# OCEANFIRST FINANCIAL CORP

## FORM 10-Q
(Quarterly Report)

## Filed 5/12/1998 For Period Ending 3/31/1998

| | |
|---|---|
| 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 |

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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 March 31, 1998

**[_] 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 May 12, 1998, there were 7,767,067 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)

| | March 31 1998 (Unaudited) | December 31, 1997 |
|---|---|---|
| **ASSETS** | | |
| Cash and due from banks | $ 2,543 | $ 2,225 |
| Investment securities available for sale | 173,536 | 207,357 |
| Federal Home Loan Bank of New York stock, at cost | 15,043 | 14,980 |
| Mortgage-backed securities available for sale | 448,690 | 457,148 |
| Loans receivable, net | 823,603 | 783,695 |
| Mortgage loans held for sale | 4,284 | - |
| Interest and dividends receivable | 10,865 | 11,064 |
| Real estate owned, net | 1,111 | 1,198 |
| Premises and equipment, net | 14,512 | 14,279 |
| Other assets | 24,298 | 19,001 |
| Total assets | $1,518,485 | $1,510,947 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Deposits | $ 987,180 | $ 976,764 |
| Federal Home Loan Bank borrowings | 13,600 | 20,400 |
| Securities sold under agreements to repurchase | 288,886 | 288,200 |
| Advances by borrowers for taxes and insurance | 4,962 | 4,773 |
| Other liabilities | 7,909 | 5,266 |
| Total liabilities | 1,302,537 | 1,295,403 |
| 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, 18,118,248 shares issued and 15,534,134 and 15,705,720 shares outstanding at March 31, 1998 and December 31, 1997, respectively | 181 | 181 |
| Additional paid-in capital | 177,621 | 177,223 |
| Retained earnings-substantially restricted | 99,534 | 97,487 |
| Accumulated other comprehensive income | 1,265 | 989 |
| Less: Unallocated common stock held by Employee Stock Ownership Plan | (10,562) | (10,903) |
| Unearned Incentive Awards | (7,413) | (7,897) |
| Treasury Stock at cost (2,584,114 and 2,412,528 shares at March 31, 1998 and December 31, 1997, respectively) | (44,678) | (41,536) |
| Total stockholders' equity | 215,948 | 215,544 |
| Total liabilities and stockholders' equity | $1,518,485 | $1,510,947 |

See accompanying notes to unaudited consolidated financial statements.

Note: Shares and related amounts have been adjusted for the two-for-one stock split effected in the form of a 100% stock dividend payable on May 15, 1998 to common stockholders of record as of May 4, 1998.

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

| | For the three months ended March 31, | |
|---|---|---|
| | 1998 | 1997 |
| | (Unaudited) | |
| Interest income: | | |
| Loans | $15,773 | $13,594 |
| Mortgage-backed securities | 7,040 | 5,730 |
| Investment securities and other | 3,413 | 3,221 |
| Total interest income | 26,226 | 22,545 |
| Interest expense: | | |
| Deposits | 10,745 | 10,295 |
| Borrowed funds | 4,401 | 1,738 |
| Total interest expense | 15,146 | 12,033 |
| Net interest income | 11,080 | 10,512 |
| Provision for loan losses | 225 | 225 |
| Net interest income after provision for loan losses | 10,855 | 10,287 |
| Other income: | | |
| Fees and service charges | 533 | 502 |
| Net gain (loss) on sales of loans available for sale | 3 | (1) |
| Net (cost of) income from other real estate operations | (49) | 5 |
| Other | 134 | 80 |
| Total other income | 621 | 586 |
| Operating expenses: | | |
| Compensation and employee benefits | 3,504 | 3,304 |
| Occupancy | 446 | 499 |
| Equipment | 313 | 313 |
| Marketing | 323 | 121 |
| Federal deposit insurance | 217 | 88 |
| Data processing | 313 | 378 |
| General and administrative | 865 | 757 |
| Total operating expenses | 5,981 | 5,460 |
| Income before provision for income taxes | 5,495 | 5,413 |
| Provision for income taxes | 1,986 | 2,024 |
| Net income | $ 3,509 | $ 3,389 |
| Basic earnings per share | $ .250 | $ .205 |
| Diluted earnings per share | $ .245 | $ .205 |
| Average basic shares outstanding | 13,972 | 16,488 |
| Average diluted shares outstanding | 14,326 | 16,542 |

See accompanying notes to unaudited consolidated financial statements.

Note: Earnings per share and shares outstanding have been adjusted for the two- for-one stock split effected in the form of a 100% stock dividend payable on May 15, 1998 to common stockholders of record as of May 4, 1998.

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

| | For the three months ended March 31, 1998 | 1997 |
|---|---|---|
| | (Unaudited) | |
| Cash flows from operating activities: | | |
| Net income | $ 3,509 | $ 3,389 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization of premises and equipment | 344 | 317 |
| Amortization of Incentive Awards | 484 | 306 |
| Amortization of ESOP | 341 | 357 |
| ESOP adjustment | 270 | 165 |
| Amortization of servicing asset | 74 | 42 |
| Net premium amortization in excess of discount accretion on securities | 837 | 987 |
| Net accretion of deferred fees and discounts in excess of premium amortization on loans | (143) | (86) |
| Provision for loan losses | 225 | 225 |
| Net gain on sales of real estate owned | (3) | (46) |
| Net (gain) loss on sales of loans available for sale | (3) | 1 |
| Proceeds from sales of mortgage loans held for sale | 999 | 703 |
| Mortgage loans originated for sale | (5,292) | - |
| Decrease (increase) in interest and dividends receivable | 199 | (1,054) |
| Increase in other assets | (5,392) | (413) |
| Increase in other liabilities | 2,643 | 1,270 |
| Total adjustments | (4,417) | 2,774 |
| Net cash (used in) provided by operating activities | (908) | 6,163 |
| Cash flows from investing activities: | | |
| Net increase in loans receivable | (40,216) | (20,662) |
| Purchase of investment securities available for sale | (16,000) | (25,000) |
| Purchase of mortgage-backed securities available for sale | (40,567) | (88,753) |
| Proceeds from maturities of investment securities available for sale | 50,000 | 5,250 |
| Principal payments on mortgage-backed securities available for sale | 48,447 | 47,239 |
| Purchases of Federal Home Loan Bank of New York stock | (63) | (1,935) |
| Proceeds from sales of real estate owned | 316 | 628 |
| Purchases of premises and equipment | (577) | (1,039) |
| Net cash provided by (used in) investing activities | 1,340 | (84,272) |

Continued

## OCEAN FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

| | For the three months ended March 31, 1998 | 1997 |
|---|---|---|
| | (Unaudited) | |
| Cash flows from financing activities: | | |
| Increase in deposits | $10,416 | 10,931 |
| Decrease in Federal Home Loan Bank borrowings | (6,800) | (5,300) |
| Increase in securities sold under agreements to repurchase | 686 | 72,490 |
| Increase in advances by borrowers for taxes and insurance | 189 | 403 |
| Dividends paid | (1,463) | - |
| Purchase of treasury stock | (3,142) | - |
| Net cash (used in) provided by financing activities | (114) | 78,524 |
| Net increase in cash and due from banks | 318 | 415 |
| Cash and due from banks at beginning of period | 2,225 | 5,372 |
| Cash and due from banks at end of period | $ 2,543 | $ 5,787 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | $14,999 | $11,812 |
| Noncash investing activities: | | |
| Transfer of loans receivable to real estate owned | 226 | 411 |
| Mortgage loans securitized into mortgage-backed securities | 1,005 | - |

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 wholly-owned subsidiaries, Ocean Federal Realty Inc. and Ocean Investment 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 months ended March 31, 1998 are not necessarily indicative of the results of operations that may be expected for all of 1998.

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, 1997.

### Note 2. Earnings per Share

Amounts per common share have been adjusted for the two-for-one stock split effected in the form of a 100% stock dividend declared by the Company's Board of Directors on April 22, 1998 and payable on May 15, 1998 to common stockholders of record as of May 4, 1998.

The following reconciles shares outstanding for basic and diluted earnings per share for the three months ended March 31, 1998 and 1997

| | | Three months ended March 31 | |
|---|---|---|---|
| | | 1998 | 1997 |
| Weighted average shares issued net of Treasury shares | | 15,636 | 18,118 |
| Less: | Unallocated ESOP shares | (1,070) | (1,212) |
| | Unallocated incentive award shares | (594) | (418) |
| Average basic shares outstanding | | 13,972 | 16,488 |
| Add: | Effect of dilutive securities: | | |
| | Stock options | 216 | 28 |
| | Incentive awards | 138 | 26 |
| Average diluted shares outstanding | | 14,326 | 16,542 |

### Note 3. Impact of Recent Accounting Pronouncements

Effective January 1, 1998, the Company adopted the provisions of Financial Accounting Standards Board ("FASB") 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. Comparative financial statements provided for earlier periods have been reclassified to conform with the provisions of this Statement.

SFAS 130 requires total comprehensive income and its components to be displayed on the face of a financial statement for annual financial statements. For interim financial statements, SFAS 130 requires only total comprehensive income to be reported and allows such disclosure to be presented in the notes to the interim financial statements.

For the three month periods ended March 31, 1998 and 1997 total comprehensive income amounted to $3,665,000 and $3,350,000, respectively.

In February 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). SFAS 132 revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. It standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable, requires additional information about changes in the benefit obligations and fair value of plan assets that will facilitate financial analysis, and eliminates certain required disclosures of previous accounting pronouncements. SFAS 132 is effective for fiscal years beginning after December 15, 1997. Earlier application is encouraged. Restatement of disclosures for earlier periods provided for comparative purposes is required unless the information is not readily available. AS SFAS 132 affects disclosure requirements, it is not expected to have an impact on the financial statements of the Company.

**Note 4. Loans Receivable, Net**

Loans receivable at March 31, 1998 and December 31, 1997 consisted of the following (in thousands):

| | March 31, 1998 (Unaudited) | December 31, 1997 |
|---|---|---|
| Real estate: | | |
| One- to four-family | $746,891 | $711,548 |
| Commercial real estate, multi-family and land | 30,188 | 25,699 |
| Construction | 8,480 | 8,748 |
| Consumer | 48,347 | 45,417 |
| Commercial | 4,779 | 2,904 |
| Total loans | 838,685 | 794,316 |
| Less: | | |
| Loans in process | 2,702 | 2,867 |
| Deferred fees | 1,270 | 1,133 |
| Unearned discounts | 9 | 9 |
| Allowance for loan losses | 6,817 | 6,612 |
| Total loans, net | 827,887 | 783,695 |
| Less: mortgage loans held for sale | 4,284 | - |
| Loans receivable, net | $823,603 | $783,695 |

**Note 5. Deposits**

The major types of deposits at March 31, 1998 and December 31, 1997 were as follows (in thousands):

| Type of Account | March 31, 1998 (Unaudited) | December 31, 1997 |
|---|---|---|
| Non-interest bearing | $ 16,405 | $ 13,149 |
| NOW | 80,120 | 77,994 |
| Money market deposit | 69,482 | 67,979 |
| Savings | 164,781 | 163,202 |
| Time deposits | 656,392 | 654,440 |
| | $987,180 | $976,764 |

**Financial Condition**

Total assets at March 31, 1998 were $1.518 billion, an increase of $7.5 million, compared to $1.511 billion at December 31, 1997.

Investment securities available for sale decreased by $33.8 million, to a balance of $173.5 million at March 31, 1998, compared to a balance of $207.4 million at December 31, 1997, and mortgage-backed securities available for sale decreased by $8.5 million, to $448.7 million at March 31, 1998, from $457.1 million at December 31, 1997. The investment and mortgage-backed securities available for sale portfolios decreased in order to fund growth in the Bank's loans receivable. Loans receivable, net, increased by $39.9 million, or 5.1%, to a balance of $823.6 million at March 31, 1998, compared to a balance of $783.7 million at December 31, 1997. The increase was largely attributable to robust residential loan growth (including mortgage refinance activity) in the Bank's market area, as well as commercial lending (including commercial real estate) initiatives which accounted for $6.4 million of this growth. Included in the residential loan growth is $16.3 million of 30 year fixed rate mortgage loans which the Bank retained in portfolio. In the past, the Bank has often sold this product into the secondary market. The Bank intends to fund $15.0 million of these loans with repurchase agreements with an approximate term of seven years, thus mitigating part of the interest rate risk associated with retaining these mortgages.

Total deposits at March 31, 1998 were $987.2 million, an increase of $10.4 million, compared to $976.8 million at December 31, 1997. Stockholders' equity at March 31, 1998 was $216.0 million, compared to $215.5 million at December 31, 1997. The Company repurchased 85,793 shares of common stock during the quarter for $ 3.1 million, completing the 5% repurchase program announced in October 1997.

**Results of Operations**

**General**

Net income increased to $3.5 million for the three months ended March 31, 1998 as compared to net income of $3.4 million for the three months ended March 31, 1997

**Interest Income**

Interest income for the three months ended March 31, 1998 was $26.2 million, compared to $22.5 million for the three months ended March 31, 1997, an increase of $3.7 million, or 16.3%. The increase in interest income was the result of an increase in the average balance of loans receivable which increased by $113.0 million for the three months ended March 31, 1998, as compared to the same prior year period. Also, the average size of the investment and mortgage-backed securities available for sale portfolios increased due to the investment of funds received from increased wholesale borrowings. The increase in interest income was further augmented by an increase in the yield on average interest earning assets, which improved to 7.20% on average in the first quarter of 1998, from 7.02% on average in the first quarter of 1997.

**Interest Expense**

Interest expense for the three months ended March 31, 1998 was $15.1 million, compared to $12.0 million for the three months ended March 31, 1997, an increase of $3.1 million, or 25.9%. The increase in interest expense was primarily the result of an increase in the average outstanding balance of total borrowings
(Federal Home Loan Bank and securities sold under agreements to repurchase)
which increased by $178.2 million for the three months ended March 31, 1998 as compared to the same prior year period and a smaller average increase in deposits. The increase in wholesale borrowings was part of a leverage strategy adopted in late 1996 to improve returns on invested capital. The borrowings were invested in investment and mortgage-backed securities. The average cost of interest bearing liabilities increased to 4.79% for the three months ended March 31, 1998, as compared to 4.55% for the same prior year period due to a greater percentage increase in higher cost wholesale funding over retail deposit funding.

**Provision for Loan Losses**

For the three months ended March 31, 1998, the Company's provision for loan losses was $225,000, unchanged from the same prior year period. The Company's non-performing assets declined by $1.6 million at March 31, 1998 as compared to March 31, 1997 allowing for stable provisions despite loan growth.

**Other Income**

Other income was $621,000 for the three months ended March 31, 1998, compared to $586,000 for the same prior year period. Other income increased $54,000 for the three months ended March 31, 1998 compared to the same prior year period due to a rise in earnings from corporate owned life insurance as these balances increased to $17.8 million at March 31, 1998 as compared to $8.0 million at March 31, 1997.

**Operating Expenses**

Operating expenses were $6.0 million for the three months ended March 31, 1998, an increase of $521,000 compared to the same prior year period. The increase was primarily due to higher non-cash charges of $267,000 relating to the Employee Stock Ownership Plan and expenses associated with the stock awards granted to directors and officers under the 1997 Incentive Plan effective February 4, 1997. Additionally, marketing expense increased by $202,000 as the Bank aggressively promoted its new retail checking products.

**Provision for Income Taxes**

Income tax expense was $2.0 million for the three months ended March 31, 1998 and 1997. The effective tax rate, however, declined to 36.1% for the three months ended March 31, 1998 from 37.4% for the same prior year period due to reduced state taxes and higher amounts of non taxable income from corporate owned life insurance.

**Liquidity and Capital Resources**

The Company's primary sources of funds are deposits, principal and interest payments on loans, 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 March 31, 1998, the Company had $13.6 million of outstanding overnight borrowings from the FHLB, representing a decrease from $20.4 million at December 31, 1997. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company also borrowed $288.9 million at March 31, 1998 through securities sold under agreements to repurchase, an increase from $288.2 million at December 31, 1997. These borrowings were used to fund a wholesale leverage strategy designed to improve returns on invested capital.

The Company's cash needs for the three months ended March 31, 1998, were principally provided by maturities of investment securities available for sale, principal payments on loans and mortgage-backed securities and increased deposits. The cash provided was principally used for investing activities, which included the purchase of investment and mortgage-backed securities and the origination of loans. For the three months ended March 31, 1997, the cash needs of the Company were primarily satisfied by principal payments on loans and mortgage-backed securities, FHLB borrowings and increased deposits. 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 4% 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 March 31, 1998 and December 31, 1997, the Bank's liquidity ratios were 7.5% and 9.8%, respectively, both in excess of the minimum regulatory requirement.

At March 31, 1998, the Bank exceeded all of its regulatory capital requirements with tangible capital of $184.2 million, or 12.3%, of total adjusted assets, which is above the required level of $22.6 million or 1.5%; core capital of $184.2 million or 12.3% of total adjusted assets, which is above the required level of $45.1 million, or 3.0%; and risk-based capital of $190.8 million, or 29.5% of risk-weighted assets, which is above the required level of $51.8 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 March 31, 1998 or December 31, 1997. 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.

| | March 31, 1998 | December 31, 1997 |
|---|---|---|
| | (Dollars in thousands) | |
| Non-accrual loans: | | |
| Real estate: | | |
| One-to four-family | $ 5,578 | $ 5,062 |
| Commercial real estate, multi-family and land | 495 | 382 |
| Consumer | 151 | 110 |
| Total | 6,224 | 5,554 |
| REO, net | 1,111 | 1,198 |
| Total non-performing assets | $ 7,335 | $ 6,752 |
| Non-performing loans as a percent of total loans receivable | .74% | .70% |
| Non-performing assets as a percent of total assets | .48% | .45% |
| Allowance for loan losses as a percent of total loans receivable | .81% | .83% |
| Allowance for loan losses as percent of total non-performing loans | 109.53% | 119.03% |

# 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**

The annual meeting of stockholders was held on April 23, 1998. The following directors were elected for terms of three years: Michael E. Barrett, Donald E. McLaughlin and James T. Snyder. The following proposals were voted on by the stockholders:

| Proposal | For | Withheld/ Abstain | Broker Non-Votes |
|---|---|---|---|
| 1) Election of Directors: | | | |
| Michael E. Barrett | 6,393,380 | 42,632 | 0 |
| Donald E. McLaughlin | 6,400,127 | 35,885 | 0 |
| James T. Snyder | 6,399,952 | 36,060 | 0 |

| | For | Against | Withheld/ Abstain | Broker Non-Votes |
|---|---|---|---|---|
| 2) Ratification of the Amended and Restated Ocean Financial Corp. 1997 Incentive Plan | 5,945,540 | 440,408 | 50,064 | 0 |
| 3) Ratification of KPMG Peat Marwick LLP as independent auditors for the Company for the year ending December 31, 1998. | 6,370,224 | 49,928 | 15,860 | 0 |

**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 March 31, 1998.

* 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: May 12, 1998* | */s/ John R. Garbarino*<br>*John R. Garbarino*<br>*Chairman of the Board, President and Chief Executive Officer* |
| *DATE: May 12, 1998* | */s/ Michael Fitzpatrick*<br>*Michael Fitzpatrick*<br>*Executive Vice President and Chief Financial Officer* |

**Exhibit 11**

**OCEAN FINANCIAL CORP.**

**STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE**

**THREE MONTHS ENDED MARCH 31, 1998 AND 1997**

(dollars in thousands, except per share amounts)

| | Three Months Ended March 31 1998 | Three Months Ended March 31 1997 |
|---|---|---|
| Net income | $ 3,509 | $ 3,389 |
| Weighted average shares outstanding: | | |
| Weighted average shares issued net of Treasury shares | 15,636 | 18,118 |
| Less: Unallocated ESOP shares | (1,070) | (1,212) |
| Unallocated incentive award shares | (594) | (418) |
| Average basic shares outstanding | 13,972 | 16,488 |
| Add: Effect of dilutive securities: | | |
| Stock options | 216 | 28 |
| Incentive awards | 138 | 26 |
| Average diluted shares outstanding | 14,326 | 16,542 |
| Basic earnings per share | $ 0.250 | $ 0.205 |
| Diluted earnings per share | $ 0.245 | $ 0.205 |

Note: Earnings per share and shares outstanding have been adjusted for the two- for-one stock split effected in the form of a 100% stock dividend payable

on May 15, 1998 to Common stockholders of record as of May 4, 1998.

**ARTICLE 9**

MULTIPLIER: 1,000

| | |
|---|---|
| PERIOD TYPE | 3 MOS |
| FISCAL YEAR END | DEC 31 1998 |
| PERIOD START | JAN 01 1998 |
| PERIOD END | MAR 31 1998 |
| CASH | 2,543 |
| INT BEARING DEPOSITS | 0 |
| FED FUNDS SOLD | 0 |
| TRADING ASSETS | 0 |
| INVESTMENTS HELD FOR SALE | 622,226 |
| INVESTMENTS CARRYING | 0 |
| INVESTMENTS MARKET | 0 |
| LOANS | 827,887 |
| ALLOWANCE | 6,817 |
| TOTAL ASSETS | 1,518,485 |
| DEPOSITS | 987,180 |
| SHORT TERM | 302,486 |
| LIABILITIES OTHER | 12,871 |
| LONG TERM | 0 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 181 |
| OTHER SE | 215,767 |
| TOTAL LIABILITIES AND EQUITY | 1,518,485 |
| INTEREST LOAN | 15,773 |
| INTEREST INVEST | 10,453 |
| INTEREST OTHER | 0 |
| INTEREST TOTAL | 26,226 |
| INTEREST DEPOSIT | 10,745 |
| INTEREST EXPENSE | 15,146 |
| INTEREST INCOME NET | 11,080 |
| LOAN LOSSES | 225 |
| SECURITIES GAINS | 0 |
| EXPENSE OTHER | 5,981 |
| INCOME PRETAX | 5,495 |
| INCOME PRE EXTRAORDINARY | 5,495 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 3,509 |
| EPS PRIMARY | .250 [2] |
| EPS DILUTED | .245 [2] |
| YIELD ACTUAL | 0 [1] |
| LOANS NON | 6,224 |
| LOANS PAST | 0 |
| LOANS TROUBLED | 0 |
| LOANS PROBLEM | 0 |
| ALLOWANCE OPEN | 6,612 |
| CHARGE OFFS | 0 [1] |
| RECOVERIES | 0 [1] |
| ALLOWANCE CLOSE | 6,817 |
| ALLOWANCE DOMESTIC | 0 [1] |
| ALLOWANCE FOREIGN | 0 [1] |
| ALLOWANCE UNALLOCATED | 0 [1] |

[1] Information not disclosed in 10 Q

[2] Adjusted for two for one stock split effected in the form of a 100% stock dividend payable on May 15, 1998 to common stockholders of record as of May 4, 1998.

**End of Filing**

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