OCEANFIRST FINANCIAL CORP

FORM 10-Q
(Quarterly Report)

Filed 8/14/1997 For Period Ending 6/30/1997

Address	975 HOOPER AVE
	TOMS RIVER, New Jersey 08753-8396
Telephone	732-240-4500
CIK	0001004702
Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-27428

OCEAN FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	22-3412577
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
975 Hooper Avenue, Toms River, NJ	08753
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (732) 240-4500

(Former name, former address and formal 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 X NO .

As of August 11, 1997, there were 8,175,860 shares of the Registrant's Common Stock, par value $.01 per share, outstanding.

OCEAN FINANCIAL CORP.

INDEX TO FORM 10-Q

OCEAN FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except per share amounts)

	June 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
Cash and due from banks	$ 1,652	$ 5,372
Investment securities available for sale	208,360	174,028
Federal Home Loan Bank of New York stock, at cost	11,511	8,457
Mortgage-backed securities available for sale	456,890	395,542
Loans receivable, net	725,891	678,728
Mortgage loans held for sale	-	727
Interest and dividends receivable	11,799	9,757
Real estate owned, net	1,268	1,555
Premises and equipment, net	14,735	14,100
Servicing asset	1,658	1,743
Other assets	14,358	13,856
Total assets	$1,448,122	$1,303,865
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 960,804	$ 934,730
Federal Home Loan Bank borrowings	5,300	8,800
Securities sold under agreements to repurchase	237,412	99,322
Advances by borrowers for taxes and insurance	4,683	3,832
Other liabilities	4,529	4,392
Total liabilities	1,212,728	1,051,076
Stockholders' Equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $.01 par value, 55,000,000 shares authorized, 9,059,124 shares issued and outstanding	91	91
Additional paid-in capital	176,661	176,812
Retained earnings-substantially restricted	93,668	88,552
Less: Net unrealized loss on securities available for sale, net of tax	(275)	(335)
Unallocated common stock held by Employee Stock Ownership Plan	(11,617)	(12,331)
Unearned Incentive Awards	(8,864)	-
Treasury Stock, at cost, 452,956 shares at June 30, 1997	(14,270)	-
Total stockholders' equity	235,394	252,789
Total liabilities and stockholders' equity	$1,448,122	$1,303,865

See accompanying notes to unaudited consolidated financial statements.

OCEAN FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	1997	1996	1997	1996
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	$14,097	$12,403	$27,691	$24,545
Mortgage-backed securities	6,680	4,978	12,410	9,551
Investment securities and other	3,533	2,389	6,754	4,662
Total interest income	24,310	19,770	46,855	38,758
Interest expense:				
Deposits	10,605	10,120	20,900	20,532
Borrowed funds	2,905	1,453	4,643	2,249
Total interest expense	13,510	11,573	25,543	22,781
Net interest income	10,800	8,197	21,312	15,977
Provision for loan losses	225	125	450	250
Net interest income after provision for loan losses	10,575	8,072	20,862	15,727
Other income:				
Fees and service charges	448	457	950	940
Net gain on sales of loans available for sale	-	48	(1)	223
Net income from other real estate operations	2	47	6	11
Other	125	194	207	268
Total other income	575	746	1,162	1,442
Operating expenses:				
Compensation and employee benefits	3,494	2,801	6,798	4,984
Occupancy	467	439	966	900
Equipment	358	188	670	332
Marketing	282	205	403	327
Federal deposit insurance	208	581	297	1,150
Data processing	292	209	670	430
General and administrative	744	609	1,502	1,369
Total operating expenses	5,845	5,032	11,306	9,492
Income before income taxes	5,305	3,786	10,718	7,677
Provision for income taxes	1,889	1,313	3,913	2,793
Net income	$ 3,416	$ 2,473	$ 6,805	$ 4,884
Earnings per share	$ .41	N/A	$ .81	N/A
Weighted average shares outstanding	8,269	N/A	8,374	N/A

See accompanying notes to unaudited consolidated financial statements.

OCEAN FINANCIAL CORP. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	For the six months ended June 30, 1997	1996
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 6,805	$ 4,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of ESOP	714	-
ESOP adjustment	355	-
Amortization of Incentive Awards	807	-
Depreciation and amortization of premises and equipment	661	354
Amortization of servicing asset	89	102
Net premium amortization in excess of discount accretion on securities	1,931	651
Net accretion of deferred fees and discounts in excess of premium amortization on loans	(183)	(266)
Provision for loan losses	450	250
Net gain on sales of real estate owned	(129)	(99)
Net loss (gain) on sales of loans available for sale	1	(223)
Proceeds from sales of mortgage loans held for sale	703	19,898
Mortgage loans originated for sale	-	(21,198)
Increase in interest and dividends receivable	(2, 042)	(1,762)
Increase in other assets	(537)	(571)
Increase (decrease) in other liabilities	137	(328)
Total adjustments	2,957	(3,192)
Net cash provided by operating activities	9,762	1,692
Cash flows from investing activities:		
Net increase in loans receivable	(48,250)	(19,427)
Purchase of investment securities available for sale	(49,984)	(55,000)
Purchase of mortgage-backed securities available for sale	(151,199)	(136,456)
Proceeds from maturities of investment securities available for sale	15,270	34,125
Principal payments on mortgage-backed securities available for sale	88,396	56,633
Purchases of Federal Home Loan Bank of New York stock	(3,054)	(734)
Proceeds from sales of real estate owned	1,255	814
Purchases of premises and equipment	(1,296)	(2,210)
Net cash used in investing activities	(148,862)	(122,255)

Continued

	For the six months ended June 30, 1997	1996
	(Unaudited)	
Cash flows from financing activities:		
Increase in deposits	$ 26,074	$ 12,589
Decrease in Federal Home Loan Bank borrowings	(3,500)	(10,400)
Increase in securities sold under agreements to repurchase	138,090	-
Proceeds from common stock subscription	-	153,509
Increase in advances by borrowers for taxes and insurance	851	260
Dividends paid	(1,689)	-
Purchase of Incentive Award stock	(10,176)	-
Purchases of Treasury stock	(14,270)	-
Net cash provided by financing activities	135,380	155,958
Net (decrease) increase in cash and cash equivalents	(3,720)	35,395
Cash and cash equivalents at beginning of period	5,372	8,022
Cash and cash equivalents at end of period	$ 1,652	$ 43,417
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 25,136	$ 20,448
Income taxes	3,711	2,906
Noncash investing activities:		
Transfer of loans receivable to real estate owned	839	629
Mortgage loans securitized into mortgage-backed securities	-	20,213

See accompanying notes to unaudited consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of Ocean Financial Corp. (the "Company") and its wholly-owned subsidiary, Ocean Federal Savings Bank (the "Bank") and its inactive wholly- owned subsidiary, Dome Financial Services, Inc.

The interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three and six months ended June 30, 1997 are not necessarily indicative of the results of operations that may be expected for all of 1997.

Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission.

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report to Stockholders on Form 10-K for the year ended December 31, 1996.

NOTE 2. IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS 128). SFAS 128 supersedes APB Opinion No. 15, "Earnings Per Share," and specifies the computation, presentation, and disclosure requirements for earnings per share (EPS) for entities with publicly held common stock. SFAS 128 replaces Primary EPS and Fully Diluted EPS with Basic EPS and Diluted EPS, respectively. SFAS 128 also requires dual presentation of Basic and Diluted EPS on the face of the income statement for entities with complex capital structures and a reconciliation of the information utilized to calculate Basic EPS to that used to calculate Diluted EPS.

SFAS 128 is effective for financial statement periods ending after December 15, 1997. Earlier application is not permitted. After adoption, all prior period EPS is required to be restated to conform with SFAS 128. The Company expects that the adoption of SFAS 128 will result in Basic EPS being higher than Primary EPS and Diluted EPS will be approximately the same as Fully Diluted EPS.

Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" (SFAS 129) was issued in February 1997. SFAS 129 is effective for periods ending after December 15, 1997. SFAS 129 lists required disclosures about capital structure that had been included in a number of separate statements and opinions of authoritative accounting literature. As such, the adoption of SFAS 129 is not expected to have a significant impact on the disclosures in financial statements of the Company.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS 130). SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Under SFAS 130, comprehensive income is divided into net income and other comprehensive income. Other comprehensive income includes items previously recorded directly in equity, such as unrealized gains or losses on securities available for sale. SFAS 130 is effective for interim and annual periods beginning after December 15, 1997. Comparative financial statements provided for earlier periods are required to be reclassified to reflect application of the provisions of the Statement.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected financial information about operating segments in interim financial reports to shareholders. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997.

NOTE 3. CONVERSION TO CAPITAL STOCK FORM OF OWNERSHIP

On August 17, 1995, the Board of Directors of the Bank adopted a Plan of Conversion, as amended, to convert from a federally chartered mutual savings bank to a federally chartered capital stock savings bank with the concurrent formation of a holding company ("the Conversion").

The Conversion was completed on July 2, 1996 with the issuance by the Company of 8,388,078 shares of its common stock in a public offering to the Bank's eligible depositors and the Bank's employee stock ownership plan (the "ESOP"). The purchase of 671,046 shares of common stock (8% of the total shares offered) by the ESOP was funded by a loan of $13.4 million from the Company.

In exchange for 50% of the net conversion proceeds ($81.6 million), the Company acquired 100% of the stock of the Bank and retained the remaining net conversion proceeds at the holding company level.

Concurrent with the close of the Conversion, an additional 671,046 shares of common stock (8% of the offering) were issued and donated by the Company to the Ocean Federal Foundation (the "Foundation"), a private foundation dedicated to charitable purposes within Ocean County, New Jersey and its neighboring communities. The fair market value of the contribution of $13.4 million was reflected as an expense in the Company's 1996 third quarter operating results and as an increase to capital stock and paid in capital for the same amount. The Company also recorded a related tax benefit of $3.7 million with a corresponding increase to the Company's deferred tax assets. During the first quarter of 1997 the Company received notification from the Internal Revenue Service that it will recognize the Ocean Federal Foundation as a Section 501(c)(3) exempt organization. The notification confirms the Company's ability to recognize a tax benefit on the $13.4 million charitable donation made in connection with the Conversion on July 2, 1996.

NOTE 4. LOANS RECEIVABLE, NET

Loans receivable at June 30, 1997 and December 31, 1996 consisted of the following (in thousands):

	June 30, 1997	December 31, 1996
	(Unaudited)	
Real estate:		
One- to four-family	$667,297	$628,525
Commercial real estate, multi-family and land	14,239	15,634
Construction	11,679	9,287
Consumer	40,070	36,860
Commercial	4,631	-
Total loans	737,916	690,306
Less:		
Undisbursed loan funds	4,397	3,517
Unamortized discounts, net	10	11
Deferred loan fees	1,278	1,302
Allowance for loan losses	6,340	6,021
Total loans, net	725,891	679,455
Less: mortgage loans held for sale	-	727
Loans receivable, net	$725,891	$678,728

NOTE 5. DEPOSITS

The major types of deposits at June 30, 1997 and December 31, 1996 were as follows (in thousands):

Type of Account	June 30, 1997 (Unaudited)	December 31, 1996
NOW	$ 81,297	$ 77,522
Money Market deposit	68,786	70,021
Savings	169,950	169,527
Time deposits	640,771	617,660
	$960,804	$934,730

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Total assets at June 30, 1997 were $1.448 billion, an increase of $144.3 million, or 11.1%, compared to $1.304 billion at December 31, 1996.

Investment securities available for sale increased by $34.3 million, to a balance of $208.4 million at June 30, 1997, compared to a balance of $174.0 million at December 31, 1996, and mortgage-backed securities available for sale increased by $61.3 million, to $456.9 million at June 30, 1997, from $395.5 million at December 31, 1996. The increase in investment and mortgage-backed securities available for sale was due to the continued deployment of a wholesale leverage strategy, adopted in late 1996, designed to improve returns on invested capital. Wholesale leverage growth was funded through securities sold under agreements to repurchase, which increased to $237.4 million at June 30, 1997 from $99.3 at December 31, 1996. The strategy primarily involves the purchase of adjustable-rate mortgage-backed securities funded by short-term repurchase agreements and the purchase of medium-term callable agency securities funded by repurchase agreements with maturities through the call date. Loans receivable, net, increased by $47.2 million, or 7.0%, to a balance of $725.9 million at June 30, 1997, compared to a balance of $678.7 million at December 31, 1996. The increase was largely attributable to robust residential loan growth in the Bank's market area.

Total deposits at June 30, 1997 were $960.8 million, an increase of $26.1 million, compared to $934.7 million at December 31, 1996. Stockholders' equity at June 30, 1997 was $235.4 million, compared to $252.8 million at December 31, 1996. The reduction was due to the award of 335,523 shares of common stock to directors and officers of the Bank under the Bank's 1997 Incentive Plan. The fair market value of the shares on February 4, 1997 (the date of shareholder approval) was initially recorded as a reduction to stockholders' equity and amortized to expense. Additionally, the Company completed the repurchase of 452,956 shares, or 5%, of outstanding common stock. These shares were held as treasury stock at June 30, 1997.

RESULTS OF OPERATIONS

GENERAL

Net income increased to $3.4 million for the three months ended June 30, 1997, as compared to net income of $2.5 million for the three months ended June 30, 1996. For the six months ended June 30, 1997, net income increased to $6.8 million from $4.9 million for the six months ended June 30, 1996. The increase in net income is primarily due to investment earnings on the $163.3 million raised from the conversion of Ocean Federal Savings Bank to the stock form of ownership on July 2, 1996.

INTEREST INCOME

Interest income for the three months ended June 30, 1997 was $24.3 million, compared to $19.8 million for the three months ended June 30, 1996, an increase of $4.5 million, or 23.0%. For the six months ended June 30, 1997, interest income was $46.9 million compared to $38.8 million for the same period in 1996, an increase of $8.1 million, or 20.9%. The increases in interest income were the result of increases in the average size of the investment and mortgage- backed securities available for sale portfolios, due to 1996 purchases resulting from the investment of net Conversion proceeds and the investment, in 1997, of funds received from wholesale borrowings. Also, the average balance of loans receivable increased $83.1 million and $77.5 million for the three and six months ended June 30, 1997, respectively, as compared to the same prior year periods.

INTEREST EXPENSE

Interest expense for the three months ended June 30, 1997 was $13.5 million, compared to $11.6 million for the three months ended June 30, 1996, an increase of $1.9 million or 16.7%. For the six months ended June 30, 1997 interest expense was $25.5 million, compared to $22.8 million for the same period in 1996, an increase of $2.8 million or 12.1%. The increase in interest expense was primarily the result of an increase in the average outstanding balance of total borrowings, as previously discussed, and a smaller average increase in deposits. The average cost of interest-bearing liabilities also increased to 4.71% and 4.64% for the three and six months ended June 30, 1997, respectively, as compared to 4.42% and 4.49% for the same prior year periods due to a greater percentage of higher cost wholesale funding over retail deposit funding.

PROVISION FOR LOAN LOSSES

For the three and six months ended June 30, 1997, the Company's provision for loan losses was $225,000 and $450,000, respectively, compared to $125,000 and $250,000 for the same prior year periods. The increase was due to overall loan growth and the introduction of commercial business loans which generally carry greater credit risk than the 1-4 family mortgage loans which have been the Bank's historical focus.

OTHER INCOME

Other income was $575,000 and $1.2 million for the three and six months ended June 30, 1997, respectively, a decrease of $171,000 and $280,000, compared to the same prior year periods. Income from the net gain on sales of loans available for sale decreased $48,000 and $224,000, for the three and six months ended June 30, 1997, respectively, compared to the same prior year periods. The decrease was primarily due to a reduction in the sale of 30-year fixed rate mortgage loans, which totalled $703,000 in 1997, as compared to $19.9 million in 1996. Management determined that the significant capital position of the Company mitigated the additional interest rate risk associated with retaining these mortgages. For the six months ended June 30, 1997, the Company retained $18.9 million in conforming 30-year fixed rate loans which previously may have been sold. Other income decreased $69,000 and $61,000 for the three and six months ended June 30, 1997, respectively, compared to the same prior year periods due to the recovery, through June 30, 1996, of $101,000 from the previous charge-off of a financial asset.

OPERATING EXPENSES

Operating expenses were $5.8 million and $11.3 million for the three and six months ended June 30, 1997, respectively, representing increases of $813,000 and $1.8 million, compared to the same prior year periods. The increase in compensation and employee benefits expense of $693,000 and $1.8 million for the three and six months ended June 30, 1997, respectively, as compared to the same prior year periods, was due to the expense associated with the amortization, beginning in February 1997, of incentive stock awards and the higher expense associated with the Bank's Employee Stock Ownership Plan as a result of the increase in the Company's stock price over its initial $20 per share cost. The ESOP expense was partly offset by freezing the future accrual of benefits under the Bank's defined benefit pension plan and by eliminating matching contributions under the Bank's 401K Plan.

Equipment expense increased by $170,000 and $338,000 for the three and six months ended June 30, 1997, respectively, compared to the same prior year periods due to the establishment of two new branch offices and the upgrade of computer equipment.

Federal deposit insurance expense declined by $373,000 and $853,000 for the three and six months ended June 30, 1997, respectively, compared to the same prior year periods due to the reduced premiums charged subsequent to the Savings Association Insurance Fund recapitalization during the third quarter of 1996.

PROVISION FOR INCOME TAXES

Income tax expense was $1.9 million and $3.9 million for the three and six months ended June 30, 1997, respectively, compared to $1.3 million and $2.8 million for the three and six months ended June 30, 1996, respectively. The effective tax rate was relatively stable at 36.5% for the six months ended June 30, 1997, as compared to 36.4% for the same prior year period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, FHLB and other borrowings and, to a lesser extent, investment maturities and proceeds from the sale of loans. While scheduled amortization of loans are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including an overnight line of credit and advances from the FHLB. At June 30 1997, the Company had $5.3 million of outstanding overnight borrowings from the FHLB, representing a decrease from $8.8 million at December 31, 1996. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company also borrowed $237.4 million at June 30, 1997 through securities sold under agreements to repurchase, an increase from $99.3 million at December 31, 1996. These borrowings were used to fund a wholesale leverage strategy designed to improve returns on invested capital.

The Company's cash needs for the six months ended June 30, 1997, were principally provided by principal payments on loans and mortgage-backed securities, deposit flows, and borrowings through securities sold under agreements to repurchase. The cash provided was principally used for investing activities, which included the purchase of investment and mortgage-backed securities and the origination of loans. The Company also used funds to purchase outstanding common stock, either to fund incentive awards or to hold as treasury stock. For the six months ended June 30, 1996, the cash needs of the Company were primarily satisfied by investment maturities, principal payments on loans and mortgage-backed securities and proceeds from common stock subscriptions. The cash was principally utilized for loan originations and purchases of investment and mortgage-backed securities.

Federal regulations require the Bank to maintain minimum levels of liquid assets. The required percentage has varied from time to time based upon economic conditions and savings flows and is currently 5% of net withdrawable savings deposits and borrowings payable on demand or in one year or less during the preceding calendar month. Liquid assets for purposes of this ratio include cash, accrued interest receivable, certain time deposits, U.S. Treasury and Government agencies and other securities and obligations generally having remaining maturities of less than five years. The levels of these assets are dependent on the Bank's operating, financing, lending and investing activities during any given period. As of June 30, 1997 and December 31, 1996, the Bank's liquidity ratios were 11.25% and 17.5%, respectively, both in excess of the 5% minimum regulatory requirement.

At June 30, 1997, the Bank exceeded all of its regulatory capital requirements with tangible capital of $171.5 million, or 12.2%, of total adjusted assets, which is above the required level of $21.0 million or 1.5%; core capital of $171.5 million or 12.2% of total adjusted assets, which is above the required level of $42.1 million, or 3.0%; and risk-based capital of $177.5 million, or 30.9% of risk-weighted assets, which is above the required level of $45.9 million or 8.0%. The Bank is considered a "well capitalized" institution under the Office of Thrift Supervision's prompt corrective action regulations.

NON-PERFORMING ASSETS

The following table sets forth information regarding the Company's nonperforming assets consisting of non-accrual loans and Real Estate Owned (REO). The Company had no troubled-debt restructured loans within the meaning of SFAS 15 at June 30, 1997 or December 31, 1996. It is the policy of the Company to cease accruing interest on loans 90 days or more past due or in the process of foreclosure.

	June 30, 1997	December 31, 1996
	(Dollars in thousands)	
Non-accrual loans:		
Real estate:		
One-to four-family	$6,243	$7,148
Commercial real estate, multi-family and land	262	122
Construction	-	314
Consumer	184	113
Total	6,689	7,697
REO, net	1,268	1,555
Total non-performing assets	$7,957	$9,252
Allowance for loan losses as a percent of total loans receivable	.86%	.88%
Allowance for loan losses as percent of total non-performing loans	94.78%	78.23%
Non-performing loans as a percent of total loans receivable	.91%	1.12%
Non-performing assets as a percent of total assets	.55%	.71%

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not engaged in any l egal proc eedings of a material nature at the present time. From t ime to ti me, the Company is a party to routine legal proceedings within the norm al course of business. Such routine legal proceedings in t he aggreg ate are believed by management to be immaterial to the Company's financial condition or results of operations.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to Vote of Security Holders

Not applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

3.1 Certificate of Incorporation of Ocean Financial Corp.*

3.2 Bylaws of Ocean Financial Corp.*

4.0 Stock Certificate of Ocean Financial Corp.*

11 Computation of earnings per share

27 Financial Data Schedule (filed herewith)

b) There were no reports on Form 8-K filed during the three months ended June 30, 1997.

* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, filed on December 7, 1995, as amended, Registration No. 33-80123.

SIGNATURES

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

Ocean Financial Corp.
Registrant

DATE: August 11, 1997	*/s/ John R. Garbarino* -------------------------------- *John R. Garbarino* *Chairman of the Board, President* *and Chief Executive Officer*
DATE: August 11, 1997	*/s/ Michael Fitzpatrick* -------------------------------- *Michael Fitzpatrick* *Executive Vice president and* *Chief Financial Officer*

Exhibit 11

OCEAN FINANCIAL CORP.

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE

THREE AND SIX MONTHS ENDED JUNE 30, 1997 AND 1996

(dollars in thousands, except per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	1997	1996	1997	1996
Net income	$ 3,416	$2,473	$ 6,805	$4,884
Weighted average shares outstanding:				
Weighted average shares outstanding	8,822,273	-	8,940,044	-
Less: Unallocated shares held by the ESOP	(615,314)	-	(615,314)	-
Plus: ESOP shares released or committed to be released during the fiscal year	26,765	-	17,843	- -
Plus: Common stock equivalents - dilutive options	35,255	-	31,743	-
Weighted average shares outstanding	8,268,979	N/A	8,374,316	N/A
Earnings per share	$ .41	N/A	$ .81	N/A

ARTICLE 9

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	JUN 30 1997
CASH	1,652
INT BEARING DEPOSITS	0
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	665,250
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	725,891
ALLOWANCE	6,340
TOTAL ASSETS	1,448,122
DEPOSITS	960,804
SHORT TERM	242,712
LIABILITIES OTHER	9,212
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	91
OTHER SE	235,303
TOTAL LIABILITIES AND EQUITY	1,448,122
INTEREST LOAN	27,691
INTEREST INVEST	19,164
INTEREST OTHER	0
INTEREST TOTAL	46,855
INTEREST DEPOSIT	20,900
INTEREST EXPENSE	25,543
INTEREST INCOME NET	21,312
LOAN LOSSES	450
SECURITIES GAINS	0
EXPENSE OTHER	11,306
INCOME PRETAX	10,718
INCOME PRE EXTRAORDINARY	10,718
EXTRAORDINARY	0
CHANGES	0
NET INCOME	8,374
EPS PRIMARY	0.81
EPS DILUTED	0.81
YIELD ACTUAL	0 [1]
LOANS NON	6,689
LOANS PAST	0
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	6,021
CHARGE OFFS	0 [1]
RECOVERIES	0 [1]
ALLOWANCE CLOSE	6,340
ALLOWANCE DOMESTIC	0 [1]
ALLOWANCE FOREIGN	0 [1]
ALLOWANCE UNALLOCATED	0 [1]

[1] Information not disclosed in 10 Q.

End of Filing