OCEANFIRST FINANCIAL CORP

FORM 10-Q
(Quarterly Report)

Filed 11/13/1997 For Period Ending 9/30/1997

Address	975 HOOPER AVE
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Sector	Financial
Fiscal Year	12/31

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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 September 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 November 13, 1997, there were 8,014,860 shares of the Registrant's Common Stock, par value $.01 per share, outstanding.

OCEAN FINANCIAL CORP.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Part II. OTHER INFORMATION

OCEAN FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except per share amounts)

	September 30, 1997 (Unaudited)	December 31, 1996
ASSETS		
Cash and due from banks	$ (1,875)	$ 5,372
Investment securities available for sale	206,420	174,028
Federal Home Loan Bank of New York stock, at cost	13,166	8,457
Mortgage-backed securities available for sale	474,634	395,542
Loans receivable, net	754,734	678,728
Mortgage loans held for sale	-	727
Interest and dividends receivable	12,213	9,757
Real estate owned, net	989	1,555
Premises and equipment, net	14,499	14,100
Servicing asset	1,609	1,743
Other assets	12,831	13,856
Total assets	$1,489,220	$1,303,865
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$ 965,736	$ 934,730
Federal Home Loan Bank borrowings	18,400	8,800
Securities sold under agreements to repurchase	269,115	99,322
Advances by borrowers for taxes and insurance	4,686	3,832
Other liabilities	5,399	4,392
Total liabilities	1,263,336	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	176,919	176,812
Retained earnings-substantially restricted	95,610	88,552
Net unrealized gain (loss) on securities available for sale, net of tax	2,451	(335)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(11,260)	(12,331)
Unearned Incentive Awards	(8,381)	-
Treasury Stock, at cost, 883,264 shares at September 30, 1997	(29,546)	-
Total stockholders' equity	225,884	252,789
Total liabilities and stockholders' equity	$1,489,220	$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 September 30,		For the nine months ended September 30,	
	1997	1996	1997	1996
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	$14,637	$12,667	$42,328	$37,211
Mortgage-backed securities	7,192	4,896	19,602	14,448
Investment securities and other	3,739	2,779	10,493	7,441
Total interest income	25,568	20,342	72,423	59,100
Interest expense:				
Deposits	11,001	10,148	31,901	30,680
Borrowed funds	3,651	26	8,282	2,124
Other	6	4	18	155
Total interest expense	14,658	10,178	40,201	32,959
Net interest income	10,910	10,164	32,222	26,141
Provision for loan losses	225	225	675	475
Net interest income after provision for loan losses	10,685	9,939	31,547	25,666
Other income:				
Fees and service charges	477	444	1,427	1,384
Net gain on sales of loans available for sale	1	44	1	267
Net income (loss) from other real estate operations	5	(23)	12	(12)
Other	89	87	294	355
Total other income	572	552	1,734	1,994
Operating expenses:				
Compensation and employee benefits	3,492	2,537	10,290	7,521
Occupancy	480	424	1,445	1,325
Equipment	307	201	978	533
Marketing	138	187	541	514
Federal deposit insurance	210	6,310	506	7,459
Data processing	288	209	959	672
General and administrative	809	712	2,311	2,048
Charitable donation	-	13,419	-	13,419
Total operating expenses	5,724	23,999	17,030	33,491
Income (loss) before income taxes	5,533	(13,508)	16,251	(5,831)
Provision (benefit) for income taxes	1,993	(3,690)	5,906	(897)
Net income (loss)	$ 3,540	$(9,818)	$10,345	$(4,934)
Earnings (loss) per share	$ .45	$ (1.16)	$ 1.26	N/A
Weighted average shares outstanding	7,846	8,423	8,199	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 nine months ended September 30, 1997	1996
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ 10,345	$ (4,934)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Donation of 671,046 shares of common stock to the Ocean Federal Foundation	-	13,419
Amortization of ESOP	1,071	820
ESOP adjustment	613	65
Amortization of Incentive Awards	1,289	-
Depreciation and amortization of premises and equipment	1,008	541
Amortization of servicing asset	138	148
Net premium amortization in excess of discount accretion on securities	2,719	1,125
Net accretion of deferred fees and discounts in excess of premium amortization on loans	(272)	(381)
Provision for loan losses	675	475
Provision for deferred taxes	-	(3,700)
Net gain on sales of real estate owned	(184)	(136)
Net loss (gain) on sales of loans available for sale	1	(267)
Proceeds from sales of mortgage loans held for sale	703	24,015
Mortgage loans originated for sale	-	(22,579)
Increase in interest and dividends receivable	(2,456)	(1,488)
(Increase) decrease in other assets	(612)	695
Increase in other liabilities	1,007	4,158
Total adjustments	5,700	16,910
Net cash provided by operating activities	16,045	11,976
Cash flows from investing activities:		
Net increase in loans receivable	(77,845)	(39,265)
Purchase of investment securities available for sale	(50,984)	(75,006)
Purchase of mortgage-backed securities available for sale	(202,319)	(163,128)
Proceeds from maturities of investment securities available for sale	20,270	34,125
Principal payments on mortgage-backed securities available for sale	123,253	85,784
Purchases of Federal Home Loan Bank of New York stock	(4,709)	(734)
Proceeds from sales of real estate owned	2,205	1,479
Purchases of premises and equipment	(1,407)	(5,204)
Net cash used in investing activities	(191,536)	(161,949)

Continued

	For the nine months ended September 30, 1997	1996
	(Unaudited)	
Cash flows from financing activities:		
Increase (decrease) in deposits	$ 31,006	(287)
Increase (decrease) in Federal Home Loan Bank borrowings	9,600	(5,000)
Increase in securities sold under agreements to repurchase	169,793	-
Net proceeds from common stock issuance	-	149,881
Increase in advances by borrowers for taxes and insurance	854	396
Dividends paid	(3,287)	-
Purchase of Incentive Award stock	(10,176)	-
Purchases of Treasury stock	(29,546)	-
Net cash provided by financing activities	168,244	144,990
Net decrease in cash and due from banks	(7,247)	(4,983)
Cash and due from banks at beginning of period	5,372	8,022
Cash and due from banks at end of period	$ (1,875)	$ 3,039
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 39,656	$ 33,090
Income taxes	5,346	4,206
Noncash investing activities:		
Transfer of loans receivable to real estate owned	1,455	1,517
Mortgage loans securitized into mortgage-backed securities	-	23,392

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 nine months ended September 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 share holders. 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 charitable donation made in connection with the Conversion on July 2, 1996, subject to limitations based on 10% of the Company's annual taxable income. The Company, however, is able to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

NOTE 4. LOANS RECEIVABLE, NET

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

	September 30, 1997 (Unaudited)	December 31, 1996
Real estate:		
One- to four-family	$689,710	$628,525
Commercial real estate, multi-family and land	13,817	15,634
Construction	10,721	9,287
Consumer	41,908	36,860
Commercial	10,235	-
Total loans	766,391	690,306
Less:		
Undisbursed loan funds	3,885	3,517
Unamortized discounts, net	10	11
Deferred loan fees	1,249	1,302
Allowance for loan losses	6,513	6,021
Total loans, net	754,734	679,455
Less: mortgage loans held for sale	-	727
Loans receivable, net	$754,734	$678,728

NOTE 5. DEPOSITS

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

Type of Account	September 30, 1997 (Unaudited)	December 31, 1996
NOW	$ 84,476	$ 77,522
Money Market deposit	68,088	70,021
Savings	167,914	169,527
Time deposits	645,258	617,660
	$965,736	$934,730

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

FINANCIAL CONDITION

Total assets at September 30, 1997 were $1.489 billion, an increase of $185.4 million, or 14.2%, compared to $1.304 billion at December 31, 1996.

Investment securities available for sale increased by $32.4 million, to a balance of $206.4 million at September 30, 1997, compared to a balance of $174.0 million at December 31, 1996, and mortgage-backed securities available for sale increased by $79.1 million, to $474.6 million at September 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 $269.1 million at September 30, 1997 from $99.3 at December 31, 1996. The strategy primarily involves the purchase of adjustable and fixed-rate mortgage-backed securities funded by short and medium-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 $76.0 million, or 11.2%, to a balance of $754.7 million at September 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, as well as commercial lending initiatives which accounted for $10.2 million of this growth.

Total deposits at September 30, 1997 were $965.7 million, an increase of $31.0 million, compared to $934.7 million at December 31, 1996. Stockholders' equity at September 30, 1997 was $225.9 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 Company and the Bank under the Company'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 is being amortized to expense. Additionally, through September 30, 1997, the Company has completed the repurchase of 883,264 shares, or 9.7%, of outstanding common stock. These shares were held as treasury stock at September 30, 1997.

RESULTS OF OPERATIONS

GENERAL

Net income increased to $3.5 million for the three months ended September 30, 1997, as compared to a net loss of $9.8 million for the three months ended September 30, 1996. For the nine months ended September 30, 1997, net income increased to $10.3 million from a net loss of $4.9 million for the nine months ended September 30, 1996. Prior year amounts for the quarter and year-to-date were adversely affected by a charge of $5.7 million ($3.7 million after tax) representing the Bank's share of a special assessment to recapitalize the Savings Association Insurance Fund ("SAIF") of the FDIC. Additionally, concurrent with the close of the Company's stock offering on July 2, 1996, the Company funded the Ocean Federal Foundation with a one-time donation of 671,046 shares of common stock, resulting in a charge of $13.4 million ($9.7 million after tax).

INTEREST INCOME

Interest income for the three months ended September 30, 1997 was $25.6 million, compared to $20.3 million for the three months ended September 30, 1996, an increase of $5.2 million, or 25.7%. For the nine months ended September 30, 1997, interest income was $72.4 million compared to $59.1 million for the same period in 1996, an increase of $13.3 million, or

22.5%. 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 relating to 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 $96.9 million and $84.0 million for the three and nine months ended September 30, 1997, respectively, as compared to the same prior year periods.

INTEREST EXPENSE

Interest expense for the three months ended September 30, 1997 was $14.7 million, compared to $10.2 million for the three months ended September 30, 1996, an increase of $4.5 million or 44.0%. For the nine months ended September 30, 1997 interest expense was $40.2 million, compared to $33.0 million for the same period in 1996, an increase of $7.2 million or 22.0%. 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 4.84% and 4.70% for the three and nine months ended September 30, 1997, respectively, as compared to 4.37% and 4.46% for the same prior year periods due to a greater percentage increase in higher cost wholesale funding over retail deposit funding.

PROVISION FOR LOAN LOSSES

For the three and nine months ended September 30, 1997, the Company's provision for loan losses was $225,000 and $675,000, respectively, compared to $225,000 and $475,000 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 $572,000 and $1.7 million for the three and nine months ended September 30, 1997, respectively, compared to the $552,000 and $2.0 million for the same prior year periods. Income from the net gain on sales of loans available for sale decreased $266,000, for the nine months ended September 30, 1997, compared to the same prior year period. The decrease was primarily due to a reduction in the sale of 30-year fixed rate mortgage loans, which totalled $704,000 in 1997, as compared to $23.7 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 nine months ended September 30, 1997, the Company retained $32.1 million in conforming 30-year fixed rate loans which previously may have been sold.

OPERATING EXPENSES

Operating expenses were $5.7 million and $24.0 million for the three and nine months ended September 30, 1997, respectively, representing decreases of $18.3 million and $16.5 million, compared to the same prior year periods. The charitable donation to the Ocean Federal Foundation in the third quarter of 1996 accounted for $13.4 million of the decrease. Additionally, federal deposit insurance expense declined by $6.1 million and $7.0 million for the three and nine months ended September 30, 1997, respectively, compared to the same prior year periods due to the special SAIF assessment of $5.7 million recorded in the third quarter of 1996.

The increase in compensation and employee benefits expense of $955,000 and $2.8 million for the three and nine months ended September 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 $106,000 and $445,000 for the three and nine months ended September 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.

PROVISION (BENEFIT) FOR INCOME TAXES

Income tax expense was $2.0 million and $5.9 million for the three and nine months ended September 30, 1997, respectively, compared to an income tax benefit of $3.7 million and $900,000 for the three and nine months ended September 30, 1996, respectively. The tax benefit in 1996 was due to the pretax losses created by the charitable donation and the SAIF special assessment.

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 September 30 1997, the Company had $18.4 million of outstanding overnight borrowings from the FHLB, representing an increase 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 $269.1 million at September 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 nine months ended September 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 nine months ended September 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 September 30, 1997 and December 31, 1996, the Bank's liquidity ratios were 10.3% and 17.5%, respectively, both in excess of the 5% minimum regulatory requirement.

At September 30, 1997, the Bank exceeded all of its regulatory capital requirements with tangible capital of $173.1 million, or 11.9%, of total adjusted assets, which is above the required level of $21.8 million or 1.5%; core capital of $173.1 million or 11.9% of total adjusted assets, which is above the required level of $43.7 million, or 3.0%; and risk-based capital of $179.3 million, or 30.2% of risk-weighted assets, which is above the required level of $47.5 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 September 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.

	September 30, 1997	December 31, 1996
	(Dollars in thousands)	
Non-accrual loans:		
Real estate:		
One-to four-family	$6,406	$7,148
Commercial real estate, multi-family and land	261	122
Construction	-	314
Consumer	111	113
Total	6,778	7,697
REO, net	989	1,555
Total non-performing assets	$7,767	$9,252
Allowance for loan losses as a percent of total loans receivable	.85%	.88%
Allowance for loan losses as percent of total non-performing loans	96.09%	78.23%
Non-performing loans as a percent of total loans receivable	.88%	1.12%
Non-performing assets as a percent of total assets	.52%	.71%

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not engaged in any legal proceedings of a material nature at the present time. From time to time, the Company is a party to routine legal proceedings within the normal course of business. Such routine legal proceedings in the aggregate 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 September 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: November 13, 1997 *ﾠ/s/ John R. Garbarino*

John R. Garbarino
Chairman of the Board, President
and Chief Executive Officer

DATE: November 13, 1997 *ﾠ/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 NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

(dollars in thousands, except per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	1997	1996	1997	1996
Net income (loss)	$ 3,540	$ (9,818)	$ 10,345	$(4,669)
Weighted average shares outstanding:				
Weighted average shares outstanding	8,323,311	9,059,124	8,732,207	-
Less: Unallocated shares held by the ESOP	(615,314)	(671,046)	(615,314)	-
Plus: ESOP shares released or committed to be released during the fiscal year	44,608	34,832	26,765	-
Plus: Common stock equivalents - dilutive options	93,624	-	55,595	-
Weighted average shares outstanding	7,846,229	8,422,910	8,199,253	N/A
Earnings per share	$ .45	(1.16)	$ 1.26	N/A

ARTICLE 9

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	SEP 30 1997
CASH	(1,875)
INT BEARING DEPOSITS	0
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	681,054
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	754,734
ALLOWANCE	6,513
TOTAL ASSETS	1,489,220
DEPOSITS	965,736
SHORT TERM	287,515
LIABILITIES OTHER	10,085
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	91
OTHER SE	225,793
TOTAL LIABILITIES AND EQUITY	1,489,220
INTEREST LOAN	42,328
INTEREST INVEST	30,095
INTEREST OTHER	0
INTEREST TOTAL	72,423
INTEREST DEPOSIT	31,901
INTEREST EXPENSE	40,201
INTEREST INCOME NET	32,222
LOAN LOSSES	675
SECURITIES GAINS	0
EXPENSE OTHER	17,030
INCOME PRETAX	16,251
INCOME PRE EXTRAORDINARY	16,251
EXTRAORDINARY	0
CHANGES	0
NET INCOME	10,345
EPS PRIMARY	1.26
EPS DILUTED	1.26
YIELD ACTUAL	0 [1]
LOANS NON	6,778
LOANS PAST	0
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	6,021
CHARGE OFFS	0 [1]
RECOVERIES	0 [1]
ALLOWANCE CLOSE	6,513
ALLOWANCE DOMESTIC	0 [1]
ALLOWANCE FOREIGN	0 [1]
ALLOWANCE UNALLOCATED	0 [1]

[1] Information not disclosed in 10 Q.

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