OCEANFIRST FINANCIAL CORP

FORM 10-Q
(Quarterly Report)

Filed 11/9/1999 For Period Ending 9/30/1999

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 September 30, 1999

[ ] 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

OceanFirst 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

Ocean Financial Corp.

(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 5, 1999, there were 13,157,013 shares of the Registrant's Common Stock, par value $.01 per share, outstanding.

OceanFirst Financial Corp.

INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Part II. OTHER INFORMATION

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except per share amounts)

	September 30, 1999	December 31, 1998
	(Unaudited)	
ASSETS		
Cash and due from banks	$ 6,614	$ 10,295
Investment securities available for sale	118,322	137,405
Federal Home Loan Bank of New York stock, at cost	16,800	16,800
Mortgage-backed securities available for sale	364,941	381,840
Loans receivable, net	1,013,357	941,011
Mortgage loans held for sale	5,157	25,140
Interest and dividends receivable	9,363	9,820
Real estate owned, net	402	43
Premises and equipment, net	13,517	13,947
Other assets	31,481	25,443
Total assets	$1,579,954	$1,561,744
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$1,044,877	$1,035,251
Federal Home Loan Bank borrowings	30,000	30,000
Securities sold under agreements to repurchase	312,537	282,108
Advances by borrowers for taxes and insurance	6,111	5,096
Other liabilities	11,714	11,549
Total liabilities	1,405,239	1,364,004
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 13,167,013 and 14,629,776 shares outstanding at September 30, 1999 and December 31, 1998, respectively	181	181
Additional paid-in capital	178,953	178,309
Retained earnings-substantially restricted	110,900	103,982
Accumulated other comprehensive loss	(9,203)	(1,226)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(16,398)	(17,376)
Unearned Incentive Awards	(4,513)	(5,963)
Treasury stock, (4,951,235 and 3,488,472 shares at September 30, 1999 and December 31, 1998, respectively)	(85,205)	(60,167)
Total stockholders' equity	174,715	197,740
Total liabilities and stockholders' equity	$1,579,954	$1,561,744

See accompanying notes to unaudited consolidated financial statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	1999	1998	1999	1998
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	$18,913	$17,048	$55,258	$49,465
Mortgage-backed securities	5,974	5,853	17,728	19,185
Investment securities and other	2,224	3,593	6,718	10,290
Total interest income	27,111	26,494	79,704	78,940
Interest expense:				
Deposits	10,240	11,248	30,646	32,923
Borrowed funds	4,534	4,412	12,970	13,194
Total interest expense	14,774	15,660	43,616	46,117
Net interest income	12,337	10,834	36,088	32,823
Provision for loan losses	225	225	675	675
Net interest income after provision for loan losses	12,112	10,609	35,413	32,148
Other income:				
Fees and service charges	919	622	2,586	1,663
Net gain on sales of loans and securities available for sale	35	53	502	221
Net income from other real estate operations	69	20	145	160
Other	241	181	629	506
Total other income	1,264	876	3,862	2,550
Operating expenses:				
Compensation and employee benefits	3,869	3,710	11,247	10,994
Occupancy	564	490	1,557	1,408
Equipment	326	343	991	1,011
Marketing	431	301	1,254	1,053
Federal deposit insurance	208	217	642	651
Data processing	336	319	989	945
General and administrative	1,101	924	3,397	2,897
Total operating expenses	6,835	6,304	20,077	18,959
Income before provision for income taxes	6,541	5,181	19,198	15,739
Provision for income taxes	2,364	1,845	6,895	5,692
Net income	$ 4,177	$ 3,336	$12,303	$10,047
Basic earnings per share	$ .35	$ .25	$ 1.01	$ .74
Diluted earnings per share	$ .34	$ .25	$ .98	$ .72
Average basic shares outstanding	11,884	13,202	12,238	13,517
Average diluted shares outstanding	12,250	13,505	12,501	13,893

See accompanying notes to unaudited consolidated financial statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	For the nine months ended September 30, 1999	1998
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 12,303	$ 10,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	1,122	1,093
Amortization of Incentive Awards	1,450	1,450
Amortization of ESOP	978	1,024
ESOP adjustment	644	826
Tax Benefit of Stock Plans	-	257
Amortization of servicing asset	289	238
Amortization of deposit premium	78	-
Net premium amortization in excess of discount accretion on securities	926	2,524
Net accretion of deferred fees and discounts in excess of premium amortization on loans	(259)	(380)
Provision for loan losses	675	675
Net gain on sales of real estate owned	(220)	(107)
Net gain on sales of loans and securities available for sale	(502)	(221)
Proceeds from sales of mortgage loans held for sale	43,619	15,962
Mortgage loans originated for sale	(24,228)	(16,132)
Decrease in interest and dividends receivable	457	822
Increase in other assets	(577)	(5,866)
Increase in other liabilities	165	6,102
Total adjustments	24,617	8,267
Net cash provided by operating activities	36,920	18,314
Cash flows from investing activities:		
Net increase in loans receivable	(73,803)	(110,864)
Purchase of investment securities available for sale	(14,426)	(126,986)
Purchase of mortgage-backed securities available for sale	(97,251)	(131,172)
Proceeds from maturities of investment securities available for sale	30,042	185,160
Principal payments on mortgage-backed securities available for sale	103,859	156,243
Proceeds from sale of investment securities	121	-
Purchases of Federal Home Loan Bank of New York stock	-	(62)
Proceeds from sales of real estate owned	902	1,576
Purchases of premises and equipment	(692)	(1,065)
Net cash used in investing activities	(51,248)	(27,170)

Continued

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(dollars in thousands)

	For the nine months ended September 30,	
	1999	1998
	(Unaudited)	
Cash flows from financing activities:		
Acquisition of deposits	$ -	$ 10,732
Deposit premium	-	(1,030)
Increase in deposits	9,626	41,026
Increase in Federal Home Loan Bank borrowings	-	6,600
Increase (decrease) in securities sold under agreements to repurchase	30,429	(12,795)
Exercise of stock options	17	-
Increase in advances by borrowers for taxes and insurance	1,015	680
Dividends paid	(5,382)	(4,927)
Purchase of ESOP shares	-	(8,200)
Purchase of treasury stock	(25,058)	(16,717)
Net cash provided by financing activities	10,647	15,369
Net (decrease) increase in cash and due from banks	(3,681)	6,513
Cash and due from banks at beginning of period	10,295	2,225
Cash and due from banks at end of period	$ 6,614	$ 8,738
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 43,376	$ 45,691
Income taxes	5,374	20
Noncash investing activities:		
Transfer of loans receivable to real estate owned	1,041	847
Mortgage loans securitized into mortgage-backed securities	37,200	16,082

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 OceanFirst Financial Corp. (the "Company") and its wholly-owned subsidiary, OceanFirst Bank (the "Bank") and its wholly-owned subsidiaries, OceanFirst Realty Inc. and Ocean Investment Services, Inc. Effective September 13, 1999 OceanFirst Financial Corp. and OceanFirst Bank became the new name for Ocean Financial Corp. and Ocean Federal Savings Bank.

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, 1999 are not necessarily indicative of the results of operations that may be expected for all of 1999.

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, 1998.

Note 2. Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three and nine months ended September 30, 1999 and 1998:

	Three months ended September 30,		Nine months ended September 30,	
	1999	1998	1999	1998
Weighted average shares issued net of Treasury shares	13,594	15,172	13,994	15,322
Less: Unallocated ESOP shares	(1,292)	(1,424)	(1,325)	(1,243)
Unallocated incentive award shares	(418)	(546)	(431)	(562)
Average basic shares outstanding	11,884	13,202	12,238	13,517
Add: Effect of dilutive securities:				
Stock options	228	166	132	222
Incentive awards	138	137	131	154
Average diluted shares outstanding	12,250	13,505	12,501	13,893

Note 3. Comprehensive Income

For the three month periods ended September 30, 1999 and 1998 total comprehensive income (loss), representing net income plus or minus items previously recorded directly in equity, such as unrealized gains or losses on securities available for sale amounted to $64,000 and $(161,000), respectively. For the nine months ended September 30, 1999 and 1998, total comprehensive income amounted to $4,326,000 and $7,330,000, respectively.

Note 4. Impact of Recent Accounting Pronouncements

In October 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 134 "Accounting for Mortgage- Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise." This Statement amends FASB Statement 65 "Accounting for Certain Mortgage Banking Activities" to require that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities classify the resulting mortgage-backed securities or other retained interests based on its ability and intent to sell or hold those investments. This Statement is effective for the first fiscal quarter beginning after December 15, 1998. The adoption of this Statement did not have a material impact on the financial position or results of operations of the Company.

Note 5. Loans Receivable, Net

Loans receivable, net at September 30, 1999 and December 31, 1998 consisted of the following (in thousands):

	September 30, 1999	December 31, 1998
Real estate:		
One- to four-family	$ 898,952	$ 869,769
Commercial real estate, multi-family and land	55,666	42,008
Construction	7,929	6,108
Consumer	54,212	51,785
Commercial	13,065	6,483
Total loans	1,029,824	976,153
Loans in process	(3,046)	(1,996)
Deferred fees	(220)	(608)
Unearned premium	47	62
Allowance for loan losses	(8,091)	(7,460)
Total loans, net	1,018,514	966,151
Less: mortgage loans held for sale	5,157	25,140
Loans receivable, net	$1,013,357	$ 941,011

Note 6. Deposits

The major types of deposits at September 30, 1999 and December 31, 1998 were as follows (in thousands):

Type of Account	September 30, 1999	December 31, 1998
Non-interest bearing	$ 29,143	$ 22,154
NOW	108,627	106,363
Money market deposit	78,026	77,690
Savings	176,047	172,036
Time deposits	653,034	657,008
	$1,044,877	$1,035,251

Financial Condition

Total assets at September 30, 1999 were $1.580 billion, an increase of $18.2 million from $1.562 billion at December 31, 1998.

Loans receivable, net, increased by $72.3 million, or 7.7%, to a balance of $1.013 billion at September 30, 1999, compared to a balance of $941.0 million at December 31, 1998. The increase was largely attributable to strong 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 $20.2 million of this growth. During the first nine months of 1999 the Bank sold $44.1 million of 30-year fixed-rate mortgage loans, $25.1 million of which were held for sale at December 31, 1998. At September 30, 1999, the Bank has designated $5.2 million of 30-year fixed-rate mortgage loans as held for sale. The Bank periodically sells these loans as part of the management of interest rate risk.

Securities sold under agreements to repurchase increased by $30.4 million to a balance of $312.5 million at September 30, 1999, compared to a balance of $282.1 million at December 31, 1998. The borrowings were used to fund loan growth and the Company's common stock repurchase programs.

Stockholder's equity at September 30, 1999 was $174.7 million, compared to $197.7 million at December 31, 1998. The Company repurchased 1,463,971 shares of common stock during the first nine months of 1999 for $25.0 million, completing the 5% repurchase program announced in November 1998 and part of the 10% repurchase program announced in July 1999. At September 30, 1999, 546,090 shares remained to be purchased under the July 1999 repurchase program.

Results of Operations

General

Net income increased to $4.2 million for the three months ended September 30, 1999 as compared to net income of $3.3 million for the three months ended September 30, 1998. For the nine months ended September 30, 1999 net income increased to $12.3 million from $10.0 million for the nine months ended September 30, 1998.

Interest Income

Interest income for the three months ended September 30, 1999 was $27.1 million, compared to $26.5 million for the three months ended September 30, 1998, an increase of $617,000. For the nine months ended September 30, 1999 interest income was $79.7 million, compared to $78.9 million for the same prior year period. The increases in interest income were due to increases in average interest-earning assets and a change in the mix of average-earning assets towards a higher concentration of loans receivable at the expense of lower yielding investment and mortgage-backed securities. For the three and nine months ended September 30, 1999 loans receivable represented 66.5% and 65.4%, respectively, of average interest-earning assets as compared to 59.2% and 57.4%, respectively, for the same prior year periods. The increase in average interest- earning assets for the nine months ended September 30, 1999 was partly offset by a decline in the yield on average interest-earning assets, which declined to 7.04% on average from 7.14% on average in the same prior year period.

Interest Expense

Interest expense for the three months ended September 30, 1999 was $14.8 million, compared to $15.7 million for the three months ended September 30, 1998, a decrease of $886,000, or 5.7%. For the nine months ended September 30, 1999 interest expense was $43.6 million compared to $46.1 million for the same prior year period, a decrease of $2.5 million or 5.4%. The decreases in interest expense were primarily the result of decreases in the average cost of interest-bearing liabilities which declined to 4.37% and 4.36%, respectively, for the three and nine months ended September 30, 1999, as compared to 4.79% for both of the same prior year periods. The significant decline in funding costs more than offset increases in average interest-bearing deposits which rose by $45.0 million and $48.6 million for the three and nine months ended September 30, 1999, respectively, as compared to the same prior year periods. The Company's focus on lower cost core deposit growth has contributed to the decline in the cost of interest-bearing liabilities, as core deposits represented 37.7% and 37.0%, respectively, of average interest-bearing deposits for the three and nine months ended September 30, 1999, as compared to 34.5% and 34.1%, respectively, for the same prior year periods.

Provision for Loan Losses

For the three and nine months ended September 30, 1999, the Company's provision for loan losses was $225,000 and $675,000, respectively, unchanged from the same prior year periods. The Company's non-performing assets declined by $1.9 million at September 30, 1999 as compared to September 30, 1998 allowing for stable provisions despite loan growth.

Other Income

Other income was $1.3 million and $3.9 million for the three and nine months ended September 30, 1999, respectively, compared to $876,000 and $2.6 million, respectively, for the same prior year periods. Fees and service charges increased by $297,000, or 47.8% and $923,000, or 55.5% for the three and nine months ended September 30, 1999, respectively, as compared to the same prior year periods due to fees associated with the growth in commercial account services and retail core account balances as well as the addition of fee income from the sale of alternative investment products, namely mutual funds and annuities, introduced late in the second quarter of 1998. This product category was further expanded in the first quarter of 1999 to include life and long-term care insurance. The total fees relating to the sale of alternative investment products amounted to $166,000 and $455,000 for the three and nine months ended September 30, 1999, respectively, as compared to $40,000 and $42,000, respectively, for the corresponding prior year periods.

For the nine months ended September 30, 1999, the Company sold $44.1 million in 30-year fixed-rate mortgage loans at a gain of $551,000 as compared to the sale of $16.1 million at a gain of $221,000 in the same prior year period.

Operating Expenses

Operating expenses were $6.8 million and $20.1 million for the three and nine months ended September 30, 1999, respectively, compared to $6.3 million and $19.0 million, respectively, for the same prior year periods. The increase for the three months ended September 30, 1999 as compared to the same prior year period was primarily due to marketing and other expenses related to the Bank's branding initiative as well as the operating costs associated with the twelfth branch office opened in September 1999 and expenses associated with readying the Bank's data processing systems for the Year 2000. The increase for the nine months ended September 30, 1999, as compared to the same prior year period was attributable to the above items as well as expenses relating to the introduction of the Company's Trust and Asset Management business line.

Provision for Income Taxes

Income tax expense was $2.4 million and $6.9 million for the three and nine months ended September 30, 1999, respectively, compared to $1.8 million and $5.7 million, respectively, for the three and nine months ended September 30, 1998. The effective tax rate increased slightly to 36.1% for the three months ended September 30, 1999, as compared to 35.6% for the same prior year period while declining slightly to 35.9% for the nine months ended September 30, 1999, as compared to 36.2% 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, Federal Home Loan Bank ("FHLB") and other borrowings and, to a lesser extent, investment maturities and proceeds from the sale of loans. While scheduled amortization of loans is a predictable source 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, 1999, the Company had $30.0 million of outstanding overnight borrowings from the FHLB, no change from the balance at December 31, 1998. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company also borrowed $312.5 million at September 30, 1999 through securities sold under agreements to repurchase, an increase from $282.1 million at December 31, 1998. 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, 1999, were primarily provided by maturities of investment securities available for sale, principal payments on loans and mortgage-backed securities, borrowings through securities sold under agreements to repurchase and proceeds from the sale of mortgage loans held for sale. The cash was principally utilized for loan originations, purchases of investment and mortgage-backed securities and the purchase of treasury stock. For the nine months ended September 30, 1998, the cash needs of the Company were primarily satisfied by maturities of investment securities available for sale, principal payments on loans and mortgage-backed securities, proceeds from the sale of mortgage loans held for sale and increased deposits including a deposit acquisition. The cash provided was principally used for the purchase of investment and mortgage-backed securities, the origination of loans and the purchase of treasury stock.

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 September 30, 1999 and December 31, 1998, the Bank's liquidity ratios were 9.8% and 12.5%, respectively, both in excess of the minimum regulatory requirement.

At September 30, 1999, the Bank exceeded all of its regulatory capital requirements with tangible capital of $157.0 million, or 9.92%, of total adjusted assets, which is above the required level of $23.7 million or 1.5%; core capital of $157.0 million or 9.92% of total adjusted assets, which is above the required level of $47.4 million, or 3.0%; and risk-based capital of $164.9 million, or 20.4% of risk-weighted assets, which is above the required level of $64.5 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, 1999 or December 31, 1998. 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, 1999	December 31, 1998
	(dollars in thousands)	
Non-accrual loans:		
Real estate:		
One-to four-family	$ 3,456	$ 4,605
Commercial real estate, multi-family and land	362	574
Consumer	212	245
Commercial loans	37	-
Total	4,067	5,424
REO, net	402	43
Total non-performing assets	$ 4,469	$ 5,467

Non-performing loans as a percent of total loans receivable	.39%	.56%
Non-performing assets as a percent of total assets	.28%	.35%
Allowance for loan losses as a percent of total loans receivable	.79%	.76%
Allowance for loan losses as percent of total non-performing loans	198.94%	137.54%

Impact of Year 2000

Beginning in April 1997 the Company formally began to address the Year 2000 issue. A project plan was constructed to follow the guidelines set forth by the Federal Financial Institutions Examination Council (FFIEC). The guidelines mandate that the Year 2000 project address five specific phases: awareness, assessment, renovation, validation(testing), and implementation. The Company has completed all five phases of the project thereby meeting all regulatory guidelines.

The Company continues to work closely with its data processing agent and the primary provider of mission critical systems, BISYS Incorporated. Testing of all BISYS functions has been successfully completed and reviewed by an independent third-party. The Company continues to revalidate BISYS systems and hardware and will closely monitor BISYS' progress in insuring their systems function correctly into the Year 2000. All other primary service providers have completed reprogramming and testing of their mission critical systems and the Company has validated those test results. The Company will continue to solicit information from all of its vendors to monitor possible changes in their Year 2000 preparations and readiness.

The focus of the Year 2000 project for the remainder of 1999 will be directed towards customer awareness, contingency planning, and liquidity planning. The extensive customer outreach program which the Company has initiated will continue through the remainder of the year. The outreach program provides the Company with the ability to disseminate pertinent Year 2000 information through the use of awareness seminars, civic organization presentations, Y2K hotline updates, Internet web site updates, newspaper advertising and direct mail communications to Bank customers. The Company's contingency programs will continue to be reviewed and tested during the remaining months of the year. Liquidity plans have been completed to ensure that the Company will have access to necessary funds to meet customer's needs. These plans will be implemented during the months of October through December.

The Company continues to monitor potential credit risk associated with Year 2000. Significant borrowers in the Residential and Commercial Loan portfolios have been assessed to determine an appropriate risk rating. On an ongoing basis, the Company will monitor the progress of these borrowers towards Year 2000 compliance.

Expenses related to the Company's Year 2000 effort for the nine months ended September 30, 1999 totaled $360,000. These expenses consist of $229,000 in costs associated with the renovation of software, hardware and consulting charges and $131,000 representing an estimate of the direct cost for compensation and fringe benefits of internal employees working on the Year 2000 project. The Bank expects to complete the Y2K program within the allocated 1999 budget of $400,000 to $600,000, including $175,000 to $225,000 for the direct cost of internal employees. Estimated expenses and completion dates associated with this project are based upon all known facts and available resources. The Company expects that the represented estimates will not change materially, but there can be no guarantee that the estimates will be achieved. Factors that may influence changes in estimates include, but are not limited to, expenses associated with obtaining qualified personnel, ability to correctly identify and renovate all functions related to the Year 2000 and other similar items.

The Company believes that it is taking all reasonable steps to prepare for the Year 2000, especially in the case of mission critical functions. However, management cannot make representations that all systems and especially those of significant third parties will be Year 2000 compliant or that they will not be adversely affected by Year 2000 issues.

The above communication is a Year 2000 Readiness Disclosure as defined in the Year 2000 Information and Readiness Act.

Impact of Pending Legislation

Pending legislation designed to modernize the regulation of the financial services industry expands the ability of bank holding companies to affiliate with other types of financial services companies such as insurance companies and investment banking companies. However, the legislation provides that companies that acquire control of a single savings association after May 4, 1999 (or that filed an application for that purpose after that date) are not entitled to the unrestricted activities formerly allowed for a unitary savings and loan holding company. Rather, these companies will have the authority to engage in the activities permitted "a financial holding company" under the new legislation, including insurance and securities-related activities and the activities currently permitted for multiple savings and loan holding companies, but generally not in commercial activities. The authority for unrestricted activities is grandfathered for unitary savings and loan holding companies, such as the Company, that existed prior to May 4, 1999. However, the authority for unrestricted activities would not apply to any company that acquired the Company.

Private Securities Litigation Reform Act Safe Harbor Statement

In addition to historical information, this quarterly report may include certain forward looking statements based on current management expectations. The Company's actual results could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal and state tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of the Bank's loan and investment portfolios, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices. Further description of the risks and uncertainties to the business are included in Item 1, Business, of the Company's 1998 Form 10-K.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company's interest rate sensitivity is monitored by management through the use of an interest rate risk (IRR) model. Based on internal IRR modeling the Company's one year gap at September 30, 1999 was negative 13.5% as compared to negative 10.6% at December 31, 1998. Additionally, the table below sets forth the Company's exposure to interest rate risk as measured by the change in net portfolio value ("NPV") and net interest income under varying rate shocks as of September 30, 1999 and December 31, 1998. All methods used to measure interest rate sensitivity involve the use of assumptions, which may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. The Company's interest rate sensitivity should be reviewed in conjunction with the financial statements and notes thereto contained in the Company's Annual Report for the year ended December 31, 1998.

At September 30, 1999, the generally higher interest rates in effect for fixed rate mortgage loans reduced prepayment activity in the Company's loans receivable and mortgage-backed securities portfolios, effectively extending the average lives of the loans and securities.

	September 30, 1999					December 31, 1998				
	Net Portfolio Value			Net Interest Income		Net Portfolio Value			Net Interest Income	
Change in Interest Rates in Basis Points (Rate Shock)	Amount	% Change	NPV Ratio	Amount	% Change	Amount	% Change	NPV Ratio	Amount	% Change
(dollars in thousands)										
300	$119,862	(44.0)%	8.4%	$44,750	(11.0)%	$170,890	(30.1)%	11.8%	$43,131	(10.6)%
200	158,932	(25.8)	10.8	47,160	(6.3)	202,431	(17.2)	13.5	45,347	(6.0)
100	189,779	(11.4)	12.4	49,081	(2.4)	225,510	(7.8)	14.7	46,979	(2.7)
Static	214,129	-	13.6	50,304	-	244,538	-	15.5	48,260	-
(100)	232,848	8.7	14.5	51,131	1.6	256,618	4.9	15.9	49,023	1.6
(200)	243,137	13.5	14.8	51,235	1.9	261,974	7.1	15.9	49,392	2.3
(300)	249,203	16.4	14.9	50,656	.7	264,595	8.2	15.9	49,336	2.2

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 a 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 OceanFirst Financial Corp.*

3.2 Bylaws of OceanFirst Financial Corp.*

4.0 Stock Certificate of OceanFirst Financial Corp.*

27 Financial Data Schedule (filed herewith)

b) There were no reports on Form 8-K filed during the three months ended September 30, 1999

* 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.

<u>OceanFirst Financial Corp.</u>
Registrant

DATE: November 9, 1999	*/s/ John R. Garbarino* --- *John R. Garbarino* *Chairman of the Board, President* *and Chief Executive Officer*
DATE: November 9, 1999	*/s/ Michael Fitzpatrick* --- *Michael Fitzpatrick* *Executive Vice President and* *Chief Financial Officer*

ARTICLE 9

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	SEP 30 1999
CASH	6,614
INT BEARING DEPOSITS	0
FED FUNDS SOLD	0
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	483,263
INVESTMENTS CARRYING	0
INVESTMENTS MARKET	0
LOANS	1,018,514
ALLOWANCE	8,091
TOTAL ASSETS	1,579,954
DEPOSITS	1,044,877
SHORT TERM	342,537
LIABILITIES OTHER	17,825
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	181
OTHER SE	174,534
TOTAL LIABILITIES AND EQUITY	1,579,954
INTEREST LOAN	55,258
INTEREST INVEST	24,446
INTEREST OTHER	0
INTEREST TOTAL	79,704
INTEREST DEPOSIT	30,646
INTEREST EXPENSE	43,616
INTEREST INCOME NET	36,088
LOAN LOSSES	675
SECURITIES GAINS	(49)
EXPENSE OTHER	20,077
INCOME PRETAX	19,198
INCOME PRE EXTRAORDINARY	12,303
EXTRAORDINARY	0
CHANGES	0
NET INCOME	12,303
EPS BASIC	1.01
EPS DILUTED	.98
YIELD ACTUAL	7.04
LOANS NON	4,067
LOANS PAST	0
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	7,460
CHARGE OFFS	0 [1]
RECOVERIES	0 [1]
ALLOWANCE CLOSE	8,091
ALLOWANCE DOMESTIC	0 [1]
ALLOWANCE FOREIGN	0 [1]
ALLOWANCE UNALLOCATED	0 [1]

[1] INFORMATION NOT DISCLOSED IN 10 Q

End of Filing