Commercial and industrial loans	148	104
Other loans	50	11
	$10,100	$21,620

The decrease in the delinquent loans was due in part to one commercial real estate loan with a balance of $5.6 million at December 31, 2015, that was 31 days delinquent and became current during the first quarter of 2016. This loan had a balance of $5.5 million at December 31, 2016, is classified as an accruing TDR, and is adequately covered by collateral with a recent appraised value of $9.3 million.

Included in non-accruing loans are loans subject to restructuring agreements totaling $1.8 million and $4.4 million at December 31, 2016, and December 31, 2015, respectively. At December 31, 2016, $1.4 million, or 76.4%, of the $1.8 million of loans subject to restructuring agreements were not performing in accordance with their restructured terms as compared to $2.3 million, or 53.2%, of the $4.4 million at December 31, 2015. Three separate relationships account for the loans not performing in accordance with their restructured terms at December 31, 2016. These loans are primarily collateralized by real estate with an aggregate estimated fair value of $1.4 million.

The Company also holds loans subject to restructuring agreements that are on accrual status, which totaled $20.6 million and $22.3 million at December 31, 2016, and December 31, 2015, respectively. At December 31, 2016, all of the accruing TDR loans totaling $20.6 million were performing in accordance with their restructured terms as compared to $7.2 million, or 32.3% of the $22.3 million at December 31, 2015 which were not performing in accordance with their restructured terms. Generally, the types of concessions that we make to troubled borrowers include both temporary and permanent reductions to 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, 2016, and December 31, 2015 (in thousands):

	At December 31,			
	2016		2015	
	Non-Accruing	Accruing	Non-Accruing	Accruing
Real estate loans:				
Commercial	$1,000	$15,828	$2,657	$17,885
One-to-four family residential	783	2,835	1,694	2,053
Multifamily	—	1,527	—	1,876
Home equity and lines of credit	—	336	—	354
Commercial and industrial loans	—	102	—	116
	$1,783	$20,628	$4,351	$22,284

Allowance for loan losses. The allowance for loan losses to non-performing loans (held-for-investment) increased from 280.78% at December 31, 2015, to 333.23% at December 31, 2016. This increase was primarily attributable to a decrease in non-performing loans of $1.4 million, from $8.8 million at December 31, 2015, to $7.4 million at

December 31, 2016. All of the appraisals utilized for our impairment analysis at December 31, 2016, were completed within the last 12 months. 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.

Table of Contents

The allowance for loan losses to originated loans held-for-investment, net, decreased to 1.10% at December 31, 2016, from 1.24% at December 31, 2015. The decrease was primarily attributable to growth in the originated portfolio from $1.93 billion at December 31, 2015, to $2.14 billion at December 31, 2016, whereas the allowance for loan losses decreased slightly. The decrease in the Company's allowance for loan losses during the year was primarily attributable to continued improvement in asset quality indicators, including declines in non-performing and delinquent loans, lower net charge-offs and a decrease in the number of impaired loans. Net charge-offs were $810,000 and $1.9 million for the years ended December 31, 2016 and 2015, respectively, compared to a provision of $635,000 and $353,000 for the years ended December 31, 2016 and 2015, respectively.

Specific reserves on impaired loans decreased $561,000, or 63.1%, from $889,000, at December 31, 2015, to $328,000 at December 31, 2016. The decrease was primarily due to fewer impaired loans at December 31, 2016. At December 31, 2016, the Company had 36 loans classified as impaired and recorded $328,000 of specific reserves on 13 of the 36 impaired loans. At December 31, 2015, the Company had 42 loans classified as impaired and recorded $889,000 of specific reserves on 22 of the 42 impaired loans.

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

	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
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
Provision for loan losses	(774)	93	(5)	263	(33)	484	—	5	383	53	(116)	353
Recoveries	2	20	—	25	42	34	—	17	—	—	—	140
Charge-offs	(1,431)	(277)	—	(120)	(115)	(71)	—	(1)	—	—	—	(2,015)
2015	7,106	787	261	12,387	795	1,288	—	155	783	115	1,093	24,770
Provision for loan losses	(1,217)	(105)	(89)	2,843	(209)	494	—	(62)	113	(40)	(1,093)	635
Recoveries	181	2	—	—	2	4	—	5	—	—	—	194
Charge-offs	(638)	(20)	—	(278)	—	(66)	—	(2)	—	—	—	(1,004)
2016	$5,432	$664	$172	$14,952	$588	$1,720	$—	$96	$896	$75	$—	$24,595

During the year ended December 31, 2016, the Company recorded net charge-offs of $810,000, a decrease of $1.1 million, as compared to net charge-offs of $1.9 million for the year ended December 31, 2015. The decrease in net charge-offs was primarily attributable to a $972,000 decrease in net charge-offs related to commercial real estate loans and a $239,000 decrease in net charge-offs related to one-to-four family real estate loans. Net charge-offs in 2015 included $1.2 million for commercial real estate loans related to five previously impaired loans to one borrower that were restructured and subsequently sold during 2015. The allowance for loan losses related to multifamily real estate loans and commercial and industrial loans increased due to growth in the portfolios. In addition, as a result of continued improvement in asset quality indicators, including declines in non-performing and delinquent loans, and

lower net charge-offs, the allowance for loan losses in most of the other loan categories decreased in 2016 as compared to 2015. The increase in the allowance for PCI loans was attributable to the annual recasting of PCI cash flows. Prior to December 31, 2016, we maintained an amount identified as the unallocated component within the allowance for loan losses related to indicators of loan losses not fully captured in other components of the allowance for loan losses methodology, as well as the inherent imprecision of the loss estimation process. During the fourth quarter of 2016, the Company enhanced the allowance for loan losses qualitative framework to more fully capture the risks related to certain loan loss factors. These enhancements are meant to increase the level of precision in the allowance for loan losses. As a result, the Company will no longer have an unallocated reserve in its allowance for loan losses, as the risks and uncertainties meant to be captured by the unallocated allowance have been included in the qualitative framework for the respective loan portfolios.

Table of Contents

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

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

Net Portfolio Value Analysis. We compute amounts by which the net present value of our assets and liabilities (net portfolio value or “NPV”) would change in the event market interest rates changed over an assumed range of rates. Our simulation model uses a discounted cash flow analysis to measure the interest rate sensitivity of NPV. Depending on current market interest rates, we estimate the economic value of these assets and liabilities under the assumption that interest rates experience an instantaneous and sustained increase of 100, 200, 300, or 400 basis points, or a decrease of 100 and 200 basis points. 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.

The following table sets forth, as of December 31, 2016, our calculation of the estimated changes in our NPV, NPV ratio, and percent change in net interest income that would result from the designated instantaneous and sustained changes in interest rates (dollars in thousands). Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and

deposit repricing characteristics including decay rates, and correlations to movements in interest rates, and should not be relied on as indicative of actual results.

Table of Contents

	NPV at December 31, 2016						
Change in Interest Rates (basis points)	Estimated Present Value of Assets	Estimated Present Value of Liabilities	Estimated NPV	Estimated Change In NPV	Estimated Change in NPV %	Estimated NPV/Present Value of Assets Ratio	Net Interest Income Percent Change
400	$3,453,451	$2,884,031	$569,420	$(200,567)	(26.05)%	16.49 %	(15.85)%
300	3,551,355	2,936,326	615,029	(154,958)	(20.12)%	17.32 %	(11.67)%
200	3,657,218	2,990,913	666,305	(103,682)	(13.47)%	18.22 %	(7.53)%
100	3,765,179	3,047,933	717,246	(52,741)	(6.85)%	19.05 %	(3.68)%
—	3,877,525	3,107,538	769,987	—	— %	19.86 %	— %
(100)	4,011,261	3,171,899	839,362	69,375	9.01 %	20.93 %	1.10 %
(200)	4,179,973	3,227,571	952,402	182,415	23.69 %	22.78 %	(1.89)%

.

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

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

The table above indicates that at December 31, 2016, in the event of a 200 basis point decrease in interest rates, we would experience a 23.7% increase in estimated net portfolio value and a 1.9% decrease in net interest income. In the event of a 400 basis point increase in interest rates, we would experience a 26.0% decrease in net portfolio value and a 15.9% decrease in net interest income. Our policies provide that, in the event of a 200 basis point decrease or less in interest rates, our net present value ratio should decrease by no more than 300 basis points, or 10%, and in the event of a 400 basis point increase or less, our net present value should decrease by no more than 475 basis points, or 35%. In the event of a 200 basis point decrease or less, our projected net interest income should decrease by no more than 10% in year one, and in the event of a 400 basis point increase or less, our projected net interest income should decrease by no more than 30% in year one. However, when the federal funds rate is low and negative rate shocks do not produce meaningful results, management may temporarily suspend use of guidelines for negative rate shocks. At December 31, 2016, we were in compliance with all board approved policies with respect to interest rate risk management.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in net portfolio value and net interest income. Our model requires us to make certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. However, we also apply consistent parallel yield curve shifts (in both directions) to determine possible changes in net interest income if the theoretical yield curve shifts occurred gradually. Net interest income analysis also adjusts the asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts. In addition, the net portfolio value and net interest income information presented assume that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assume

that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net portfolio value or net interest income and will differ from actual results.

Liquidity and Capital Resources

Liquidity is the ability to fund assets and meet obligations as they come due. Our primary sources of funds consist of deposit inflows, loan repayments, borrowings through repurchase agreements and advances from money center banks and the FHLB of New York, and repayments, maturities and sales of securities. While maturities and scheduled amortization of loans and securities are reasonably predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our board risk committee is responsible for establishing and monitoring our liquidity targets and strategies in order to ensure that sufficient liquidity exists for meeting the borrowing needs and withdrawals of deposits by our customers as well as unanticipated contingencies. We seek to maintain a ratio of liquid assets (not subject to pledge or encumbered) as a percentage of deposits and borrowings of 35% or greater. At December 31, 2016, this ratio was 46.17%. We believe that we had sufficient sources of liquidity to satisfy our short- and long-term liquidity needs at December 31, 2016.

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

- expected loan demand;

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

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

The Company had the following primary sources of liquidity at December 31, 2016 (in thousands):

Cash and cash equivalents	$96,085
Corporate bonds	45,159
Unpledged multifamily loans	798,600
Unpledged mortgage-backed securities (Issued or guaranteed by the U.S. Government, Fannie Mae, or Freddie Mac)	123,000

At December 31, 2016, we had $46.1 million in outstanding loan commitments. In addition, we had $78.8 million in unused lines of credit to borrowers. Certificates of deposit due within one year of December 31, 2016, totaled $237.7 million, or 8.8% of total deposits. If these deposits do not remain with us, we will be required to seek other sources of funds, including loan sales, securities sales, other deposit products, including replacement certificates of deposit, securities sold under agreements to repurchase (repurchase agreements), and advances from the FHLB of New York and other borrowing sources. Depending on market conditions, we may be required to pay higher rates on such deposits or other borrowings than we currently pay on the certificates of deposit due on December 31, 2016. Based on experience, we believe that a significant portion of such deposits will remain with us, and we have the ability to attract and retain deposits by adjusting the interest rates offered.

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

Northfield Bancorp, Inc. is a separate legal entity from Northfield Bank and must provide for its own liquidity to fund dividend payments, stock repurchases, and other corporate risk factors. The Company's primary source of liquidity is the receipt of dividend payments from the Bank in accordance with applicable regulatory requirements. At December 31, 2016, Northfield Bancorp, Inc. (unconsolidated) had liquid assets of $9.0 million.

Northfield Bank is subject to various regulatory capital requirements, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning assets and off-balance sheet items to broad risk categories. At December 31, 2016, Northfield Bank exceeded all regulatory capital requirements and is considered "well capitalized" under regulatory guidelines. See "Item 1. Business - Supervision and Regulation" and Note 13 of the Notes to the Consolidated Financial Statements.

During the first quarter of 2017, the Company enhanced its liquidity position by arranging for a municipal line of credit from the FHLB to be used, if needed, to collateralize our municipal deposits.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Commitments. As a financial services provider, we routinely are a party to various financial instruments with off-balance-sheet risks, such as commitments to extend credit, and unused lines of credit. While these contractual obligations represent our potential future cash requirements, a significant portion of commitments to extend credit may expire without being drawn upon. Such commitments are subject to the same credit policies and approval process applicable to loans we originate. In addition, we routinely enter into commitments to sell mortgage loans; such amounts are not significant to our operations. For additional information, see Note 12 of the Notes to the Consolidated Financial Statements.

Table of Contents

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

The following table summarizes our significant fixed and determinable contractual obligations and other funding needs by payment date at December 31, 2016 (in thousands). The payment amounts represent those amounts due to the recipient and do not include any unamortized premiums or discounts or other similar carrying amount adjustments.

	Payments Due by Period				
Contractual Obligations	Less Than One Year	One to Three Years	Three to Five Years	More Than Five Years	Total
Borrowings [1]	$165,742	$236,217	$60,000	$—	$461,959
Floating rate advances	11,463	—	—	—	11,463
Operating leases	4,682	8,247	7,477	30,069	50,475
Capitalized leases	254	306	—	—	560
Certificates of deposit	237,733	204,221	94,123	—	536,077
Total	$419,874	$448,991	$161,600	$30,069	$1,060,534
Commitments to extend credit [2]	$124,894	$—	$—	$—	$124,894

(1) Includes repurchase agreements, FHLB of New York advances, and accrued interest payable at December 31, 2016.

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

Recent Accounting Standards and Interpretations

See Note 1(s) of the Notes to the Consolidated Financial Statements.

Impact of Inflation and Changing Prices

Our consolidated financial statements and related notes have been prepared in accordance with U.S. GAAP. U.S. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars

without consideration for changes in the relative purchasing power of money over time due to inflation. The effect of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater effect on our performance than inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Northfield Bancorp, Inc., and subsidiaries (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northfield Bancorp, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 16, 2017, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Short Hills, New Jersey
March 16, 2017

Table of Contents

Report of Independent Registered Public Accounting Firm

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

We have audited Northfield Bancorp, Inc.'s (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Northfield Bancorp, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Northfield Bancorp, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 16, 2017, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Short Hills, New Jersey
March 16, 2017

Table of Contents

NORTHFIELD BANCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	At December 31,	
	2016	2015
	(Dollars in thousands, except share data)	
ASSETS:		
Cash and due from banks	$18,412	$15,324
Interest-bearing deposits in other financial institutions	77,673	36,529
Total cash and cash equivalents	96,085	51,853
Trading securities	7,857	6,713
Securities available-for-sale, at estimated fair value (encumbered $11,786 at December 31, 2016, and $65,051 at December 31, 2015)	498,897	541,595
Securities held-to-maturity, (estimated fair value of $10,118 at December 31, 2016, and $10,369 at December 31, 2015) (encumbered $2,108 at December 31, 2016, and $5,619 at December 31, 2015)	10,148	10,346
Originated loans held-for-investment, net	2,144,346	1,931,585
Loans acquired	793,240	409,015
Purchased credit-impaired (PCI) loans held-for-investment	30,498	33,115
Loans held-for-investment, net	2,968,084	2,373,715
Allowance for loan losses	(24,595)	(24,770)
Net loans held-for-investment	2,943,489	2,348,945
Accrued interest receivable	9,714	8,263
Bank owned life insurance	148,047	132,782
Federal Home Loan Bank (FHLB) of New York stock, at cost	25,123	25,803
Premises and equipment, net	26,910	23,643
Goodwill	38,411	16,159
Other real estate owned	850	45
Other assets	44,563	36,437
Total assets	$3,850,094	$3,202,584
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits	$2,713,587	$2,052,929
Securities sold under agreements to repurchase	8,000	63,000
Other borrowings	465,206	495,129
Advance payments by borrowers for taxes and insurance	12,331	10,862
Accrued expenses and other liabilities	29,774	20,885
Total liabilities	3,228,898	2,642,805
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 25,000,000 shares authorized, none issued or outstanding	—	—
Common stock, $0.01 par value: 150,000,000 shares authorized, 60,933,707 and 58,226,326 shares issued at December 31, 2016 and 2015, respectively, 48,526,658 and 45,565,540 outstanding at December 31, 2016 and 2015, respectively	609	582
Additional paid-in-capital	547,910	501,540
Unallocated common stock held by employee stock ownership plan	(23,466)	(24,664)
Retained earnings	268,226	256,170
Accumulated other comprehensive loss	(4,332)	(2,986)

Treasury stock at cost; 12,407,049 and 12,660,786 shares at December 31, 2016 and 2015, respectively	(167,751)	(170,863)
Total stockholders’ equity	621,196	559,779
Total liabilities and stockholders’ equity	$3,850,094	$3,202,584

See accompanying notes to consolidated financial statements.

Table of Contents

NORTHFIELD BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Years ended December 31,		
	2016	2015	2014
	(Dollars in thousands, except share and per share data)		
Interest income:			
Loans	$111,776	$ 87,179	$ 73,407
Mortgage-backed securities	10,832	12,982	16,861
Other securities	908	328	604
FHLB of New York dividends	1,171	1,149	772
Deposits in other financial institutions	285	120	57
Total interest income	124,972	101,758	91,701
Interest expense:			
Deposits	14,287	10,423	5,391
Borrowings	7,381	9,265	9,961
Total interest expense	21,668	19,688	15,352
Net interest income	103,304	82,070	76,349
Provision for loan losses	635	353	645
Net interest income after provision for loan losses	102,669	81,717	75,704
Non-interest income:			
Fees and service charges for customer services	4,934	3,945	4,073
Income on bank owned life insurance	3,998	3,767	3,902
Gains/(losses) on securities transactions, net	813	(339)	227
Other	327	525	258
Total non-interest income	10,072	7,898	8,460
Non-interest expense:			
Compensation and employee benefits	39,780	29,760	26,195
Occupancy	11,411	10,039	9,616
Furniture and equipment	1,421	1,428	1,636
Data processing	6,054	3,802	3,680
Professional fees	3,461	3,037	2,458
Federal Deposit Insurance Corporation (FDIC) insurance	1,494	1,550	1,306
Other	9,325	8,493	7,151
Total non-interest expense	72,946	58,109	52,042
Income before income tax expense	39,795	31,506	32,122
Income tax expense	13,665	11,975	11,856
Net income	$26,130	$ 19,531	$ 20,266
Net income per common share:			
Basic	$0.59	$ 0.46	$ 0.41
Diluted	$0.57	$ 0.45	$ 0.41
Basic weighted average shares outstanding	44,374,389	42,285,712	49,006,129
Diluted weighted average shares outstanding	45,717,887	43,478,481	50,032,259

See accompanying notes to consolidated financial statements.

Table of Contents

NORTHFIELD BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income - (Continued)

	Years ended December 31,		
	2016	2015	2014
	(Dollars in thousands)		
Net income	$26,130	$19,531	$20,266
Other comprehensive (loss) income:			
Unrealized (losses) gains on securities:			
Net unrealized holding (losses) gains on securities	(2,202)	(3,676)	8,535
Less: reclassification adjustment for net gains included in net income (included in gains (losses) on securities transactions, net)	(306)	(57)	(382)
Net unrealized (losses) gains	(2,508)	(3,733)	8,153
Post-retirement benefits adjustment	244	21	(1,689)
Other comprehensive (loss) income, before tax	(2,264)	(3,712)	6,464
Income tax benefit (expense) related to net unrealized holding (losses) gains on securities	894	1,476	(3,408)
Income tax expense related to reclassification adjustment for gains included in net income	122	23	153
Income tax (expense) benefit related to post retirement benefits adjustment	(98)	(8)	676
Other comprehensive (loss) income, net of tax	(1,346)	(2,221)	3,885
Comprehensive income	$24,784	$17,310	$24,151

See accompanying notes to consolidated financial statements.

Table of Contents

NORTHFIELD BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2016, 2015 and 2014

	Common Stock							
	Shares Outstanding	Par Value	Additional Paid-in Capital	Unallocated Common Stock Held by the Employee Stock Ownership Plan	Retained Earnings	Accumulated Other Comprehensive Income (loss) Net of tax	Treasury Stock	Total Stockholders' Equity
	(Dollars in thousands, except share and per share data)							
Balance at December 31, 2013	57,926,233	$ 582	$ 508,609	$ (26,985)	$ 242,180	$ (4,650)	$ (3,628)	$ 716,108
Net income					20,266			20,266
Other comprehensive income, net of tax						3,885		3,885
Employee Stock Ownership Plan (ESOP) shares allocated or committed to be released			645	1,203				1,848
Stock compensation expense			2,805					2,805
Additional tax benefit on equity awards			390					390
Issuance of restricted stock	991,200		(12,633)				12,633	—
Exercise of stock options	146,833		(210)		(654)			