

Northfield Bancorp, Inc.
Form 10-Q
May 11, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For transition period from _____ to _____
Commission File Number 001-35791

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

Delaware
(State or other jurisdiction of incorporation)
581 Main Street, Woodbridge, New Jersey
(Address of principal executive offices)

80-0882592
(I.R.S. Employer Identification No.)
07095
(Zip Code)

Registrant's telephone number, including area code: (732) 499-7200

Not Applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

46,902,930 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of April 30, 2015.

NORTHFIELD BANCORP, INC.

Form 10-Q Quarterly Report

Table of Contents

	Page
<u>PART I - FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
Item 4. <u>Controls and Procedures</u>	<u>45</u>
<u>PART II - OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>46</u>
Item 1A. <u>Risk Factors</u>	<u>46</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>46</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>46</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>46</u>
Item 5. <u>Other Information</u>	<u>46</u>
Item 6. <u>Exhibits</u>	<u>46</u>
<u>SIGNATURES</u>	<u>47</u>

Table of Contents

PART I

ITEM 1. FINANCIAL STATEMENTS

NORTHFIELD BANCORP, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited) (In thousands, except share amounts)

	March 31, 2015	December 31, 2014
ASSETS:		
Cash and due from banks	\$ 14,375	\$ 14,967
Interest-bearing deposits in other financial institutions	78,706	61,742
Total cash and cash equivalents	93,081	76,709
Trading securities	6,748	6,422
Securities available-for-sale, at estimated fair value (encumbered \$100,823 at March 31, 2015 and \$216,262 at December 31, 2014)	728,657	771,239
Securities held-to-maturity, at amortized cost (estimated fair value of \$3,046 at March 31, 2015, and \$3,691 at December 31, 2014) (encumbered of \$644 at March 31, 2015, and \$2,114 at December 31, 2014)	2,978	3,609
Originated loans held-for-investment, net	1,704,098	1,632,494
Loans acquired	258,586	265,685
Purchased credit-impaired (PCI) loans held-for-investment	41,955	44,816
Loans held-for-investment, net	2,004,639	1,942,995
Allowance for loan losses	(25,898) (26,292)
Net loans held-for-investment	1,978,741	1,916,703
Accrued interest receivable	7,946	8,015
Bank owned life insurance	129,956	129,015
Federal Home Loan Bank of New York stock, at cost	28,656	29,219
Premises and equipment, net	25,942	26,226
Goodwill	16,159	16,159
Other real estate owned	532	752
Other assets	31,108	36,801
Total assets	\$ 3,050,504	\$ 3,020,869
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Deposits	\$ 1,778,249	\$ 1,620,665
Securities sold under agreements to repurchase	94,000	203,200
Federal Home Loan Bank advances and other borrowings	566,044	575,458
Advance payments by borrowers for taxes and insurance	10,149	7,792
Accrued expenses and other liabilities	19,431	19,826
Total liabilities	2,467,873	2,426,941
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value: 150,000,000 shares authorized, 58,226,326 shares issued at March 31, 2015, and December 31, 2014, 47,232,879 and 48,402,083 outstanding at March 31, 2015, and December 31, 2014, respectively	582	582
Additional paid-in-capital	500,576	499,606

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Unallocated common stock held by employee stock ownership plan	(25,519) (25,782)
Retained earnings	250,693	248,908	
Accumulated other comprehensive loss	2,008	(765)
Treasury stock at cost; 10,993,447 and 9,824,243 shares at March 31, 2015, and December 31, 2014, respectively	(145,709) (128,621)
Total stockholders' equity	582,631	593,928	
Total liabilities and stockholders' equity	\$3,050,504	\$3,020,869	

See accompanying notes to consolidated financial statements.

3

Table of Contents

NORTHFIELD BANCORP, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited) (In thousands, except per share data)

	Three Months Ended March 31,	
	2015	2014
Interest income:		
Loans	\$20,666	\$17,796
Mortgage-backed securities	3,577	4,589
Other securities	134	157
Federal Home Loan Bank of New York dividends	343	210
Deposits in other financial institutions	33	12
Total interest income	24,753	22,764
Interest expense:		
Deposits	2,074	1,238
Borrowings	2,695	2,411
Total interest expense	4,769	3,649
Net interest income	19,984	19,115
Provision for loan losses	200	417
Net interest income after provision for loan losses	19,784	18,698
Non-interest income:		
Fees and service charges for customer services	925	1,029
Income on bank owned life insurance	941	984
Gains on securities transactions, net	61	124
Other	177	35
Total non-interest income	2,104	2,172
Non-interest expense:		
Compensation and employee benefits	7,557	5,235
Occupancy	2,613	2,621
Furniture and equipment	381	419
Data processing	977	971
Professional fees	574	526
FDIC insurance	389	309
Other	1,809	1,982
Total non-interest expense	14,300	12,063
Income before income tax expense	7,588	8,807
Income tax expense	2,586	3,588
Net income	\$5,002	\$5,219
Net income per common share:		
Basic	\$0.11	\$0.10
Diluted	\$0.11	\$0.10

See accompanying notes to consolidated financial statements.

Table of Contents

NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME - (Continued)

(Unaudited) (In thousands)

	Three Months Ended March 31,	
	2015	2014
Net Income	\$5,002	\$5,219
Other comprehensive income:		
Unrealized gains (losses) on securities:		
Net unrealized holding gains on securities	4,619	3,340
Less: reclassification adjustment for net gains included in net income (included in gains on securities transactions, net)	—	(55)
Net unrealized gains	4,619	3,285
Post retirement benefit adjustment	—	(1,141)
Other comprehensive income, before tax	4,619	2,144
Income tax expense related to net unrealized holding gains on securities	1,846	1,336
Income tax expense related to reclassification adjustment for gains included in net income	—	(22)
Income tax expense related to post retirement benefit adjustment	—	(458)
Other comprehensive income, net of tax	2,773	1,288
Comprehensive income	\$7,775	\$6,507

See accompanying notes to consolidated financial statements.

5

Table of Contents

NORTHFIELD BANCORP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Three Months Ended March 31, 2015 and 2014

(Unaudited) (In thousands, except share data)

	Common Stock			Unallocated Common Stock Held by the Employee Stock Ownership Plan	Retained Earnings	Accumulated Other Comprehensive Income (loss) Net of tax	Treasury Stock	Total Stockholders' Equity
	Shares Outstanding	Par Value	Additional Paid-in Capital					
Balance at December 31, 2013	57,926,233	\$582	\$508,609	\$(26,985)	\$242,180	\$ (4,650)	\$(3,628)	\$ 716,108
Net income					5,219			5,219
Other comprehensive income, net of tax						1,288		1,288
ESOP shares allocated or committed to be released			147	263				410
Stock compensation expense			252					252
Additional tax benefit on equity awards			388					388
Exercise of stock options	52,884				(337)		515	178
Cash dividends declared (\$0.06 per common share)					(3,295)			(3,295)
Treasury stock (average cost of \$12.67 per share)	(3,062,452)						(38,825)	\$(38,825)
Balance at March 31, 2014	54,916,665	\$582	\$509,396	\$(26,722)	\$243,767	\$ (3,362)	\$(41,938)	\$ 681,723
Balance at December 31, 2014	48,402,083	\$582	\$499,606	\$(25,782)	\$248,908	\$ (765)	\$(128,621)	\$ 593,928
Net income					5,002			5,002
Other comprehensive income, net of tax						2,773		2,773
ESOP shares allocated or committed to be released			203	263				466
Stock compensation expense			944					944

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Additional tax benefit on equity awards			2					2
Forfeitures of restricted stock	(12,000)		159				(159)	—
Exercise of stock options	48,998		(338)		(66)		533	129
Cash dividends declared (\$0.07 per common share)					(3,151)			(3,151)
Treasury stock (average cost of \$14.46 per share)	(1,206,202)						(17,462)	(17,462)
Balance at March 31, 2015	47,232,879	\$582	\$500,576	\$(25,519)	\$250,693	\$ 2,008	\$(145,709)	\$ 582,631

See accompanying notes to consolidated financial statements.

Table of Contents

NORTHFIELD BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

	Three Months Ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$5,002	\$5,219
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	200	417
ESOP and stock compensation expense	1,410	662
Depreciation	870	926
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	462	337
Amortization intangible assets	100	106
Income on bank owned life insurance	(941)	(984)
Gain on securities transactions, net	(61)	(124)
(Gain) loss on sale of other real estate owned, net	(129)	19
Net purchases of trading securities	(265)	(47)
Decrease in accrued interest receivable	69	12
Decrease (increase) in other assets	3,815	(35)
(Decrease) increase in accrued expenses and other liabilities	(395)	290
Net cash provided by operating activities	10,137	6,798
Cash flows from investing activities:		
Net increase in loans receivable	(62,400)	(25,605)
Redemptions (purchases) of Federal Home Loan Bank of New York stock, net	563	(1,170)
Purchases of securities available-for-sale	—	(436)
Principal payments and maturities on securities available-for-sale	46,935	37,427
Principal payments and maturities on securities held-to-maturity	599	—
Proceeds from sale of securities available-for-sale	—	877
Proceeds from sale of other real estate owned	279	418
Purchases and improvements of premises and equipment	(586)	(240)
Net cash (used in) provided by investing activities	(14,610)	11,271
Cash flows from financing activities:		
Net increase (decrease) in deposits	157,584	(7,915)
Dividends paid	(3,151)	(3,295)
Exercise of stock options	129	178
Purchase of treasury stock	(17,462)	(38,763)
Additional tax benefit on equity awards	2	388
Increase in advance payments by borrowers for taxes and insurance	2,357	2,254
Repayments under capital lease obligations	(43)	(79)
Proceeds from securities sold under agreements to repurchase and other borrowings	23,129	96,488
Repayments related to securities sold under agreements to repurchase and other borrowings	(141,700)	(67,447)
Net cash provided by (used in) financing activities	20,845	(18,191)
Net increase (decrease) in cash and cash equivalents	16,372	(122)
Cash and cash equivalents at beginning of period	76,709	61,239
Cash and cash equivalents at end of period	\$93,081	\$61,117
Supplemental cash flow information:		

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Cash paid during the period for:			
Interest	\$4,870	\$3,683	
Income taxes	—	4,053	
Non-cash transactions:			
Loans charged-off (recovered), net	594	(111)
Other real estate owned write-downs	71	47	

See accompanying notes to consolidated financial statements.

7

Table of Contents

NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation

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

In the opinion of management, all adjustments (consisting solely of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three months ended March 31, 2015, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2015. Whenever necessary, certain prior year amounts are reclassified to conform to the current year presentation.

In preparing the unaudited consolidated financial statements in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”), management has made estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and results of operations for the periods indicated. Material estimates that are particularly susceptible to change are: the allowance for loan losses, the evaluation of goodwill and other intangible assets, impairment on investment securities, fair value measurements of assets and liabilities, and income taxes. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are deemed necessary. While management uses its best judgment, actual amounts or results could differ significantly from those estimates.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for the preparation of interim financial statements. The consolidated financial statements presented should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014, of Northfield Bancorp, Inc. as filed with the SEC.

Note 2 – Securities

The following is a comparative summary of mortgage-backed securities and other securities available-for-sale at March 31, 2015, and December 31, 2014 (in thousands).

	March 31, 2015			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
Government sponsored enterprises (GSE)	\$276,225	\$8,877	\$895	\$284,207
Real estate mortgage investment conduits (REMICs):				
GSE	387,123	1,506	5,604	383,025
Non-GSE	928	—	29	899
	664,276	10,383	6,528	668,131
Other securities:				
Equity investments-mutual funds	617	—	—	617
Corporate bonds	59,841	68	—	59,909
	60,458	68	—	60,526
Total securities available-for-sale	\$724,734	\$10,451	\$6,528	\$728,657

Table of Contents

NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financial Statements - (Continued)

	December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
Mortgage-backed securities:				
Pass-through certificates:				
GSE	\$292,162	\$8,309	\$1,131	\$299,340
REMICs:				
GSE	408,328	1,314	9,192	400,450
Non-GSE	1,060	—	34	1,026
	701,550	9,623	10,357	700,816
Other securities:				
Equity investments-mutual funds	410	—	—	410
Corporate bonds	69,975	40	2	70,013
	70,385	40	2	70,423
Total securities available-for-sale	\$771,935	\$9,663	\$10,359	\$771,239

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at March 31, 2015 (in thousands).

Available-for-sale	Amortized cost	Estimated fair value
Due in one year or less	\$54,729	\$54,779
Due after one year through five years	5,112	5,130
	\$59,841	\$59,909

Expected maturities on mortgage-backed securities may differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without penalties.

For the three months ended March 31, 2015, the Company had no gross proceeds on sales of securities available-for-sale. For the three months ended March 31, 2014, the Company had gross proceeds of \$877,000 on sales of securities available-for-sale, with gross realized gains of approximately \$55,000 and no gross realized losses. The Company recognized \$61,000 in net gains on its trading securities portfolio during the three months ended March 31, 2015. The Company recognized \$69,000 in net gains on its trading securities portfolio during the three months ended March 31, 2014. The Company did not recognize any other-than-temporary impairment charges during the three months ended March 31, 2015 or March 31, 2014.

Gross unrealized losses on mortgage-backed securities and corporate bonds available-for-sale, and the estimated fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2015, and December 31, 2014, were as follows (in thousands).

	March 31, 2015					
	Less than 12 months		12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
GSE	\$1	\$97	\$894	\$59,469	\$895	\$59,566
REMICs:						

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GSE	30	3,179	5,574	204,983	5,604	208,162
Non-GSE	—	—	29	899	29	899
Total	\$31	\$3,276	\$6,497	\$265,351	\$6,528	\$268,627

9

Table of Contents

NORTHFIELD BANCORP, INC.

Notes to Unaudited Consolidated Financi