

Northfield Bancorp, Inc.  
Form 10-Q  
November 09, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2012**

**or**

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

**For transition period from            to**

**Commission File Number 1-33732**

**NORTHFIELD BANCORP, INC.**

**(Exact name of registrant as specified in its charter)**

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**United States of America**  
(State or other jurisdiction)

**42-1572539**  
(I.R.S. Employer

of incorporation)

Identification No.)

**1410 St. Georges Avenue, Avenel, New Jersey**  
(Address of principal executive offices)

**07001**  
(Zip Code)

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

**Not Applicable**

(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for shorter period that the registrant was required and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer  Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date. 40,216,999 shares of Common Stock, par value \$0.01 per share, were issued and outstanding as of November 2, 2012.

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**NORTHFIELD BANCORP, INC.**

Form 10-Q Quarterly Report

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**Table of Contents****PART I****ITEM 1. FINANCIAL STATEMENTS****NORTHFIELD BANCORP, INC.****CONSOLIDATED BALANCE SHEETS**

September 30, 2012, and December 31, 2011

(In thousands, except share amounts)

	September 30, 2012 (Unaudited)	December 31, 2011
<b>ASSETS:</b>		
Cash and due from banks	\$ 11,849	\$ 15,539
Interest-bearing deposits in other financial institutions	20,162	49,730
Total cash and cash equivalents	32,011	65,269
Trading securities	4,737	4,146
Securities available-for-sale, at estimated fair value (encumbered \$286,585 in 2012 and \$309,816 in 2011)	1,209,006	1,098,725
Securities held-to-maturity, at amortized cost (estimated fair value of \$2,656 in 2012 and \$3,771 in 2011) (encumbered \$0 in 2012 and 2011)	2,537	3,617
Loans held-for-sale	856	3,900
Purchased credit-impaired (PCI) loans held-for-investment	77,423	88,522
Originated loans held-for-investment, net	1,023,928	985,945
Loans held-for-investment, net	1,101,351	1,074,467
Allowance for loan losses	(27,069)	(26,836)
Net loans held-for-investment	1,074,282	1,047,631
Accrued interest receivable	7,346	8,610
Bank owned life insurance	79,917	77,778
Federal Home Loan Bank of New York stock, at cost	14,478	12,677
Premises and equipment, net	24,074	19,988
Goodwill	16,159	16,159
Other real estate owned	633	3,359
Other assets	25,075	15,059
<b>Total assets</b>	<b>2,491,111</b>	<b>2,376,918</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>LIABILITIES:</b>		
Deposits	1,570,780	1,493,526
Securities sold under agreements to repurchase	256,000	276,000
Other borrowings	243,934	205,934
Advance payments by borrowers for taxes and insurance	3,995	2,201
Accrued expenses and other liabilities	20,608	16,607

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<b>Total liabilities</b>	2,095,317	1,994,268
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued or outstanding		
Common stock, \$0.01 par value: 90,000,000 shares authorized, 45,632,611 shares issued at September 30, 2012, and December 31, 2011, respectively, 40,216,999 and 40,518,591 outstanding at September 30, 2012 and December 31, 2011, respectively	456	456
Additional paid-in-capital	211,997	209,302
Unallocated common stock held by employee stock ownership plan	(14,133)	(14,570)
Retained earnings	246,657	235,776
Accumulated other comprehensive income	20,824	17,470
Treasury stock at cost; 5,415,612 and 5,114,020 shares at September 30, 2012 and December 31, 2011, respectively	(70,007)	(65,784)
<b>Total stockholders equity</b>	395,794	382,650
<b>Total liabilities and stockholders equity</b>	<b>\$ 2,491,111</b>	<b>\$ 2,376,918</b>

See accompanying notes to consolidated financial statements.

**Table of Contents****NORTHFIELD BANCORP, INC.****CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME**

Three and nine months ended September 30, 2012, and 2011

(Unaudited)

(In thousands, except share data)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Interest income:</b>				
Loans	\$ 15,162	\$ 14,044	\$ 45,187	\$ 39,296
Mortgage-backed securities	6,799	7,746	20,418	24,838
Other securities	559	781	2,102	2,538
Federal Home Loan Bank of New York dividends	151	113	435	343
Deposits in other financial institutions	19	35	47	140
<b>Total interest income</b>	<b>22,690</b>	<b>22,719</b>	<b>68,189</b>	<b>67,155</b>
<b>Interest expense:</b>				
Deposits	2,447	3,111	7,432	9,399
Borrowings	3,244	3,331	9,820	9,879
<b>Total interest expense</b>	<b>5,691</b>	<b>6,442</b>	<b>17,252</b>	<b>19,278</b>
Net interest income	16,999	16,277	50,937	47,877
Provision for loan losses	502	2,000	1,661	5,117
Net interest income after provision for loan losses	16,497	14,277	49,276	42,760
<b>Non-interest income:</b>				
Fees and service charges for customer services	720	740	2,285	2,181
Income on bank owned life insurance	710	749	2,139	2,235
Gain (loss) on securities transactions, net	428	(271)	2,488	2,373
Other-than-temporary impairment losses on securities				(1,152)
Portion recognized in other comprehensive income (before taxes)				743
Net impairment losses on securities recognized in earnings				(409)
Other	(148)	22	203	159
<b>Total non-interest income</b>	<b>1,710</b>	<b>1,240</b>	<b>7,115</b>	<b>6,539</b>
<b>Non-interest expense:</b>				
Compensation and employee benefits	5,950	4,890	17,881	15,101
Director compensation	409	370	1,212	1,141
Occupancy	2,201	1,685	6,230	4,508
Furniture and equipment	375	312	1,064	891
Data processing	826	720	2,829	2,054
Professional fees	684	382	2,480	1,242

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FDIC insurance	409	454	1,218	1,523
Other	1,174	973	3,557	2,863
<b>Total non-interest expense</b>	<b>12,028</b>	<b>9,786</b>	<b>36,471</b>	<b>29,323</b>
Income before income tax expense	6,179	5,731	19,920	19,976
<b>Income tax expense</b>	<b>2,285</b>	<b>2,035</b>	<b>7,130</b>	<b>6,963</b>
<b>Net income</b>	<b>\$ 3,894</b>	<b>\$ 3,696</b>	<b>\$ 12,790</b>	<b>\$ 13,013</b>
<b>Net income per common share - basic and diluted</b>	<b>\$ 0.10</b>	<b>\$ 0.09</b>	<b>\$ 0.33</b>	<b>\$ 0.32</b>
<b>Other comprehensive income, before tax:</b>				
Unrealized gains on securities:				
Net unrealized holding gains on securities	\$ 3,432	\$ 6,346	\$ 5,590	\$ 14,181
Other comprehensive income, before tax	3,432	6,346	5,590	14,181
Income tax expense related to items of other comprehensive income	1,373	2,537	2,236	5,671
<b>Other comprehensive income, net of tax</b>	<b>2,059</b>	<b>3,809</b>	<b>3,354</b>	<b>8,510</b>
<b>Comprehensive income</b>	<b>\$ 5,953</b>	<b>\$ 7,505</b>	<b>\$ 16,144</b>	<b>\$ 21,523</b>

See accompanying notes to consolidated financial statements.

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## NORTHFIELD BANCORP, INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Nine months ended September 30, 2012, and 2011

(Unaudited)

(Dollars in thousands)

	Common Stock		Additional	Unallocated Common Stock Held by the Employee	Retained	Accumulated Other Comprehensive Income	Treasury	Total
	Shares	Par Value	Paid-in Capital	Ownership Plan	Earnings	(Loss), Net of tax	Stock	Stockholders Equity
<b>Balance at December 31, 2010</b>	45,632,611	\$ 456	\$ 205,863	\$ (15,188)	\$ 222,655	\$ 10,910	\$ (27,979)	\$ 396,717
Comprehensive income:								
Net income					13,013			13,013
Other comprehensive income						8,510		8,510
ESOP shares allocated or committed to be released			150	438				588
Stock compensation expense			2,282					2,282
Additional tax benefit on equity awards			186					186
Exercise of stock options					(1)		6	5
Cash dividends declared (\$0.17 per common share)					(2,805)			(2,805)
Treasury stock (average cost of \$13.47 per share)							(28,242)	(28,242)
<b>Balance at September 30, 2011</b>	45,632,611	\$ 456	\$ 208,481	\$ (14,750)	\$ 232,862	\$ 19,420	\$ (56,215)	\$ 390,254
<b>Balance at December 31, 2011</b>	45,632,611	\$ 456	\$ 209,302	\$ (14,570)	\$ 235,776	\$ 17,470	\$ (65,784)	\$ 382,650
Comprehensive income:								
Net income					12,790			12,790
Other comprehensive income						3,354		3,354
ESOP shares allocated or committed to be released			192	437				629
Stock compensation expense			2,299					2,299
Additional tax benefit on equity awards			204					204
Exercise of stock options					(187)		121	(66)
Cash dividends declared (\$0.12 per common share)					(1,722)			(1,722)
Treasury stock (average cost of \$13.81 per share)							(4,344)	(4,344)
<b>Balance at September 30, 2012</b>	45,632,611	\$ 456	\$ 211,997	\$ (14,133)	\$ 246,657	\$ 20,824	\$ (70,007)	\$ 395,794

See accompanying notes to consolidated financial statements.





**Table of Contents****NORTHFIELD BANCORP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

Nine months ended September 30, 2012, and 2011

(Unaudited) (In thousands)

	2012	2011
<b>Cash flows from operating activities:</b>		
Net income	\$ 12,790	\$ 13,013
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Provision for loan losses	1,661	5,117
ESOP and stock compensation expense	2,928	2,870
Depreciation	2,076	1,566
Amortization of premiums, and deferred loan costs, net of (accretion) of discounts, and deferred loan fees	277	967
Amortization of intangible assets	273	74
Income on bank owned life insurance	(2,139)	(2,235)
Gain on sale of premises and equipment and other real estate owned		(84)
Net gain on sale of loans held-for-sale	111	(25)
Proceeds from sale of loans held-for-sale	13,303	7,739
Origination of loans held-for-sale	(10,370)	(8,099)
Gain on securities transactions, net	(2,488)	(2,373)
Net impairment losses on securities recognized in earnings		409
Net purchases of trading securities	(135)	(235)
Decrease in accrued interest receivable	1,264	69
Decrease (increase) in other assets	1,192	(1,660)
(Decrease) increase in accrued expenses and other liabilities	(1,098)	114
<b>Net cash provided by operating activities</b>	<b>19,645</b>	<b>17,227</b>
<b>Cash flows from investing activities:</b>		
Net (increase) in loans receivable	(28,538)	(140,045)
(Purchases) redemptions of Federal Home Loan Bank of New York stock, net	(1,801)	253
Purchases of securities available-for-sale	(606,140)	(423,400)
Principal payments and maturities on securities available-for-sale	318,165	280,713
Principal payments and maturities on securities held-to-maturity	1,079	932
Proceeds from sale of securities available-for-sale	176,586	140,724
Proceeds from sale of other real estate owned	2,706	571
Purchases and improvements of premises and equipment	(6,162)	(3,769)
<b>Net cash used in investing activities</b>	<b>(144,105)</b>	<b>(144,021)</b>
<b>Cash flows from financing activities:</b>		
Net increase in deposits	77,254	81,985
Dividends paid	(1,722)	(2,805)
Exercise of stock options	16	5
Purchase of treasury stock	(4,344)	(28,242)
Additional tax benefit on equity awards	204	186
Increase in advance payments by borrowers for taxes and insurance	1,794	2,208
Repayments under capital lease obligations	(186)	(161)
Proceeds from securities sold under agreements to repurchase and other borrowings	351,186	467,864
Repayments related to securities sold under agreements to repurchase and other borrowings	(333,000)	(404,594)

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Net cash provided by financing activities	91,202	116,446
Net (decrease) in cash and cash equivalents	(33,258)	(10,348)
Cash and cash equivalents at beginning of period	65,269	43,852
Cash and cash equivalents at end of period	\$ 32,011	\$ 33,504
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 17,490	\$ 19,059
Income taxes	5,334	7,853
Non-cash transactions:		
Loans charged-off, net	1,428	1,433
Other real estate owned charged-off	437	26
Transfers of loans to other real estate owned	306	376
Increase (decrease) in due to broker for purchases of securities available-for-sale	5,099	(57,007)
(Increase) in due from broker for sales of securities available-for-sale	(13,779)	

See accompanying notes to consolidated financial statements.

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

In the opinion of management, all adjustments (consisting solely of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three and nine months ended September 30, 2012, are not necessarily indicative of the results of operations that may be expected for the year ending December 31, 2012. Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for the preparation of interim financial statements. The consolidated financial statements presented should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011, of Northfield Bancorp, Inc. as filed with the SEC.

**Note 2 Securities**

The following is a comparative summary of mortgage-backed securities and other securities available-for-sale at September 30, 2012, and December 31, 2011 (in thousands):

	September 30, 2012			
	Amortized	Gross	Gross	Estimated
	cost	unrealized	unrealized	fair
		gains	losses	value
<b>Mortgage-backed securities:</b>				
<b>Pass-through certificates:</b>				
Government sponsored enterprises (GSE)	\$ 480,881	\$ 27,655	\$	\$ 508,536
Non-GSE				
<b>Real estate mortgage investment conduits (REMICs):</b>				
GSE	594,871	6,315	233	600,953
Non-GSE	11,108	520	38	11,590
	1,086,860	34,490	271	1,121,079
<b>Other securities:</b>				
Equity investments-mutual funds	12,856	106		12,962

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Corporate bonds	74,115	850		74,965
	86,971	956		87,927
Total securities available-for-sale	\$ 1,173,831	\$ 35,446	\$ 271	\$ 1,209,006

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	Amortized cost	December 31, 2011 Gross unrealized		Estimated fair value
		gains	losses	
<b>Mortgage-backed securities:</b>				
<b>Pass-through certificates:</b>				
GSE	\$ 490,184	\$ 24,709	\$	\$ 514,893
Non-GSE	8,770		1,255	7,515
<b>Real estate mortgage investment conduits (REMICs):</b>				
GSE	426,362	4,662	135	430,889
Non-GSE	31,114	1,859	37	32,936
	956,430	31,230	1,427	986,233
<b>Other securities:</b>				
Equity investments-mutual funds	11,787	48		11,835
Corporate bonds	100,922	358	623	100,657
	112,709	406	623	112,492
<b>Total securities available-for-sale</b>	<b>\$ 1,069,139</b>	<b>\$ 31,636</b>	<b>\$ 2,050</b>	<b>\$ 1,098,725</b>

The following is a summary of the expected maturity distribution of debt securities available-for-sale, other than mortgage-backed securities, at September 30, 2012 (in thousands):

<b>Available-for-sale</b>	<b>Amortized cost</b>	<b>Estimated fair value</b>
Due in one year or less	\$ 35,303	\$ 35,459
Due after one year through five years	38,812	39,506
	<b>\$ 74,115</b>	<b>\$ 74,965</b>

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

For the three and nine months ended September 30, 2012, the Company had gross proceeds of \$46.3 million and \$176.6 million, respectively, on sales of securities available-for-sale with gross realized gains of approximately \$715,000 and \$2.0 million, respectively. The Company had gross realized losses of \$490,000 for the three and nine months ended September 30, 2012. For the three and nine months ended September 30, 2011, the Company had gross proceeds of \$26.3 million and \$140.7 million, respectively, on sales of securities available-for-sale with gross realized gains of approximately \$296,000 and \$2.8 million, respectively, and no gross realized losses. The Company recognized \$203,000 and \$456,000 in gains on its trading securities portfolio during the three and nine months ended September 30, 2012, respectively. The Company recognized \$567,000 and \$428,000 in losses on its trading securities portfolio during the three and nine months ended September 30, 2011, respectively. The Company did not recognize any other-than-temporary impairment charges during the three and nine months ended September 30, 2012. The Company did not recognize any other-than-temporary impairment charges during the three months ended September 30, 2011 and recognized other-than-temporary impairment of \$409,000 during the nine months ended September 30, 2011 related to one equity investment in a mutual fund and two private label mortgage-backed securities.

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Activity related to the credit component recognized in earnings on debt securities for which a portion of other-than-temporary impairment was recognized in accumulated other comprehensive income for the three and nine months ended September 30, 2012 and 2011, is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Balance, beginning of period	\$ 578	\$ 578	\$ 578	\$ 330
Additions to the credit component on debt securities in which other-than-temporary impairment was not previously recognized				248
Reductions due to sales	(578)		(578)	
Cumulative pre-tax credit losses, end of period	\$	\$ 578	\$	\$ 578

Gross unrealized losses on mortgage-backed securities, equity investments, and corporate bonds available-for-sale, and the estimated fair value of the related securities, aggregated by security category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2012, and December 31, 2011, were as follows (in thousands):

	Less than 12 months		September 30, 2012 12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Real estate mortgage investment conduits (REMICs):						
GSE	233	147,667			233	147,667
Non-GSE			38	700	38	700
Total	\$ 233	\$ 147,667	\$ 38	\$ 700	\$ 271	\$ 148,367

	Less than 12 months		December 31, 2011 12 months or more		Total	
	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value
Mortgage-backed securities:						
Pass-through certificates:						
Non-GSE	\$ 307	\$ 2,513	\$ 948	\$ 5,002	\$ 1,255	\$ 7,515
Real estate mortgage investment conduits (REMICs):						
GSE	135	54,475			135	54,475
Non-GSE			37	842	37	842
Corporate bonds	113	27,523	510	13,132	623	40,655
Total	\$ 555	\$ 84,511	\$ 1,495	\$ 18,976	\$ 2,050	\$ 103,487

During the current quarter the Company sold two pass-through non-GSE mortgage-backed securities issued by private companies (private label) that were rated less than investment grade at a combined loss of \$490,000. As a result of management's evaluation of these securities, the Company did not recognize any other-than-temporary impairment during the nine months ended September 30, 2012. These securities are included in the above available-for-sale security amounts at December 31, 2011.

The Company held one corporate bond that was in a continuous unrealized loss position of greater than twelve months at September 30, 2012. There were 15 REMIC mortgage-backed securities issued or guaranteed by GSEs that were in an unrealized loss position of less than twelve months, and rated investment grade at September 30, 2012. The declines in value relate to the general interest rate environment and are considered temporary. The securities cannot be prepaid in a manner that would result in the Company not receiving substantially all of its

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amortized cost. The Company neither has an intent to sell, nor is it more likely than not that the Company will be required to sell, the securities before the recovery of their amortized cost basis or, if necessary, maturity.

The fair values of our investment securities could decline in the future if the underlying performance of the collateral for the collateralized mortgage obligations or other securities deteriorates and our credit enhancement levels do not provide sufficient protections to our contractual principal and interest. As a result, there is a risk that significant other-than-temporary impairments may occur in the future given the current economic environment.



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Net loans held-for-investment are as follows (in thousands):

	September 30, 2012	December 31, 2011
Real estate loans:		
Multifamily	\$ 573,316	\$ 458,370
Commercial mortgage	312,379	327,074
One-to-four family residential mortgage	65,023	72,592
Home equity and lines of credit	32,622	29,666
Construction and land	23,204	23,460
<b>Total real estate loans</b>	<b>1,006,544</b>	<b>911,162</b>
Commercial and industrial loans	14,155	12,710
Insurance premium loans	26	59,096
Other loans	1,401	1,496
<b>Total commercial and industrial, insurance premium, and other loans</b>	<b>15,582</b>	<b>73,302</b>
Deferred loan cost, net	1,802	1,481
<b>Originated loans held-for-investment, net</b>	<b>1,023,928</b>	<b>985,945</b>
PCI Loans	77,423	88,522
<b>Loans held for investment, net</b>	<b>1,101,351</b>	<b>1,074,467</b>
Allowance for loan losses	(27,069)	(26,836)
<b>Net loans held-for-investment</b>	<b>\$ 1,074,282</b>	<b>\$ 1,047,631</b>

Loans held-for-sale amounted to \$856,000 and \$3.9 million at September 30, 2012 and December 31, 2011, respectively. Loans held-for-sale are comprised of one-to-four family residential mortgage loans.

PCI loans, acquired as part of a Federal Deposit Insurance Corporation-assisted transaction, totaled \$77.4 million at September 30, 2012 as compared to \$88.5 million at December 31, 2011. The Company accounts for PCI loans utilizing generally accepting accounting principles applicable to loans acquired with deteriorated credit quality. PCI loans consist of approximately 33% commercial real estate and 56% commercial and industrial loans, with the remaining balance in residential and home equity loans. The following details the accretible yield for the three and nine months ended September 30, 2012:

	For the Three Months Ended September 30, 2012	For the Nine Months Ended September 30, 2012
Balance at the beginning of period	\$ 39,311	\$ 42,493
Accretion into interest income	(1,499)	(4,681)
<b>Balance at end of period</b>		