Northfield Bancorp, Inc.
Form 10-K
March 16, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Fiscal Year Ended December 31, 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 ¨

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

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NORTHFIELD BANCORP, INC.

ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS

Forward-Looking Statements

This Annual Report contains certain “forward-looking statements,” which can be identified by the use of such words as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect,” and words of similar meaning. These forward statements include, but are not limited to:

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

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

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

- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields or reduce the fair value of financial instruments;
- adverse changes in the securities or credit markets;
- changes in laws, 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.

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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.

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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 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.

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	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.

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	Originated Loans							
	Multifamily		Commercial Real Estate		One-to-Four Family Residential		Home Equity and Lines of Credit	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)							
Due during the years ending December 31,								
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	%

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	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

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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:

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	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.

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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.

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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.

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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.

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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.

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	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	%

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Other Real Estate Owned. Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as other real estate owned. On the date the property is acquired, it is recorded at the lower of cost or estimated fair value, establishing a new cost basis. Estimated fair value generally represents the sale price a buyer would be willing to pay on the basis of current market conditions, including normal terms from other financial institutions, less the estimated costs to sell the property. Holding costs and declines in estimated fair value result in charges to expense after acquisition. Other real estate owned consisted of 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.

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Allowance for Loan Losses

We provide for loan losses based on the consistent application of our documented allowance for loan loss methodology. Loan losses are charged to the allowance for loans losses and recoveries are credited to it. Additions to the allowance for loan losses are provided by charges against income based on various factors, which, in our judgment, deserve current recognition in estimating probable losses. 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.

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