GILEAD SCIENCES INC
Form 8-K
February 01, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED):

January 26, 2012

GILEAD SCIENCES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**0-19731**	**94-3047598**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

333 LAKESIDE DRIVE, FOSTER CITY, CALIFORNIA

(Address of principal executive offices)

94404

(Zip Code)

(650) 574-3000

(Registrant s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFD 230.425)

[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

[ ] Pre-commencement communications pursuant to Rule 14-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

SECTION 5 CORPORATE GOVERNANCE AND MANAGEMENT

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(e) Compensation Arrangements of Certain Officers

2011 Bonuses and 2012 Base Salaries

On January 26, 2012, the Compensation Committee (the Committee) of the Board of Directors (the Board) of Gilead Sciences, Inc. (the Company) set the base salaries for the 2012 fiscal year for the Company s current named executive officers (the Executive Officers). The Committee also determined their bonus awards for the completed 2011 fiscal year based on their individual performance and the Company s attained level of certain financial and non-financial objectives established for that year. The independent members of the Board ratified the 2011 bonus and 2012 base salary of John C. Martin, Ph.D., the Company s Chairman and Chief Executive Officer. The approved 2011 bonuses and 2012 base salaries for the Executive Officers are as follows:

	$0,000,000	$0,000,000	$0,000,000
Name and Title	**2011 Bonus**		**2012 Base Salary**
John C. Martin	$2,788,500		$1,500,000
Chairman and Chief Executive Officer			
John F. Milligan	$1,215,641		$955,000
President and Chief Operating Officer			
Kevin Young	$743,243		$760,000
Executive Vice President, Commercial Operations			
Gregg H. Alton	$705,206		$740,000
Executive Vice President, Corporate and Medical Affairs			
Robin L. Washington	$555,210		$700,000
Senior Vice President and Chief Financial Officer			

2012 Equity Awards

Stock Option Grants. On January 26, 2012, the Committee granted options to purchase shares of the Company s common stock and performance share awards to the Executive Officers under the Company s 2004 Equity Incentive Plan, as amended. The independent members of the Board ratified the equity grants to Dr. Martin.

The options each have an exercise price per share of $48.59, representing the closing price of the Company s common stock on January 26, 2012. The options will vest as to 25% of the underlying shares on the first anniversary of the date of grant, and the balance will vest in successive equal quarterly installments through the fourth anniversary of the date of grant, subject to such individual s continued service with the Company through each applicable vesting date.

Performance Share Awards. Each Executive Officer was also granted at the same time a performance share award with performance vesting and service vesting requirements. The performance shares will convert into actual shares of the Company s common stock based on the Company s attainment of pre-established performance goals measured over the applicable performance periods and the individual s continued service with the Company through each of the applicable service periods.

Each such performance share award is divided into two separate equal tranches. The performance-vesting requirement for the first tranche is tied to the percentile level at which the Company s total shareholder return for the 3-year performance period beginning January 1, 2012 and ending December 31, 2014 stands in relation to the total shareholder return realized for that same period by the companies comprising the following three subsets of the S&P Healthcare Index: Biotechnology, Pharmaceuticals and Health Care Equipment (collectively the S&P Healthcare

Sub-Index). The service-vesting condition for such tranche is tied to the individual s continued service with the Company through the date following the completion of the 3-year performance period on which the Committee certifies the attained level of the total shareholder return performance goal.

The second tranche of each performance award is subdivided into three equal subtranches, each with its own performance period and service period. The performance-vesting requirement for the first subtranche is the Company s recognition of revenue for the one-year performance period coincident with the 2012 calendar fiscal year in the dollar amount set by the Committee at the time the award was made, with such revenue to be measured on a consolidated basis with the Company s subsidiaries in accordance with the Company s audited consolidated financial statements for such calendar fiscal year. The service-vesting requirement for that subtranche is tied to the individual s continued service with the Company through the 3-year service period beginning January 1, 2012 and ending December 31, 2014. The performance-vesting requirement for the second subtranche will be tied to the Company s recognition of consolidated revenue for the one-year performance period coincident with the 2013 calendar fiscal year in the dollar amount to be set by the Committee no later than ninety (90) days after the start of that performance period. The service-vesting requirement for that subtranche is tied to the individual s continued service with the Company through the 2-year service period beginning January 1, 2013 and ending December 31, 2014. The performance-vesting requirement for the final subtranche will be tied to the Company s recognition of consolidated revenue for the one-year performance period coincident with the 2014 calendar fiscal year in the dollar amount to be set by the Committee no later than ninety (90) days after the start of that performance period. The service-vesting requirement condition for that final subtranche will be tied to the individual s continued service with the Company through the 1-year service period beginning January 1, 2014 and ending December 31, 2014.

The actual number of shares of the Company s common stock into which each tranche or subtranche of the performance shares may convert will be calculated by multiplying the number of performance shares allocated to that tranche or subtranche by a performance percentage ranging from 0% to 200% based on the actual level at which the applicable performance goal is attained, as certified by the Committee.

Should the Executive Officer s service with the Company terminate prior to the completion of one or more applicable service periods under the award, then the performance shares allocated to those service periods will be forfeited, whether or not the performance goal applicable to those shares are met. However, if the Executive Officer s employment terminates during an applicable service period by reason of retirement on or after the date his or her combined age and years of service total 70 years or more or by reason of death, disability, then a portion of the performance shares allocated to that service period will convert into actual shares of vested common stock based on the level at which the performance goal in effect for that service period is actually attained and the number of calendar months of continuous service he or she completed during that service period. However, for the first tranche of performance shares, there will be no such pro-rated award in the event of the individual s retirement, unless such retirement occurs after the first year of the 3-year service period applicable to that tranche.

Should a change in control transaction occur after the start of one or more applicable service periods under the award but prior to the completion of those service periods and the Executive Officer remain in continued service with the Company through the closing of that change in control transaction, then the portion of his or her performance shares allocated to those service periods will immediately convert into vested shares of the Company s common stock equal to (i) 100% of the allocated number of performance shares or, with respect to the performance shares allocated to the first tranche of his or her award, (ii) any greater percentage of those allocated shares, if the change in control occurs more than one year after the start of the 3-year service period applicable to that tranche, based on the actual level at which the total shareholder return goal in effect for that tranche is in fact attained, as measured over an abbreviated performance period ending with the Company s last fiscal quarter prior to the effective date of the change in control.

An Executive Officer who is a U.S. resident may elect to defer the receipt of any shares of the Company s common stock into which the performance shares may convert to a later date by submitting a deferral election form to the Company within certain specified time periods. In the absence of such deferral, the performance shares that vest under each performance share award will be issued on or before March 15, 2015.

Award Summary. The table below summarizes the 2012 option grants and performance share awards made to the Executive Officers:

		Performance Share Award		
Name and Title	**Stock Option Grant**	**Minimum Number of Shares**	**Target Number of Shares**	**Maximum Number of Shares**
John C. Martin	331,000	0	117,000	234,000
Chairman and Chief Executive Officer				
John F. Milligan	151,250	0	51,250	102,500
President and Chief Operating Officer				
Kevin Young	94,000	0	32,000	64,000
Executive Vice President, Commercial Operations				
Gregg H. Alton	94,000	0	32,000	64,000
Executive Vice President, Corporate and Medical Affairs				
Robin L. Washington	90,000	0	30,000	60,000
Senior Vice President and Chief Financial Officer				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GILEAD SCIENCES, INC.
(Registrant)

/s/ Robin L. Washington
Robin L. Washington

Senior Vice President and

Chief Financial Officer

Date: February 1, 2012

ng:0pt;">

December 31, 2012

Estimated Fair Value

Carrying Value

Level 1

Level 2

Level 3

Total

Financial assets:

Cash and cash equivalents

$ 128,761

$ 128,761

$ -

$ -

$ 128,761

Trading securities

4,677

4,677

-

-

4,677

Securities available-for-sale

1,275,631

12,998

1,262,633

-

1,275,631

Securities held-to-maturity

2,220

-

2,309

-

2,309

Federal Home Loan Bank of New York stock, at cost

12,550

-

12,550

-

12,550

Loans held-for-sale

5,447

-

-

5,447

5,447

Net loans held-for-investment

1,216,558

-

-

1,289,599

1,289,599

Financial liabilities:

Deposits

$ 1,956,860

$ -

$ 1,962,053

$ -

$ 1,962,053

Repurchase agreements and other borrowings

419,122

-

432,719

-

432,719

Advance payments by borrowers

3,488

-

3,488

-

3,488

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company’s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Note 7 – Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares outstanding during the period. For purposes of calculating basic earnings per share, weighted average common shares outstanding excludes unallocated employee stock ownership plan (ESOP) shares that have not been committed for release and unvested restricted stock.

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

The following is a summary of the Company's earnings per share calculations and reconciliation of basic to diluted earnings per share for the periods indicated (dollars in thousands, except per share data):

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Net income available to common stockholders	$ 5,100	$ 3,894	$ 14,191	$ 12,790
Weighted average shares outstanding-basic	54,567,526	53,951,231	54,705,569	54,065,697
Effect of non-vested restricted stock and stock options outstanding	931,654	837,050	894,635	722,000
Weighted average shares outstanding-diluted	55,499,180	54,788,281	55,600,204	54,787,696
Earnings per share-basic	$ 0.09	$ 0.07	$ 0.26	$ 0.24
Earnings per share-diluted	$ 0.09	$ 0.07	$ 0.26	$ 0.23

Note 8 – Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This ASU adds new disclosure requirements for items reclassified out of accumulated other comprehensive income to be in a single location in the financial statements. The Company's disclosures of the components of accumulated other comprehensive income are disclosed in its Statements of Comprehensive Income. For the nine months ended September 30, 2013, we reclassified $2.5 million of securities gains included in net income out of accumulated other comprehensive income. The new guidance became effective for all interim and annual periods beginning January 1, 2013, and is to be applied prospectively. The adoption of these pronouncements resulted in a change to the presentation of the Company's financial statements but did not have an impact on the Company's financial condition or results of operations.

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ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly 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 forwa looking 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 markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- effect of shut down of the federal government
- 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, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- 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-Q, whether as a result of new information, future events or otherwise.

Critical Accounting Policies

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended December 31, 2012, included in the Company's Annual Report on Form 10-K, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets are carried in the Consolidated Balance Sheets at estimated fair value or the lower of cost or estimated fair value. Policies with respect to the methodologies used to determine the allowance for loan losses, estimated cash flows of our PCI loans, and judgments regarding the valuation of intangible assets and securities as well as the valuation allowance against deferred tax assets are the most critical accounting policies because they are important to the presentation of the Company's financial condition and results of operations, involve a higher degree of complexity, and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions, and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually, with the Audit Committee of the

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Board of Directors. For a further discussion of the critical accounting policies of the Company, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

Overview

This overview highlights selected information and may not contain all the information that is important to you in understanding our performance during the period. For a more complete understanding of trends, events, commitments, uncertainties, liquidity, capital resources, and critical accounting estimates, you should read this entire document carefully, as well as our Annual Report on Form 10-K for the year ended December 31, 2012.

Net income amounted to $5.1 million and $14.2 million for the three and nine months ended September 30, 2013, respectively, as compared to $3.9 million and $12.8 million for the three and nine months ended September 30, 2012, respectively. Basic and diluted earnings per common share were $0.09 and $0.26 for the quarter and nine months ended September 30, 2013, respectively, compared to basic earnings per common share of $0.07 and $0.24 for the quarter and nine months ended September 30, 2012, respectively, and diluted earnings per common share of $0.07 and $0.23 for the quarter and nine months ended September 30, 2012, respectively. For the three and nine months ended September 30, 2013, our return on average assets was 0.76% and 0.69%, respectively, as compared to 0.63% and 0.70% for the three and nine months ended September 30, 2012, respectively. For the three and nine months ended September 30, 2013, our return on average stockholders’ equity was 2.82% and 2.69%, respectively, as compared to 3.95% and 4.41% for the three and nine months ended September 30, 2012, respectively. Stockholders’ equity during the nine months ended September 30, 2013, was increased by $330.1 million from net proceeds related to the stock conversion completed on January 24, 2013.

Comparison of Financial Condition at September 30, 2013, and December 31, 2012

Total assets decreased $86.0 million, or 3.1%, to $2.73 billion at September 30, 2013, from $2.81 billion at December 31, 2012. The decrease was primarily attributable to decreases in cash and cash equivalents of $35.1 million and securities available-for-sale of $252.6 million, partially offset by increases in net loans held-for-investment of $154.2 million, bank owned life insurance of $31.1 million, and other assets of $15.4 million.

Cash and cash equivalents decreased $35.1 million, or 27.3%, to $93.7 million at September 30, 2013, from $128.8 million at December 31, 2012. The decrease is a resulted from the Company deploying the proceeds of the stock conversion that were received in December of 2012 and held in escrow, into higher yielding assets.

The Company’s securities available-for-sale portfolio totaled $1.02 billion at September 30, 2013, compared to $1.28 billion at December 31, 2012. At September 30, 2013, $905.1 million of the portfolio consisted of residential mortgage-backed securities issued or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. The Company also held residential mortgage-backed securities not guaranteed by these three entities, referred to as “private label securities.” The private label securities had an amortized cost of $5.0 million and an estimated fair value of $5.1 million at September 30, 2013. In addition to the above mortgage-backed securities, the Company held $80.3 million in corporate bonds which were all rated investment grade at September 30, 2013, $30.4 million of bonds issued by the Federal Home Loan Bank system, and $2.2 million of equity investments in mutual funds. The effective duration of the securities portfolio at September 30, 2013 was 3.75 years.

Originated loans held-for-investment, net, totaled $1.25 billion at September 30, 2013, as compared to $1.07 billion at December 31, 2012. The increase was primarily due to an increase in multifamily real estate loans of $146.4 million, or 24.0%, to $756.5 million at September 30, 2013, from $610.1 million at December 31, 2012. In the current economic environment, management is primarily focused on originating multifamily loans, with less emphasis on other loan types. The following table details our multifamily originations for the nine months ended September 30, 2013 (dollars in thousands):

Originations	Weighted Average Interest Rate	Weighted Average Loan-to-Value Ratio	(F)ixed or (V)ariable	Weighted Average Months to Next Rate Change or Maturity for Fixed Rate Loans	Amortization Term
$ 219,148	3.56%	62%	V	100	25 to 30 Years
25,948	3.99%	34%	F	173	10 to 15 Years
245,096	3.61%	59%			

Purchased credit-impaired (PCI) loans, primarily acquired as part of a transaction with the Federal Deposit Insurance Corporation, totaled $62.8 million at September 30, 2013, as compared to $75.3 million at December 31, 2012. The Company accreted interest income of $4.4 million for the nine months ended September 30, 2013, compared to $4.7 million for the nine months ended September 30, 2012.

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Bank owned life insurance increased $31.1 million, or 33.4%, to $124.1 million at September 30, 2013, from $93.0 million at December 31, 2012. The increase resulted primarily from purchases of $28.7 million and $2.6 million of income earned on bank owned life insurance for the nine months ended September 30, 2013, which was partially offset by death benefits received.

Federal Home Loan Bank of New York stock, at cost, increased $4.3 million, or 34.5%, to $16.9 million at September 30, 2013, from $12.6 million at December 31, 2012. This increase was attributable to increased requirements on borrowings outstanding with the Federal Home Loan Bank of New York.

Premises and equipment, net, increased $51,000, or 0.2%, to $29.8 million at September 30, 2013, from $29.8 million at December 31, 2012. This increase was primarily attributable to the renovation of existing branches, which was partially offset by depreciation.

Other real estate owned was $664,000 and $870,000 at September 30, 2013, and December 31, 2012, respectively.

Other assets increased $15.4 million, or 79.6%, to $34.7 million at September 30, 2013, from $19.4 million at December 31, 2012. The increase in other assets was primarily attributable to an increase in net deferred tax assets as a result of the decline in the unrealized market value of securities available for sale.

Deposits decreased $174.7 million, or 10.5%, at September 30, 2013 from December 31, 2012, after excluding the deposits of $289.6 million used to purchase stock in our conversion stock offering in the first quarter of 2013. The decrease was attributable to decreases of $157.7 million in certificates of deposit accounts and $43.7 million in money market accounts, partially offset by increases of $14.2 million in transaction accounts and $12.5 million in savings accounts. The decline in deposits resulted from the Company's decision not to retain higher cost time deposits.

Borrowings increased by $73.1 million, or 17.4%, to $492.2 million at September 30, 2013, from $419.1 million at December 31, 2012. Management utilizes borrowings to mitigate interest rate risk, for short-term liquidity needs, and to a lesser extent as part of leverage strategies. The following is a table of term borrowing maturities (excluding capitalized leases and short-term borrowings) and the weighted average rate by year (dollars in thousands):

Year	Amount	Weighted Avg. Rate
2013	$ 43,000	3.85%

2014	99,168	2.04%
2015	114,500	2.63%
2016	108,910	2.18%
2017	80,003	1.40%
2018	42,000	1.97%
	$ 487,581	2.26%

Accrued expenses and other liabilities increased $631,000 to $19.5 million at September 30, 2013, from $18.9 million at December 31, 2012.

Total stockholders’ equity increased by $301.4 million to $716.3 million at September 30, 2013, from $414.9 million at December 31, 2012. This increase was primarily attributable to a $330.1 million increase related to the net proceeds from the stock conversion, net income of $14.2 million for the nine months ended September 30, 2013, and a $3.8 million increase related to ESOP and equity award activity. These increases were partially offset by a $19.8 million decrease in accumulated other comprehensive income as a result of an increased interest rate environment, treasury share repurchases of $3.3 million and dividend payments of $23.6 million, which included a special dividend of $14.5 million paid on May 22, 2013.

Comparison of Operating Results for the Three Months Ended September 30, 2013 and 2012

Net income. Net income was $5.1 million and $3.9 million for the quarters ended September 30, 2013 and 2012, respectively. Significant variances from the comparable prior year period are as follows: a $2.3 million increase in net interest income, a $315,000 increase in the provision for loan losses, an $878,000 increase in non-interest income, a $1.3 million increase in non-interest expense, and a $397,000 increase in income tax expense.

Interest income. Interest income increased $690,000, or 3.0%, to $23.4 million for the three months ended September 30, 2013, from $22.7 million for the three months ended September 30, 2012. Interest income on loans increased by $2.7 million, which was primarily attributable to an increase in the average balance of $279.5 million, which was partially offset by a decrease of 37 basis

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points in the yield earned on loans. The Company accreted interest income related to its PCI loans of $1.4 million for the quarter ended September 30, 2013, as compared to $1.5 million for the quarter ended September 30, 2012. Interest income on loans for the quarter ended September 30, 2013, reflected prepayment loan income of $1.1 million compared to $542,000 for the quarter ended September 30, 2012. Interest income on mortgage backed securities decreased by $1.7 million primarily due to a decrease in the average balance of $111.2 million and a decrease of 42 basis points in the yield earned.

Interest expense. Interest expense decreased $1.6 million, or 28.7%, to $4.1 million for the three months ended September 30, 2013, from $5.7 million for the three months ended September 30, 2012. The decrease consisted of a decrease of $1.0 million in interest expense on deposits and a decrease in interest expense on borrowings of $626,000. The decrease in interest expense on deposits was attributed to a decrease in the cost of interest bearing deposits of 26 basis points to 0.44% from 0.70%, and to a decrease in the average balance of interest bearing deposit accounts of $105.1 million to $1.29 billion for the three months ended September 30, 2013, from $1.39 billion for the three months ended September 30, 2012. The decrease in interest expense on borrowings resulted from a decrease of 16 basis points in the cost to 2.44% for the three months ended September 30, 2013, from 2.60% for the three months ended September 30, 2012, and a decrease in average balances of borrowings of $71.1 million, or 14.3%, to $425.4 million for the three months ended September 30, 2013, from $496.6 million for the three months ended September 30, 2012.

Net Interest Income. Net interest income for the quarter ended September 30, 2013, increased $2.3 million, or 13.7%, due primarily to a $165.9 million, or 7.1%, increase in our interest-earning assets and a 17 basis point, or 5.8%, increase in our net interest margin to 3.08%. The increase in average interest-earning assets was due primarily to increases in average loans outstanding of $279.5 million and other securities of $17.3 million, which were partially offset by decreases in mortgage-backed securities of $111.2 million and deposits in financial institutions of $19.7 million. The 2013 third quarter included loan prepayment income of $1.1 million, as compared to $542,000 for the quarter ended September 30, 2012. Rates paid on average interest-bearing liabilities decreased 26 basis points to 0.94% for the current quarter, as compared to 1.20% for the comparable prior year period. This was partially offset by a 16 basis point decrease in our yield earned on average interest earning assets to 3.72% for the quarter ended September 30, 2013 from 3.88% for the comparable quarter in 2012.

Provision for Loan Losses. The provision for loan losses increased $315,000, or 62.7%, to $817,000 for the quarter ended September 30, 2013, from $502,000 for the quarter ended September 30, 2012. The increase in the provision for loan losses resulted primarily from increased general reserves due to an increase in loan balances from the comparable prior year period, which was partially offset by a decrease in non-performing loans. Originated loan growth was approximately 6.9% for the quarter ended September 30, 2013, compared to 3.3% for the quarter ended September 30, 2012. Net charge-offs were $523,000 for the quarter ended September 30, 2013, compared to net charge-offs of $475,000 for the quarter ended September 30, 2012.

Non-interest Income. Non-interest income increased $878,000, or 51.3%, to $2.6 million for the quarter ended September 30, 2013, from $1.7 million for the quarter ended September 30, 2012. This increase was primarily a result of a $315,000 increase in gain on securities transactions, net, a $289,000 increase in income on bank owned life insurance, and a $193,000 increase in other non-interest income. Securities gains in the third quarter of 2013 included $390,000 related to the Company's trading portfolio, while the third quarter of 2012 included securities losses of

$203,000 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 participating in 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 $1.3 million, or 10.7%, for the quarter ended September 30, 2013, compared to the quarter ended September 30, 2012. This is due primarily to an $806,000 increase in compensation and employee benefits related to increased staff due to branch openings, the Flatbush Federal Bancorp, Inc. merger (the Merger), and to a lesser extent, salary adjustments effective January 1, 2013, and includes an increase of $187,000 in expense related to the Company's deferred compensation plan which is described above. The expense related to the deferred compensation plan had no effect on net income. Additionally, there was a $278,000 increase in occupancy expense primarily related to new branches and the renovation of existing branches, a $48,000 increase in data processing fees as a result of increased data and maintenance related to the Merger, and a $53,000 increase in other expenses.

Income Tax Expense. The Company recorded income tax expense of $2.7 million for the quarter ended September 30, 2013, compared to $2.3 million for the quarter ended September 30, 2012. The effective tax rate for the quarter ended September 30, 2013, was 34.5%, as compared to 37.0% for the quarter ended September 30, 2012. The comparable prior year effective tax rate was negatively affected by non-deductible merger-related costs.

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NORTHFIELD BANCORP, INC.
ANALYSIS OF NET INTEREST INCOME
(Dollars in thousands)

	For the Three Months Ended September 30, 2013			2012		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
Interest-earning assets:						
Loans (5)	$ 1,367,814	$ 17,827	5.17 %	$ 1,088,268	$ 15,162	5.54 %
Mortgage-backed securities	949,677	5,097	2.13	1,060,837	6,799	2.55
Other securities	133,612	325	0.97	116,274	559	1.91
Federal Home Loan Bank of New York stock	13,682	124	3.60	13,796	151	4.35
Interest-earning deposits in other financial institutions	26,439	7	0.11	46,103	19	0.16
Total interest-earning assets	2,491,224	23,380	3.72	2,325,278	22,690	3.88
Non-interest-earning assets	188,356			151,529		
Total assets	$ 2,679,580			$ 2,476,807		
Interest-bearing liabilities:						
Savings, NOW, and money market accounts	$ 955,544	$ 509	0.21	$ 913,561	$ 996	0.43
Certificates of deposit	334,062	933	1.11	481,187	1,451	1.20
Total interest-bearing deposits	1,289,606	1,442	0.44	1,394,748	2,447	0.70
Borrowed funds	425,442	2,618	2.44	496,591	3,244	2.60
Total interest-bearing liabilities	1,715,048	4,060	0.94	1,891,339	5,691	1.20
Non-interest bearing deposit accounts	230,401			176,752		
Accrued expenses and other liabilities	17,107			16,578		
Total liabilities	1,962,556			2,084,669		
Stockholders' equity	717,024			392,138		
Total liabilities and stockholders' equity	$ 2,679,580			$ 2,476,807		

Net interest income			$	19,320				$	16,999		
Net interest rate spread (2)					2.78	%				2.68	%
Net interest-earning assets (3)	$	776,176					$	433,939			
Net interest margin (4)					3.08	%				2.91	%
Average interest-earning assets to interest-bearing liabilities					145.26	%				122.94	%

(1) Average yields and rates for the three months ended September 30, 2013 and 2012 are annualized.
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.
(5) Loans include non-accrual loans.

Comparison of Operating Results for the Nine Months Ended September 30, 2013 and 2012

Net income. Net income was $14.2 million and $12.8 million for the nine months ended September 30, 2013 and 2012, respectively. Significant variances from the comparable prior year period are as follows: a $5.9 million increase in net interest income, a $150,000 decrease in the provision for loan losses, a $427,000 increase in non-interest income, a $4.4 million increase in non-interest expense, and a $666,000 increase in income tax expense.

Interest income. Interest income increased $1.7 million, or 2.4%, to $69.9 million for the nine months ended September 30, 2013, from $68.2 million for the nine months ended September 30, 2012. Interest income on loans increased by $5.8 million, primarily attributable to an increase in the average balances of $223.4 million, partially offset by a decrease of 37 basis points in the yield earned. The Company accreted interest income of $4.4 million for the nine months ended September 30, 2013, as compared to

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$4.7 million for the nine months ended September 30, 2012, related to its PCI loans. Interest income on loans for the nine months ended September 30, 2013, reflected prepayment loan income of $1.9 million compared to $956,000 for the nine months ended September 30, 2012. The nine months ended September 30, 2013 also included a recovery of $256,000 of interest income that was previously applied to principal on non-accruing loans. Interest income on mortgage backed securities decreased by $3.3 million, primarily attributable to a decrease of 50 basis points in the yield earned, which was partially offset by an increase in the average balance of $29.9 million.

Interest expense. Interest expense decreased $4.2 million, or 24.6%, to $13.0 million for the nine months ended September 30, 2013, from $17.3 million for the nine months ended September 30, 2012. The decrease was comprised of a decrease of $2.3 million in interest expense on deposits and a decrease of $2.0 million in interest expense on borrowings. The decrease in interest expense on deposits resulted from a decrease in the cost of interest bearing deposits of 23 basis points to 0.50% from 0.73%, which was partially offset by an increase in average balance of interest bearing deposits of $24.3 million, or 1.8%, to $1.39 billion for the nine months ended September 30, 2013, from $1.36 billion for the nine months ended September 30, 2012. The decrease in interest expense on borrowings resulted from a decrease of 12 basis points in the cost to 2.55% for the nine months ended September 30, 2013, from 2.67% for the nine months ended September 30, 2012, and a decrease in average balances of borrowings of $80.6 million, or 16.4%, to $411.3 million for the nine months ended September 30, 2013, from $491.9 million for the nine months ended September 30, 2012.

Net Interest Income. Net interest income for the nine months ended September 30, 2013, increased $5.9 million, or 11.6%, as the $275.5 million, or 12.1%, increase in our interest-earning assets more than offset the one basis point decrease in our net interest margin to 2.98%. The increase in average interest-earning assets was due primarily to increases in average net loans outstanding of $223.4 million, mortgage-backed securities of $29.9 million, other securities of $14.2 million, and deposits in financial institutions of $8.6 million. The September 30, 2013 period included loan prepayment income of $1.9 million compared to $956,000 for the nine months ended September 30, 2012. The nine months ended September 30, 2013, also included a recovery of $256,000 of interest that was previously applied to principal. Rates paid on interest-bearing liabilities decreased 27 basis points to 0.97% for the current nine months from 1.24% for the comparable prior year period. This was offset by a 34 basis point decrease in yields earned on interest earning assets to 3.66% for the nine months ended September 30, 2013, from 4.00% for the comparable nine months in 2012.

Provision for Loan Losses. The provision for loan losses decreased $150,000, or 9.0%, to $1.5 million for the nine months ended September 30, 2013, from $1.7 million for the nine months ended September 30, 2012. The decrease in the provision for loan losses was due primarily to a decrease in net charge-offs to $821,000 (consisting of gross charge-offs of $1.5 million and gross recoveries of $702,000), compared to net charge-offs of $1.4 million for the nine months ended September 30, 2012, which was partially offset by an increase in loan originations from the comparable prior year.

Non-interest Income. Non-interest income increased $427,000, or 6.0%, to $7.5 million for the nine months ended September 30, 2013, from $7.1 million for the nine months ended September 30, 2012. This increase was primarily a result of an increase of $453,000 in gain on securities transactions, net, and a $449,000 increase in income on bank owned life insurance, which was partially offset by an increase of $434,000 in other-than-temporary impairment losses on securities. Securities gains in the nine months of 2013 included $696,000 related to the Company's trading portfolio, while the nine months of 2012 included securities gains of $456,000 related to the Company’s trading portfolio.

Non-interest Expense. Non-interest expense increased $4.4 million, or 12.1%, for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. This was due primarily to a $2.4 million increase in compensation and employee benefits related to increased staff due to branch openings, the Merger, and to a lesser extent salary adjustments effective January 1, 2013, and includes an increase of $240,000 in expense related to the Company’s deferred compensation plan which is described above, which had no effect on net income. Additionally, occupancy expense increased $1.1 million primarily related to new branches, the Merger, and the renovation of existing branches, a $595,000 increase in data processing fees due to data conversion charges related to the Merger, and a $415,000 increase in other expenses driven by loan commitment reserves. This increase was partially offset by a $259,000 decrease in professional fees.

Income Tax Expense. The Company recorded income tax expense of $7.8 million for the nine months ended September 30, 2013 compared to $7.1 million for the nine months ended September 30, 2012. The effective tax rate for the nine months ended September 30, 2013 was 35.5%, as compared to 35.8% for the nine months ended September 30, 2012.

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NORTHFIELD BANCORP, INC.
ANALYSIS OF NET INTEREST INCOME
(Dollars in thousands)

	For the Nine Months Ended September 30,					
	2013			2012		
	Average Outstanding Balance	Interest	Average Yield/ Rate (1)	Average Outstanding Balance	Interest	Average Yield/ Rate (1)
Interest-earning assets:						
Loans (5)	$ 1,296,365	$ 51,021	5.26 %	$ 1,072,993	$ 45,187	5.63 %
Mortgage-backed securities	1,056,279	17,095	2.16	1,026,377	20,418	2.66
Other securities	138,923	1,268	1.22	124,720	2,102	2.25
Federal Home Loan Bank of New York stock	12,672	398	4.20	13,322	435	4.36
Interest-earning deposits in financial institutions	49,666	68	0.18	41,042	47	0.15
Total interest-earning assets	2,553,905	69,850	3.66	2,278,454	68,189	4.00
Non-interest-earning assets	189,035			146,908		
Total assets	$ 2,742,940			$ 2,425,362		
Interest-bearing liabilities:						
Savings, NOW, and money market accounts	$ 997,811	$ 2,134	0.29	$ 885,067	$ 3,115	0.47
Certificates of deposit	388,832	3,046	1.05	477,236	4,317	1.21
Total interest-bearing deposits	1,386,643	5,180	0.50	1,362,303	7,432	0.73
Borrowed funds	411,267	7,830	2.55	491,884	9,820	2.67
Total interest-bearing liabilities	1,797,910	13,010	0.97	1,854,187	17,252	1.24
Non-interest bearing deposit accounts	220,692			167,353		
Accrued expenses and other liabilities	19,165			16,033		
Total liabilities	2,037,767			2,037,573		
Stockholders' equity	705,173			387,789		
Total liabilities and stockholders' equity	$ 2,742,940			$ 2,425,362		
Net interest income		$ 56,840			$ 50,937	
Net interest rate spread (2)			2.69 %			2.75 %
	$ 755,995			$ 424,267		

Net interest-earning assets (3)				
Net interest margin (4)	2.98	%	2.99	%
Average interest-earning assets to interest-bearing liabilities	142.05	%	122.88	%

(1) Average yields and rates for the nine months ended September 30, 2013 and 2012 are annualized.
(2) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(3) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(4) Net interest margin represents net interest income divided by average total interest-earning assets.
(5) Loans include non-accrual loans.

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Asset Quality

Purchased Credit Impaired Loans

PCI loans were recorded at estimated fair value using expected future cash flows deemed to be collectible on the date acquired. Based on our review of PCI loans and experience in loan workouts, management believes it has a reasonable expectation of the amount and timing of future cash flows, and accordingly, has classified PCI loans ($62.8 million at September 30, 2013 and $75.3 million at December 31, 2012) as accruing, even though they may be contractually past due. At September 30, 2013, based on recorded contractual principal, 5.5% of PCI loans were past due 30 to 89 days, and 14.3% were past due 90 days or more. At December 31, 2012, based on recorded contractual principal, 5.4% of PCI loans were past due 30 to 89 days, and 11.4% were past due 90 days or more. The amount and timing of expected cash flows as of September 30, 2013, did not change significantly from our latest cash flow recast.

Originated and Acquired loans

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

The following table shows total non-performing assets for the current and previous four quarters and also shows, for the same dates, non-performing originated loans to total loans, Troubled Debt Restructurings (TDR) on which interest is accruing, and accruing loans delinquent 30 to 89 days (dollars in thousands).

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
Non-accruing loans:					
Held-for-investment	$ 7,192	$ 10,717	$ 10,191	$ 10,348	$ 12,231
Held-for-sale	1,493	-	-	5,325	-
Non-accruing loans subject to restructuring agreements:					
Held-for-investment	10,609	11,870	16,289	19,152	20,990
Held-for-sale	187	-	-	122	-
Total non-accruing loans	19,481	22,587	26,480	34,947	33,221
Loans 90 days or more past due and still accruing:					
Held-for-investment	18	806	1,469	621	37
	18	806	1,469	621	37

Total loans 90 days or more past due and still accruing					
Total non-performing loans	19,499	23,393	27,949	35,568	33,258
Other real estate owned	664	776	870	870	633
Total non-performing assets	$ 20,163	$ 24,169	$ 28,819	$ 36,438	$ 33,891
Loans subject to restructuring agreements and still accruing	$ 26,426	$ 26,670	$ 25,891	$ 25,697	$ 24,099
Accruing loans 30 to 89 days delinquent	$ 16,248	$ 24,642	$ 20,589	$ 14,780	$ 9,998

Total Non-accruing Loans

Total non-accruing loans decreased $15.5 million to $19.5 million at September 30, 2013, from $35.0 million at December 31, 2012. This decrease resulted from the sale of $5.4 million of loans held-for-sale being sold, $2.8 million of loan pay-offs and principal pay-downs, $261,000 of charge-offs, $4.6 million of loans returning to accrual status, and the sale of $5.1 million of loans held-for-investment. The above decreases in non-accruing loans were partially offset by $2.7 million of loans being placed on non-accrual status during the nine months ended September 30, 2013.

Loans Subject to Restructuring Agreements

Included in non-accruing loans are loans subject to TDR agreements totaling $10.8 million and $19.3 million at September 30, 2013, and December 31, 2012, respectively. At September 30, 2013, $7.9 million, or 73.0% of the $10.8 million were not performing in accordance with their restructured terms, as compared to $3.3 million, or 17.0%, at December 31, 2012. One relationship accounts for $7.7 million, or 97.6%, of the $7.9 million of loans not performing in accordance with their restructured terms at September 30, 2013. The relationship is made up of several loans with an aggregate appraised value of $9.7 million. The loans are personally guaranteed by the principals.

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The Company also holds loans subject to restructuring agreements that are on accrual status, totaling $26.4 million and $25.7 million at September 30, 2013 and December 31, 2012, respectively. At September 30, 2013, loans of $3.7 million, or 13.9% of the $26.4 million were not performing in accordance with the restructured terms, as compared to none at December 31, 2012. Loans not performing in accordance with the restructured terms were all 30 days past due at September 30, 2013.

The following table details the amounts and categories of the loans subject to restructuring agreements by loan type as of September 30, 2013 and December 31, 2012 (dollars in thousands).

	At September 30, 2013		At December 31, 2012	
	Non-Accruing	Accruing	Non-Accruing	Accruing
Troubled debt restructurings:				
Real estate loans:				
Commercial	$ 9,958	$ 21,725	$ 16,046	$ 21,785
One-to-four family residential	131	1,185	612	569
Construction and land	108	-	2,070	-
Multifamily	-	2,093	-	2,041
Home equity and lines of credit	56	345	96	356
Commercial and industrial loans	543	1,078	451	946
Total	$ 10,796	$ 26,426	$ 19,275	$ 25,697
Not performing in accordance with restructured terms	72.99%	13.93%	17.04%	0.00%

Loans 90 Days or More Past Due and Still Accruing and Other Real Estate Owned

Loans 90 days or more past due and still accruing decreased $603,000 to $18,000 at September 30, 2013, from $621,000 at December 31, 2012. The decrease resulted from improved loan performance and to certain loans being transferred to non-accrual status.

Other real estate owned was $664,000 and $870,000 at September 30, 2013 and December 31, 2012, respectively.

Accruing Loans 30 to 89 Days Delinquent

Loans 30 to 89 days delinquent and on accrual status at September 30, 2013, totaled $16.3 million, an increase of $1.5 million from the December 31, 2012, balance of $14.8 million. The following tables set forth delinquencies for accruing loans by type and by amount at September 30, 2013, and December 31, 2012 (dollars in thousands).

	September 30, 2013		December 31, 2012	
Real estate loans:				
Commercial	$	5,786	$	4,736
One-to-four family residential	4,925		5,584	
Construction and land	-		159	
Multifamily	3,227		2,731	
Home equity and lines of credit	93		44	
Commercial and industrial loans	2,207		1,467	
Other loans	10		59	
Total delinquent accruing loans	$	16,248	$	14,780

Liquidity and Capital Resources

Liquidity. The overall objective of our liquidity management is to ensure the availability of sufficient funds to meet financial commitments and to take advantage of lending and investment opportunities. We manage liquidity in order to meet deposit withdrawals on demand or at contractual maturity, to repay borrowings as they mature, and to fund new loans and investments as opportunities arise.

Our primary sources of funds are deposits, principal and interest payments on loans and securities, borrowed funds, the proceeds from maturing securities and short-term investments, and to a lesser extent the proceeds from the sales of loans and securities and wholesale borrowings. The scheduled amortization of loans and securities, as well as proceeds from borrowed funds, are

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predictable sources of funds. Other funding sources, however, such as deposit inflows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. Northfield Bank is a member of the Federal Home Loan Bank of New York, which provides an additional source of short-term and long-term funding. Northfield Bank also has borrowing capabilities with the Federal Reserve on a short-term basis. The Bank's borrowed funds, excluding capitalized lease obligations and floating rate advances, were $487.6 million at September 30, 2013, and had a weighted average interest rate of 2.26%. A total of $113.5 million of these borrowings will mature in less than one year. Borrowed funds, excluding capitalized lease obligations and floating rate advances, were $414.3 million at December 31, 2012. The Company has the ability to obtain additional funding from the FHLB and Federal Reserve Bank discount window of approximately $734.7 million utilizing unencumbered securities of $542.1 million and multifamily loans of $268.7 million at September 30, 2013. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

Capital Resources. At September 30, 2013, and December 31, 2012, Northfield Bank exceeded all of its regulatory capital requirements to which it is subject.

	Actual Ratio		Minimum Required for Capital Adequacy Purposes		Minimum Required to Be Well Capitalized under Prompt Corrective Action Provisions	
As of September 30, 2013:						
Tangible capital to tangible assets	19.41	%	1.50	%	NA	
Tier 1 capital (core) – (to adjusted assets)	19.41		4.00		5.00	%
Total capital (to risk-weighted assets)	29.08		8.00		10.00	
As of December 31, 2012:						
Tangible capital to tangible assets	12.65	%	1.50	%	NA	
Tier 1 capital (core) – (to adjusted assets)	12.65		4.00		5.00	%
Total capital (to risk-weighted assets)	22.30		8.00		10.00	

In July 2013, the OCC and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the new rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a "capital conservation buffer" consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule becomes effective for the Bank on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. The final rule also implements consolidated capital requirements for savings and loan holding companies, such as the Company, effective January 1, 2015. The Bank and the Company currently comply with the final rule.

Off-Balance Sheet Arrangements and Contractual Obligations

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in the financial statements. These transactions primarily relate to lending commitments.

The following table shows the contractual obligations of the Company by expected payment period as of September 30, 2013:

Contractual Obligation	Total	Less than One Year	One to less than Three Years	Three to less than Five Years	Five Years and greater
	(in thousands)				
Debt obligations (excluding capitalized leases)	$ 487,581	$ 113,500	$ 214,168	$ 159,913	$ -
Commitments to originate loans	$ 125,369	$ 125,369	$ -	$ -	$ -
Commitments to fund unused lines of credit	$ 45,854	$ 45,854	$ -	$ -	$ -

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Commitments to originate loans and commitments to fund unused lines of credit are agreements to lend additional funds to customers as long as there have been no violations of any of the conditions established in the agreements (original or restructured). Commitments generally have a fixed expiration or other termination clauses which may or may not require payment of a fee. Since some of these loan commitments are expected to expire without being drawn upon, total commitments do not necessarily represent future cash requirements.

For further information regarding our off-balance sheet arrangements and contractual obligations, see Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

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ITEM 3.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The management risk committee aims to manage interest risk by structuring the balance sheet to maximize net interest income while maintaining an acceptable level of risk exposure to changes in market interest rates. Liquidity, interest rate risk, and profitability are all considered to reach such a goal. Various asset/liability strategies are used to manage and control the interest rate sensitivity of our assets and liabilities. These strategies include pricing of loans and deposit products, adjusting the terms of loans and borrowings, and managing the deployment of our securities and short-term assets to manage mismatches in interest rate re-pricing.

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

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

The table below sets forth, as of September 30, 2013, our calculation of the estimated changes in our NPV, NPV ratio, and percent change in net interest income that would result from the designated instantaneous and sustained changes in interest rates. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied on as indicative of actual results (dollars in thousands).

			NPV			
Change in Interest Rates (basis points)	Estimated Present Value of Assets	Estimated Present Value of Liabilities	Estimated NPV	Estimated Change In NPV	Estimated NPV/Present Value of Assets Ratio	Net Interest Income Percent Change
+400	$ 2,396,469	$ 1,861,720	$ 534,749	$ (227,984)	22.31 %	(9.63) %
+300	2,466,203	1,890,969	575,234	(187,499)	23.32	(7.12)
+200	2,551,370	1,921,118	630,252	(132,481)	24.70	(4.55)
+100	2,648,007	1,952,204	695,803	(66,930)	26.28	(2.09)
0	2,747,003	1,984,270	762,733	-	27.77	0.00
(100)	2,835,487	2,015,212	820,275	57,542	28.93	(0.30)
(200)	2,889,679	2,030,559	859,120	96,387	29.73	(3.41)

The table above indicates that at September 30, 2013, in the event of a 400 basis point increase in interest rates, we would experience a 546 basis point decrease in NPV ratio (27.77% versus 22.31%), and a 9.63% decrease in net interest income. In the event of a 200 basis point decrease in interest rates, we would experience a 196 basis point increase in NPV ratio (27.77% versus 29.73%) and a 3.41% decrease in net interest income. Our policies provide that, in the event of a 400 basis point increase or less in interest rates, our net present value ratio should decrease by no more than 600 basis points and our projected net interest income

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should decrease by no more than 44%. Additionally, our policy states that our net portfolio value should be at least 8% of total assets before and after such shock. At September 30, 2013, we were in compliance with all board approved policies with respect to interest rate risk management.

The duration of a financial instrument changes as market interest rates change. Potential movements in the duration of our investment portfolio, as well as the duration of the loan portfolio may have a positive or negative effect on our net interest income.

Certain shortcomings are inherent in the methodologies used in determining interest rate risk through changes in NPV and net interest income. Modeling requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV 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 also assume that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although interest rate risk calculations provide an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

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ITEM 4.CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of September 30, 2013. Based on that evaluation, the Company’s management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company’s disclosure controls and procedures were effective.

During the nine months ended September 30, 2013, there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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PART II

ITEM 1. LEGAL PROCEEDINGS

The Company and subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company's financial condition or results of operations.

ITEM 1A. RISK FACTORS

During the nine months ended September 30, 2013, there have been no material changes to the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Unregistered Sale of Equity Securities. There were no sales of unregistered securities during the period covered by this report.
(b) Use of Proceeds. Not applicable
(c) Repurchases of Our Equity Securities.

The following table shows the Company's repurchase of its common stock for the three months ended September 30, 2012:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	(d) Maximum Number of Shares that May Yet Be Purchased Under Plans or Programs [1]
August 1, 2013, through August 31, 2013	238,411	$ 12.02	238,411	61,682
September 1, 2013, through September 30, 2013	34,500	12.03	34,500	27,182
Total	272,911	$ 12.02	272,911	

(1) On July 31, 2013, Northfield Bancorp, Inc.'s (the "Company") Board of Directors authorized the repurchase of up to 300,093 shares of common stock to fund grants of restricted stock under its 2008 Equity Incentive Plan. The Company received a non-objection letter from the Federal Reserve Board with respect to these repurchases, and conducted such repurchases in accordance with a Rule 10b5-1 trading plan. Federal Reserve Board regulations permit a company to repurchase shares of common stock within one year of a mutual-to-stock conversion to fund an existing restricted stock plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The exhibits required by Item 601 of Regulation S-K are included with this Form 10-Q and are listed on the “Index to Exhibits” immediately following the Signatures.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHFIELD BANCORP, INC.

(Registrant)

Date: November 12, 2013

/s/ John W. Alexander
John W. Alexander
Chairman and Chief Executive Officer

/s/ William R. Jacobs
William R. Jacobs
Chief Financial Officer
(Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
31.1	Certification of John W. Alexander, Chairman, President and Chief Executive Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
31.2	Certification of William R. Jacobs, Chief Financial Officer, Pursuant to Rule 13a-14(a) and Rule 15d-14(a)
32	Certification of John W. Alexander, Chairman and Chief Executive Officer, and William R. Jacobs, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following materials from the Company's Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements