OCEANFIRST FINANCIAL CORP

FORM 10-K405

(Annual Report (Regulation S-K, item 405))

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Sector	Financial
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

Annual report pursuant to Section 13 of the
Securities Exchange Act of 1934, as amended

For the fiscal year ended December 31, 2001 Commission
File No.: 0-27428

OceanFirst Financial Corp.

(exact name of registrant as specified in its charter)

DELAWARE	22-3412577
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

975 Hooper Avenue, Toms River, New Jersey 08753
(Address of principal executive offices)

Registrant's telephone number, including area code: (732) 240-4500
Securities registered pursuant to Section 12(b) of the Act: None Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $0.01 per share
(Title of class)

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 ____.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, i.e., persons other than the directors and executive officers of the registrant, was $264,782,175.70, based upon the last sales price as quoted on The Nasdaq Stock Market for March 15, 2002.

The number of shares of Common Stock outstanding as of March 15, 2002 is 9,707,489.

DOCUMENTS INCORPORATED BY REFERENCE

The Annual Report to Stockholders for the year ended December 31, 2001, is incorporated by reference into Part II of this Form 10-K.

The Proxy Statement for the 2002 Annual Meeting of Shareholders is incorporated by reference into Part III of this Form 10-K.

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SIGNATURES

PART I

Item 1. Business

General

OceanFirst Financial Corp. (the "Company") was organized by the Board of Directors of OceanFirst Bank (the "Bank") for the purpose of acquiring all of the capital stock of the Bank issued in connection with the Bank's conversion from mutual to stock form, which was completed on July 2, 1996. On August 18, 2000 the Bank acquired Columbia Equities, Ltd. ("Columbia"), a mortgage banking company based in Westchester County, New York in a transaction accounted for as a purchase. At December 31, 2001, the Company had consolidated total assets of $1.8 billion and total stockholders' equity of $146.7 million. The Company was incorporated under Delaware law and is a savings and loan holding company subject to regulation by the Office of Thrift Supervision ("OTS"), the Federal Deposit Insurance Corporation ("FDIC") and the Securities and Exchange Commission ("SEC"). Currently, the Company does not transact any material business other than through its subsidiary, the Bank.

The Bank was originally founded as a state-chartered building and loan association in 1902, and converted to a federal savings and loan association in 1945. The Bank became a federally chartered mutual savings bank in 1989. The Bank's principal business has been and continues to be attracting retail deposits from the general public in the communities surrounding its branch offices and investing those deposits, together with funds generated from operations and borrowings, primarily in single-family, owner-occupied residential mortgage loans within its market area. To a significantly lesser extent, the Bank invests in commercial real estate, multi-family, construction, consumer and commercial loans. The Bank also invests in mortgage-backed securities, securities issued by the U.S. Government and agencies thereof, and other investments permitted by applicable law and regulations. As a mortgage banking subsidiary of the Bank, Columbia originates, sells and services a full product line of residential mortgage loans. Columbia sells virtually all loan production into the secondary market, except that the Bank will often purchase adjustable-rate mortgage loans originated by Columbia for inclusion in its loan portfolio. The Bank also periodically sells part of its 30-year fixed rate mortgage loan production primarily due to interest rate risk considerations. Presently, servicing rights are retained in connection with most loan sales. The Bank's revenues are derived principally from interest on its loans, and to a lesser extent, interest on its investment and mortgage-backed securities. The Bank also receives income from fees and service charges on loan and deposit products and from the sale of trust and asset management services and alternative investment products, e.g., mutual funds, annuities and life insurance. The Bank's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, Federal Home Loan Bank ("FHLB") advances and other borrowings and to a lesser extent, investment maturities and proceeds from the sale of loans.

In addition to historical information, this Form 10-K 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 detail herein and in the Company's Annual Report to Stockholders.

Market Area and Competition

The Bank is a community-oriented financial institution, offering a wide variety of financial services to meet the needs of the communities it serves. The Bank conducts its business through an administrative and branch office located in Toms River, Ocean County, New Jersey, and fifteen additional branch offices, twelve located in Ocean County, two located in Monmouth County and one located in Middlesex County, New Jersey. The Bank's deposit gathering base is concentrated in the communities surrounding its offices. While its lending area extends throughout New Jersey, most of the Bank's mortgage loans are secured by properties located in Ocean County and Southern Monmouth County. Columbia's loan volume is primarily derived from the tri-state area around New York City. Columbia conducts business through an administrative and production office in Valhalla, New York and satellite production offices in Whitestone, New York; Westport, Connecticut; and Pompton Plains, New Jersey.

The Bank is the oldest and largest community-based financial institution headquartered in Ocean County, New Jersey, which is located along the central New Jersey shore. Ocean County is among the fastest growing population areas in New Jersey and has a significant number of retired residents who have traditionally provided the Bank with a stable source of deposit funds. The economy in the Bank's primary market area is based upon a mixture of service and retail trade. Other employment is provided by a variety of wholesale trade, manufacturing, federal, state and local government, hospitals and utilities. The area is also home to commuters working in New Jersey suburban areas around New York and Philadelphia.

The Bank faces significant competition both in making loans and in attracting deposits. The State of New Jersey has a high density of financial institutions, many of which are branches of significantly larger institutions which have greater financial resources than the Bank, all of which are competitors of the Bank to varying degrees. The Bank's competition for loans comes principally from commercial banks, savings banks, savings and loan associations, credit unions, mortgage banking companies and insurance companies. Its most direct competition for deposits has historically come from commercial banks, savings banks, savings and loan associations and credit unions although the Bank also faces increasing competition for deposits from short-term money market funds, other corporate and government securities funds and from other financial service institutions such as brokerage firms and insurance companies.

Lending Activities

Loan Portfolio Composition. The Bank's loan portfolio consists primarily of conventional first mortgage loans secured by one- to four-family residences. At December 31, 2001, the Bank had total loans outstanding of $1.350 billion, of which $1.110 billion or 82.2% of total loans were one- to four-family, residential mortgage loans. The remainder of the portfolio consisted of $112.3 million of commercial real estate, multi-family and land loans, or 8.3% of total loans; $9.1 million of real estate construction loans, or .7% of total loans; $67.0 million of consumer loans, primarily home equity loans and lines of credit, equaling 5.0% of total loans; and $51.8 million of commercial loans, or 3.8% of total loans. Included in total loans are $37.8 million in loans held for sale at December 31, 2001. At that same date, 43.8% of the Bank's total loans had adjustable interest rates.

The types of loans that the Bank may originate are subject to federal and state law and regulations. Interest rates charged by the Bank on loans are affected by the demand for such loans and the supply of money available for lending purposes and the rates offered by competitors. These factors are, in turn, affected by, among other things, economic conditions, monetary policies of the federal government, including the Federal Reserve Board, and legislative tax policies.

The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and as a percentage of the portfolio at the dates indicated.

	At December 31,					
	2001		2000		1999	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Real estate:						
One- to four-family	$1,110,282	82.22%	$ 993,706	83.93%	$ 917,481	87.04%
Commercial real estate, multi-family and land	112,318	8.32	89,663	7.57	57,142	5.42
Construction	9,082	.67	7,973	.67	7,791	.74
Consumer (1)	67,039	4.96	62,923	5.32	56,040	5.32
Commercial loans	51,756	3.83	29,687	2.51	15,569	1.48
Total loans	1,350,477	100.00%	1,183,952	100.00%	1,054,023	100.00%
Loans in process	(2,458)		(2,927)		(2,790)	
Deferred origination costs (fees), net	1,048		561		(78)	
Unamoritized premium (discount), net	1		19		43	
Allowance for loan losses	(10,351)		(9,138)		(8,223)	
Total loans, net	1,338,717		1,172,467		1,042,975	
Less:						
Mortgage loans held for sale	37,828		35,588		-	
Loans receivable, net	$1,300,889		$1,136,879		$1,042,975	
Total loans:						
Adjustable rate	$ 591,724	43.82%	$ 485,660	41.02%	$ 470,238	44.61%
Fixed rate	758,753	56.18	698,292	58.98	583,785	55.39
	$1,350,477	100.00%	$1,183,952	100.00%	$1,054,023	100.00%

	1998		1997	
	Amount	Percent of Total	Amount	Percent of Total
Real estate:				
One- to four-family	$869,769	89.10%	$711,548	89.57%
Commercial real estate, multi-family and land	42,008	4.30	25,699	3.24
Construction	6,108	.63	8,748	1.10
Consumer (1)	51,785	5.31	45,417	5.72
Commercial loans	6,483	.66	2,904	.37
Total loans	976,153	100.00%	794,316	100.00%
Loans in process	(1,996)		(2,867)	
Deferred origination costs (fees), net	(608)		(1,133)	
Unamoritized premium (discount), net	62		(9)	
Allowance for loan losses	(7,460)		(6,612)	
Total loans, net	966,151		783,695	
Less:				
Mortgage loans held for sale	25,140		-	
Loans receivable, net	$941,011		$783,695	
Total loans:				
Adjustable rate	$458,809	47.00%	$475,533	59.87%
Fixed rate	517,344	53.00	318,783	40.13
	$976,153	100.00%	$794,316	100.00%

(1) Consists primarily of home equity loans and lines of credit, and to a lesser extent, loans on savings accounts, automobile and student loans.

Loan Maturity. The following table shows the contractual maturity of the Bank's total loans at December 31, 2001. There was $37.8 million in loans, held for sale at December 31, 2001. The table does not include principal repayments. Principal repayments, including prepayments on total loans was $225.1 million, $178.9 million and $185.7 million for the years ended December 31, 2001, 2000 and 1999, respectively.

	At December 31, 2001					
	One-to Four-Family	Commercial real estate, multi-family and land	Construction	Consumer	Commercial Loans	Total Loans Receivable
	(In thousands)					
One year or less	$ 34,429	$ 7,007	$9,082	$ 7,114	$25,652	$ 83,284
After one year:						
More than one year to three years	72,530	24,701	-	12,059	16,340	125,630
More than three years to five years	77,349	28,163	-	10,590	7,547	123,649
More than five years to ten years	206,803	36,921	-	17,520	2,217	263,461
More than ten years to twenty years	384,918	6,809	-	19,756	-	411,483-
More than twenty years	334,253	8,717	-	-	-	342,970
Total due after December 31, 2002	1,075,853	105,311	-	59,925	26,104	1,267,193
Total amount due	$1,110,282	$112,318	$9,082	$ 67,039	$51,756	1,350,477
Loans in process						(2,458)
Deferred origination costs, net						1,048
Unamortized premium, net						1
Allowance for loan losses						(10,351)
Total loans, net						1,338,717
Less: Mortgage loans held for sale						37,828
Loans receivable, net						$1,300,889

The following table sets forth at December 31, 2001, the dollar amount of total loans receivable contractually due after December 31, 2002, and whether such loans have fixed interest rates or adjustable interest rates.

	Due After December 31, 2002		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
One- to four-family	$630,976	$444,877	$1,075,853
Commercial real estate, multi-family and land	52,299	53,012	105,311
Consumer	29,914	30,011	59,925
Commercial loans	16,909	9,195	26,104
Total loans receivable	$730,098	$537,095	$1,267,193

Origination, Sale, Servicing and Purchase of Loans. The Bank's residential mortgage lending activities are conducted primarily by commissioned loan representatives in the exclusive employment of the Bank and through the Bank's branch offices. The Bank originates both adjustable-rate and fixed-rate loans. The ability to originate loans is dependent upon the relative customer demand for fixed-rate or adjustable-rate mortgage loans, which is affected by the current and expected future level of interest rates. Columbia, as a mortgage banker, sells virtually all loan production except that the Bank will often purchase adjustable rate mortgage loans originated by Columbia for inclusion in its loan portfolio. Columbia retains servicing rights for most of the loans sold. The Bank also periodically sells part of the 30-year, fixed-rate mortgage loans that it originates. See "- Loan Servicing." At December 31, 2001 there were $37.8 million in loans categorized as held for sale.

The following table sets forth the Bank's loan originations, purchases, sales, principal repayments and loan activity for the periods indicated.

	For the Year December 31,		
	2001	2000	1999
	(In thousands)		
Total loans:			
Beginning balance	$1,183,952	$1,054,023	$ 976,153
Loans originated:			
One- to four-family	682,171	295,535	240,873
Commercial real estate, multi-family and land	36,695	45,189	28,130
Construction	13,361	8,520	6,552
Consumer	37,020	29,217	28,516
Commercial	49,291	27,404	9,780
Total loans originated	818,538	405,865	313,851
Loans purchased	-	22,271	-
Total	2,002,490	1,482,159	1,290,004
Less:			
Principal repayments	229,637	179,936	185,695
Sales of loans	421,922	117,503	49,177
Transfer to REO	454	768	1,109
Total loans	$1,350,477	$1,183,952	$1,054,023

One- to Four-Family Mortgage Lending. The Bank offers both fixed-rate and adjustable-rate mortgage loans secured by one- to four-family residences with maturities up to 30 years. Substantially all of such loans are secured by property located in the Bank's primary market area. Loan originations are typically generated by commissioned loan representatives and their contacts with the local real estate industry, members of the local communities and the Bank's existing or past customers.

At December 31, 2001, the Bank's total loans outstanding were $1.350 billion, of which $1.110 billion, or 82.2%, were one- to four-family residential mortgage loans, primarily single-family and owner-occupied. To a lesser extent, the Bank also makes mortgage loans secured by seasonal second homes. The average size of the Bank's one- to four-family mortgage loan was approximately $112,000 at December 31, 2001. The Bank currently offers a number of ARM loan programs with interest rates which adjust every one-, three-, five- or ten-years. The Bank's ARM loans generally provide for periodic (not less than 2%) and overall (not more than 6%) caps on the increase or decrease in the interest rate at any adjustment date and over the life of the loan. The interest rate on these loans is indexed to the applicable one-, three-, five- or ten-year U.S. Treasury constant maturity yield, with a repricing margin which ranges generally from 2.75% to 3.25% above the index. The Bank also offers three-, five-, and seven -year ARM loans which operate as fixed-rate loans for three, five, or seven years and then convert to one-year ARM loans for the remainder of the term. The ARM loans are then indexed to a margin of generally 2.75% to 3.25% above the one-year U.S. Treasury constant maturity yield.

Generally, ARM loans pose credit risks different than risks inherent in fixed-rate loans, primarily because as interest rates rise, the payments of the borrower rise, thereby increasing the potential for delinquency and default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. In order to minimize risks, borrowers of one-year ARM loans with a loan-to-value ratio of 75% or less are qualified at the fully-indexed rate (the applicable U.S. Treasury index plus the margin, rounded to the nearest one-eighth of one percent), and borrowers of one-year ARM loans with a loan-to-value ratio over 75% are qualified at the higher of the fully indexed rate or the initial rate plus the 2% annual interest rate cap. The Bank does not originate ARM loans which provide for negative amortization.

The Bank's fixed-rate mortgage loans currently are made for terms from 10 to 30 years. At December 31, 2001, the Bank had commitments for the origination of fixed-rate one-to-four family mortgage loans totaling $96.9 million. The normal terms for such commitments provide for a maximum of 60 days rate lock upon receipt of a 1.0% refundable deposit charged on the mortgage amount. The Bank may periodically sell part of the 30-year, fixed-rate residential mortgage loans that it originates. The Bank retains the servicing on all loans sold. The Bank generally retains for its portfolio shorter term, fixed-rate loans with maturities of 15 years or less, and certain longer term fixed-rate loans, generally consisting of loans to facilitate the sale of REO, loans to officers, directors or employees of the Bank and "jumbo", or non-conforming loans (i.e., loans which are not eligible for purchase by FNMA or FHLMC because of loan size or credit underwriting criteria). The Bank may retain all or most of its longer term fixed rate loans after considering volume and yield and after evaluating interest rate risk and capital management considerations. The retention of 30-year fixed-rate mortgage loans may increase the level of interest rate risk carried by the Bank, as the rates on these loans will not adjust during periods of rising interest rates and the loans can be subject to substantial increases in prepayments during periods of falling interest rates.

The Bank's policy is to originate one- to four-family residential mortgage loans in amounts up to 80% of the lower of the appraised value or the selling price of the property securing the loan and up to 97% of the appraised value or selling price if private mortgage insurance is obtained. Mortgage loans originated

by the Bank include due-on-sale clauses which provide the Bank with the contractual right to declare the loan immediately due and payable in the event the borrower transfers ownership of the property without the Bank's consent. Due-on-sale clauses are an important means of adjusting the rates on the Bank's fixed-rate mortgage loan portfolio and the Bank has generally exercised its rights under these clauses.

Commercial Real Estate, Multi-Family and Land Lending. The Bank originates commercial real estate loans that are secured by properties generally used for business purposes such as small office buildings or retail facilities located in the Bank's primary market area. The Bank's underwriting procedures provide that commercial real estate loans may be made in amounts up to 80% of the appraised value of the property. The Bank currently originates commercial real estate loans with terms of up to twenty-five years with fixed or adjustable rates which are indexed to a margin above the one-, three-, or five-year U.S. Treasury constant maturity yield. In reaching its decision on whether to make a commercial real estate loan, the Bank considers the net operating income of the property and the borrower's expertise, credit history, profitability and the term and quantity of leases. The Bank has generally required that the properties securing commercial real estate loans have debt service coverage ratios of at least 130%. Generally, properties securing a loan are appraised by an independent appraiser and title insurance is required on all first mortgage loans. The Bank typically requires the personal guarantee of the principal borrowers for all commercial real estate loans. The Bank's commercial real estate loan portfolio at December 31, 2001 was $112.3 million, or 8.3% of total loans. The largest commercial real estate loan in the Bank's portfolio at December 31, 2001 was a performing loan for which the Bank had an outstanding carrying balance of $5.4 million, net of a $3.4 million participation sold, secured by a first lien position on an all corporate assets including a first mortgage on commercial real estate primarily used as a health, fitness and sports facility and as a private school. The average size of the Bank's commercial real estate loans at December 31, 2001 was approximately $498,000.

The Bank also originates multi-family mortgage loans and land loans on a limited and highly selective basis. The Bank's multi-family loans and land loans at December 31, 2001, totaled $4.9 million and $2.1 million, respectively.

Loans secured by commercial real estate and multi-family residential properties are generally larger and involve a greater degree of risk than one- to four-family residential mortgage loans. Because payments on loans secured by multi-family properties are often dependent on successful operation or management of the properties, repayment of such loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. The Bank seeks to minimize these risks through its underwriting policies, which require such loans to be qualified at origination on the basis of the property's income and debt coverage ratio.

Construction Lending. At December 31, 2001, construction loans totaled $9.1 million, or .7%, of the Bank's total loans outstanding. The Bank originates single-family construction loans primarily on a construction/permanent basis with such loans converting to an amortizing loan following the completion of the construction phase. Most of the Bank's construction loans are made to individuals building their primary residence, while, to a lesser extent, loans are made to developers known to the Bank in order to build single-family houses for sale, which loans become due and payable over terms not exceeding 18 months. The current policy of the Bank is to charge interest rates on its construction loans which float at margins which are generally .5% to 1.5% above the prime rate (as published in the Wall Street Journal). The Bank's construction loans increase the interest rate sensitivity of its earning assets. At December 31, 2001, the Bank had 33 construction loans, with the largest loan commitment being approximately $1.7 million. The Bank may originate construction loans to individuals and contractors on approved building lots in amounts up to 75% of the appraised value of the land and the building. Once construction is

complete, the loans are converted to permanent amortizing loans with maturities similar to the Bank's other one- to four-family mortgage products. The Bank requires an appraisal of the property, credit reports, and financial statements on all principals and guarantors, among other items, for all construction loans.

Construction lending, by its nature, entails additional risks compared to one- to four-family mortgage lending, attributable primarily to the fact that funds are advanced based upon a security interest in a project which is not yet complete. As a result, construction lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower or guarantor to repay the loan. Because of these factors, the analysis of prospective construction loan projects requires an expertise that is different in significant respects from that which is required for residential mortgage lending. The Bank seeks to address these risks through its underwriting procedures.

Consumer Loans. The Bank also offers consumer loans. At December 31, 2001, the Bank's consumer loans totaled $67.0 million, or 5.0% of the Bank's total loan portfolio. Of that amount, home equity loans comprised $34.1 million, or 50.9%; home equity lines of credit comprised $31.3 million, or 46.8%; loans on savings accounts totaled $756,000, or 1.1%; and automobile, student and overdraft line of credit loans totaled $807,000, or 1.2%.

The Bank originates home equity loans secured by one- to four-family residences. These loans are originated as either adjustable-rate or fixed-rate loans with terms ranging from 10 to 20 years. Home equity loans are typically made on owner-occupied, one- to four-family residences and generally to Bank customers. These loans are subject to a 80% loan-to-value limitation, including any other outstanding mortgages or liens.

The Bank also offers a variable rate home equity line of credit which extends a credit line based on the applicant's income and equity in the home. Generally, the credit line, when combined with the balance of the first mortgage lien, may not exceed 80% of the appraised value of the property at the time of the loan commitment. Home equity lines of credit are secured by a mortgage on the underlying real estate. The Bank presently charges no origination fees for these loans, but may in the future charge origination fees for its home equity lines of credit. A borrower is required to make monthly payments of principal and interest, at a minimum of $50, based upon a 10 or 15 year amortization period. Generally, the adjustable rate of interest charged is the prime rate of interest (as published in the Wall Street Journal) plus up to 1.25%. The loans have an 18% lifetime cap on interest rate adjustments.

Commercial Lending. At December 31, 2001, commercial loans totaled $51.8 million, or 3.8% of the Bank's total loans outstanding. During 1996, a Commercial Lending group was established within the Bank. The group's primary function is to service the business communities' banking and financing needs in the Bank's primary market area. The Commercial Lending group originates both commercial real estate loans and commercial loans (including loans for working capital; fixed asset purchases; and acquisition, receivable and inventory financing). Credit facilities such as lines of credit and term loans will be used to facilitate these requests. In all cases, the Bank will review and analyze financial history and capacity, collateral value, strength and character of the principals, and general payment history of the borrower and principals in coming to a credit decision.

A well-defined credit policy has been approved by the Bank's Board of Directors. This policy discourages high risk credits, while focusing on quality underwriting, sound financial strength and close monitoring. Commercial business lending, both secured and unsecured, is generally considered to

involve a higher degree of risk than secured residential real estate lending. Risk of loss on a commercial business loan is dependent largely on the borrower's ability to remain financially able to repay the loan out of ongoing operations. If the Bank's estimate of the borrower's financial ability is inaccurate, the Bank may be confronted with a loss of principal on the loan. The Bank's largest commercial loan at December 31, 2001 had an outstanding balance of $3.1 million, secured by corporate assets and secondary liens on real estate property. The average size of the Bank's commercial loans at December 31, 2001 was approximately $108,000.

Loan Approval Procedures and Authority. The Board of Directors establishes the loan approval policies of the Bank. The Board of Directors has authorized the approval of loans secured by real estate up to $2.0 million and unsecured loans up to $1.0 million by various employees of the Bank, on a scale which requires approval by personnel with progressively higher levels of responsibility as the loan amount increases. A minimum of two employees' signatures are required to approve residential loans over $300,700. Loans secured by real estate in amounts over $2.0 million and unsecured loans over $1.0 million require approval by the Loan Committee of the Board of Directors. Loans in excess of $4.0 million require approval by the Board of Directors. Pursuant to OTS regulations, loans to one borrower generally cannot exceed 15% of the Bank's unimpaired capital, which at December 31, 2001 amounted to $18.9 million. At December 31, 2001, the Bank's maximum loan exposure to a single borrower was $10.4 million.

Loan Servicing. Loan servicing includes collecting and remitting loan payments, accounting for principal and interest, making inspections as required of mortgaged premises, contacting delinquent mortgagors, supervising foreclosures and property dispositions in the event of unremedied defaults, making certain insurance and tax payments on behalf of the borrowers and generally administering the loans. The Bank also services mortgage loans for others. All of the loans currently being serviced for others are loans which have been sold by the Bank. At December 31, 2001, the Bank was servicing $534.1 million of loans for others. For the years ended December 31, 2001, 2000 and 1999, loan servicing fees, net of related amortization and write down of the loan servicing asset, totaled $(838,000), $516,000 and $403,000, respectively.

Delinquencies and Classified Assets. The Board of Directors performs a monthly review of all delinquent loan totals which includes loans sixty days or more past due, and the detail of each loan thirty days or more past due that was originated within the past year. In addition, management prepares a quarterly list of all classified loans and a narrative report of classified commercial, commercial real estate, multi-family, land and construction loans. The procedures taken by the Bank with respect to delinquencies vary depending on the nature of the loan and period of delinquency. When a borrower fails to make a required payment on a loan, the Bank takes a number of steps to have the borrower cure the delinquency and restore the loan to current status. The Bank generally sends the borrower a written notice of non-payment after the loan is first past due. In the event payment is not then received, additional letters and phone calls generally are made. If the loan is still not brought current and it becomes necessary for the Bank to take legal action, which typically occurs after a loan is delinquent at least 90 days or more, the Bank will commence foreclosure proceedings against any real property that secures the loan. If a foreclosure action is instituted and the loan is not brought current, paid in full, or an acceptable workout accommodation is not agreed upon before the foreclosure sale, the real property securing the loan generally is sold at foreclosure.

The Bank's Internal Asset Classification Committee, which is chaired by the Vice President of Loan Review who reports directly to the Audit Committee of the Board of Directors, reviews and classifies the Bank's assets quarterly and reports the results of its review to the Board of Directors. The Bank

classifies assets in accordance with certain regulatory guidelines established by the OTS which are applicable to all savings associations. At December 31, 2001, the Bank had $4.1 million of assets, including all REO, classified as Substandard, $2.4 million of assets classified as Doubtful and no assets classified as Loss. Loans and other assets may also be placed on a watch list as "Special Mention" assets. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "Special Mention." Special Mention assets totaled $4.9 million at December 31, 2001. These loans are classified as Special Mention due to past delinquencies or other identifiable weaknesses. At December 31, 2001, the largest loan relationship classified as Special Mention was represented by two commercial mortgages with a total balance of $2.4 million secured by a first mortgage and assignments of rents on two Ocean County marinas. The largest loan relationship classified as Substandard was a one-to-four family mortgage loan with a balance of $313,000.

The Doubtful category consisted of a single commercial loan relationship with an outstanding balance of $2.4 million which became non-accrual in the first quarter of 2001. The Bank holds a participation interest in a $125 million shared national credit on a company headquartered in New Jersey which is secured by corporate assets and various commercial real estate properties. The Bank does not participate in any other shared national credits. In March 2002 the credit deteriorated further as an orderly liquidation of the Company's assets appeared less likely. As a result, the Bank charged off the entire principal balance of the loan.

Non-Accrual Loans and REO

The following table sets forth information regarding non-accrual loans and REO. The Bank had no troubled-debt restructured loans and 2 REO properties at December 31, 2001. It is the policy of the Bank to cease accruing interest on loans 90 days or more past due or in the process of foreclosure. For the years ended December 31, 2001, 2000, 1999, 1998, and 1997, respectively, the amount of interest income that would have been recognized on nonaccrual loans if such loans had continued to perform in accordance with their contractual terms was $379,000, $132,000, $52,000, $270,000, and $278,000.

	December 31,				
	2001	2000	1999	1998	1997
	(Dollars in Thousands)				
Non-accrual loans:					
Real estate:					
One- to four-family	$3,661	$2,594	$2,401	$4,605	$5,062
Commercial real estate, multi-family and land	-	-	362	574	382
Construction	-	-	-	-	-
Consumer	151	147	222	245	110
Commercial loans	2,368	182	-	-	-
Total	6,180	2,923	2,985	5,424	5,554
REO, net(1)	133	157	292	43	1,198
Total non-performing assets	$6,313	$3,080	$3,277	$5,467	$6,752
Allowance for loan losses as a percent of total loans receivable (2)	.77%	.77%	.78%	.76%	.83%
Allowance for loan losses as a percent of total non-performing loans (3)	167.49	312.62	275.48	137.54	119.03
Non-performing loans as a percent of total loans receivable(2)(3)	.46	.25	.28	.56	.70
Non-performing assets as a percent of total assets(3)	.36	.19	.21	.35	.45

(1) REO balances are shown net of related loss allowances.
(2) Total loans includes loans receivable and mortgage loans held for sale, less undisbursed loan funds, deferred loan fees and unamortized premiums and discounts.
(3) Non-performing assets consist of non-performing loans and REO. Non-performing loans consist of all loans 90 days or more past due and other loans in the process of foreclosure.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risks inherent in its loan portfolio and the general economy. The allowance for loan losses is maintained at an amount management considers sufficient to provide for estimated losses based on evaluating known and inherent risks in the loan portfolio based upon management's continuing analysis of the factors underlying the quality of the loan portfolio. These factors include changes in the size and composition of the loan portfolio, actual loan loss experience, current and anticipated economic conditions, detailed analysis of individual loans for which full collectibility may not be assured, and the determination of the existence and realizable value of the collateral and guarantees securing the loan. Additions to the allowance are charged to earnings. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to make additional provisions for loan losses based upon information available to them at the time of their examination. Although management uses the best information available, future adjustments to the allowance may be necessary due to economic, operating, regulatory and other conditions beyond the Company's control.

The Bank's allowance consists of three elements - a specific allowance, a general allowance and an unallocated allowance. A specific allowance is determined for all assets classified as substandard, doubtful or loss where the value of the underlying collateral can reasonably be evaluated; generally those loans secured by real estate. The Bank obtains an updated appraisal whenever a loan secured by real estate becomes 90 days delinquent. The specific allowance represents the difference between the Bank's recorded investment in the loan and the fair value of the collateral, less estimated disposal costs. A general allowance is determined for all other classified and non-classified loans. In determining the level of the general allowance, the Bank segments the loan portfolio into various risk tranches based on classification (special mention, substandard and doubtful); type of loan (mortgage, consumer and commercial); and, certain underwriting characteristics. An estimated loss factor is then applied to each risk tranche. The loss factors are determined based upon historical loan loss experience, current economic conditions, underwriting standards, internal loan review results and other factors. Finally, an unallocated allowance is maintained as a hedge against economic uncertainty, unanticipated deterioration in classified assets and other uncertainties inherent in the evaluation process.

As of December 31, 2001 and 2000, the Bank's allowance for loan losses was .77% and .77%, respectively, of total loans. The Bank had non-accrual loans of $6.2 million and $2.9 million at December 31, 2001 and 2000, respectively. The Bank will continue to monitor and modify its allowances for loan losses as conditions dictate.

The following table sets forth activity in the Bank's allowance for estimated loan losses for the periods set forth in the table.

	At or for the Year Ended				
	2001	2000	1999	1998	1997
	(Dollars in thousands)				
Balance at beginning of year	$ 9,138	$ 8,223	$ 7,460	$ 6,612	$ 6,021
Charge-offs:					
Real Estate:					
One- to four-family	98	77	114	63	328
Commercial real estate, multi-family and land	-	-	58	-	-
Construction	-	-	-	-	-
Consumer	-	10	37	2	9
Commercial	-	5	32	-	-
Total	98	92	241	65	337
Recoveries	61	22	104	13	28
Net charge-offs	37	70	137	52	309
Provision for loan losses	1,250	985	900	900	900
Balance at end of year	$10,351	$ 9,138	$ 8,223	$ 7,460	$ 6,612
Ratio of net charge-offs during the year to average net loans outstanding during the year	.00%	.01%	.01%	.01%	.05%

The following table sets forth the Bank's percent of allowance for loan losses to total allowance and the percent of loans to total loans in each of the categories listed at the dates indicated (Dollars in thousands).

	At December 31,								
	2001			2000			1999		
	Amount	Percent of Allowance to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Loans	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Loans	Percent of Loans in Each Category to Total Loans
One- to four-family	$ 2,547	24.60%	82.22%	$ 2,831	30.98%	83.93%	$2,577	31.34%	87.04%
Commercial real estate, multi-family and land	1,867	18.03	8.32	2,018	22.08	7.57	1,352	16.44	5.42
Construction	68	.66	.67	38	.42	.67	38	.46	.74
Consumer	625	6.04	4.96	585	6.40	5.32	543	6.60	5.32
Commercial	2,461	23.78	3.83	1,282	14.03	2.51	622	7.57	1.48
Unallocated	2,783	26.89	-	2,384	26.09	-	3,091	37.59	-
Total	$10,351	100.00%	100.00%	$ 9,138	100.00%	100.00%	$8,223	100.00%	100.00%

	1998			1997		
	Amount	Percent of Allowance to Total Loans	Percent of Loans in Each Category to Total Loans	Amount	Percent of Allowance to Total Loans	Percent of Loans in Each Category to Total Loans
One- to four-family	$ 2,824	37.86%	89.10%	$2,485	37.58%	89.57%
Commercial real estate, multi-family and land	993	13.30	4.30	591	8.94	3.24
Construction	31	.42	.63	44	.67	1.10
Consumer	505	6.77	5.31	471	7.12	5.72
Commercial	220	2.95	.66	58	.88	.37
Unallocated	2,887	38.70	-	2,963	44.81	-
Total	$ 7,460	100.00%	100.00%	$ 6,612	100.00%	100.00%

Investment Activities

Federally chartered savings institutions have the authority to invest in various types of liquid assets, including United States Treasury obligations, securities of various federal agencies, certificates of deposit of insured banks and savings institutions, bankers' acceptances, repurchase agreements and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest their assets in commercial paper, investment-grade corporate debt securities and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly.

The investment policy of the Bank as established by the Board of Directors attempts to provide and maintain liquidity, generate a favorable return on investments without incurring undue interest rate and credit risk, and complement the Bank's lending activities. Specifically, the Bank's policies generally limit investments to government and federal agency-backed securities and other non-government guaranteed securities, including corporate debt obligations, that are investment grade. The Bank's policies provide that all investment purchases must be approved by two officers (either the Vice President/Treasurer, Executive Vice President/Chief Financial Officer or the President and Chief Executive Officer) and be ratified by the Board of Directors.

Investment and mortgage-backed securities identified as held to maturity are carried at cost, adjusted for amortization of premium and accretion of discount, which are recognized as adjustments to interest income. Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Bank has the ability at the time of purchase to hold securities until maturity, they are classified as held to maturity. Securities to be held for indefinite periods of time and not intended to be held to maturity are classified as available for sale. Securities available for sale include securities that management intends to use as part of its asset/liability management strategy. Such securities are carried at fair value and unrealized gains and losses, net of related tax effect, are excluded from earnings, but are included as a separate component of stockholders' equity. At December 31, 2001, all of the Bank's investment and mortgage-backed securities were classified as available for sale.

Mortgage-backed Securities. Mortgage-backed securities represent a participation interest in a pool of single-family or multi-family mortgages, the principal and interest payments on which, in general, are passed from the mortgage originators, through intermediaries that pool and repackage the participation interests in the form of securities, to investors such as the Bank. Such intermediaries may be private issuers, or agencies including FHLMC, FNMA and GNMA that guarantee the payment of principal and interest to investors. Mortgage-backed securities typically are issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages can be composed of either fixed- or ARM loans.

The actual maturity of a mortgage-backed security varies, depending on when the mortgagors repay or prepay the underlying mortgages. Prepayments of the underlying mortgages may shorten the life of the security, thereby affecting its yield to maturity and the related market value of the mortgage-backed security. The prepayments of the underlying mortgages depend on many factors, including the type of mortgages, the coupon rates, the age of mortgages, the geographical location of the underlying real estate collateralizing the mortgages, general levels of market interest rates, and general economic conditions. GNMA mortgage-backed securities that are backed by assumable Federal Housing Authority ("FHA") or the Department of Veterans Affairs ("VA") loans generally have a longer life than conventional non-assumable loans underlying FHLMC and FNMA mortgage-backed securities. During periods of falling mortgage interest rates, prepayments generally increase, as opposed to periods of increasing interest rates when prepayments generally decrease. If the interest rate of

underlying mortgages significantly exceeds the prevailing market interest rates offered for mortgage loans, refinancing generally increases and accelerates the prepayment of the underlying mortgages. Prepayment experience is more difficult to estimate for adjustable-rate mortgage-backed securities.

The Bank has significant investments in mortgage-backed securities and has utilized such investments to complement its mortgage lending activities. The Bank invests in a large variety of mortgage-backed securities, including ARM, balloon and fixed-rate mortgage-backed securities, the majority of which are directly insured or guaranteed by FHLMC, GNMA and FNMA. At December 31, 2001, mortgage-backed securities totaled $233.3 million, or 13.2% of total assets, including $156.2 million in collateralized mortgage obligations ("CMOs"), all of which were classified as available for sale. CMOs are securities created by segregating or portioning cash flows from mortgage pass-through securities or from pools of mortgage loans. CMOs provide a broad range of mortgage investment vehicles by tailoring cash flows from mortgages to meet the varied risk and return preferences of investors. These securities enable the issuer to "carve up" the cash flows from the underlying securities and thereby create multiple classes of securities with different maturity and risk characteristics. The Bank invests in U.S. Government and agency-backed CMOs and privately issued CMOs, all of which have agency-backed collateral.

CMOs issued by FHLMC, FNMA, GNMA and private interests amounted to $45,338,000, $22,254,000, $24,328,000 and $64,262,000, respectively, at December 31, 2001 and $39,458,000, $16,303,000, $7,581,000 and $85,067,000, respectively, at December 31, 2000. The privately issued CMOs have generally been underwritten by large investment banking firms with the timely payment of principal and interest on these securities supported (credit enhanced) in varying degrees by either insurance issued by a financial guarantee insurer, letters of credit or subordination techniques. Substantially all such securities are triple "A" rated by one or more of the nationally recognized securities rating agencies. The privately-issued CMOs are subject to certain credit-related risks normally not associated with U.S. Government Agency CMOs. Among such risks is the limited loss protection generally provided by the various forms of credit enhancements as losses in excess of certain levels are not protected. Furthermore, the credit enhancement itself is subject to the creditworthiness of the enhancer. Thus, in the event a credit enhancer does not fulfill its obligations, the CMO holder could be subject to risk of loss similar to a purchaser of a whole loan pool. Management believes that the credit enhancements are adequate to protect the Company from losses and has, therefore, not provided an allowance for losses on its privately-issued CMOs.

At December 31, 2001 the Bank had outstanding privately-issued CMOs from two issuers, Residential Funding Corp. and Countrywide Home Loans, Inc., each in excess of ten percent of stockholders' equity. The aggregate book and market values of privately-issued CMOs issued by Residential Funding Corp. and held by the Bank totaled $24.1 million and $24.5 million, respectively. The aggregate book and market values of privately issued CMOs issued by Countrywide Home Loans, Inc. and held by the Bank totaled $15.9 million and $16.2 million, respectively.

The following table sets forth the Bank's mortgage-backed securities activities for the periods indicated.

	For the Year Ended December 31,		
	2001	2000	1999
	(In thousands)		
Beginning balance	$268,042	$346,182	$ 381,840
Mortgage-backed securities Purchased	49,006	5,059	97,251
Less: Principal repayments	(89,916)	(58,901)	(120,460)
Mortgage-backed securities sold	-	(31,915)	-
Amortization of premium	(759)	(462)	(1,145)
Change in net unrealized gain (loss) on mortgage-backed securities available for sale	6,929	8,079	(11,304)
Ending balance	$233,302	$268,042	$ 346,182

The following table sets forth certain information regarding the amortized cost and market value of the Bank's mortgage-backed securities at the dates indicated.

	At December 31,					
	2001		2000		1999	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
	(In thousands)					
Mortgage-backed securities:						
FHLMC	$ 29,650	$ 30,383	$ 48,888	$ 48,784	$ 65,111	$ 64,484
FNMA	22,646	23,088	37,172	37,009	48,424	47,852
GNMA	23,229	23,649	34,092	33,840	41,467	40,569
CMOs	153,293	156,182	150,335	148,409	201,704	193,277
Total mortgage-backed securities	$ 228,818	$233,302	$ 270,487	$268,042	$356,706	$ 346,182

Investment Securities. The following table sets forth certain information regarding the amortized cost and market values of the Bank's investment securities at the dates indicated.

	At December 31,					
	2001		2000		1999	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
	(In thousands)					
Investment securities:						
U.S. Government and agency obligations	$ 1,200	$ 1,198	$ 24,469	$ 24,373	$ 40,964	$ 40,177
State and municipal obligations	5,561	5,313	5,561	5,156	5,761	5,003
Corporate debt securities	75,199	68,253	75,124	69,616	75,050	72,567
Equity investments	3,849	5,253	3,757	4,391	3,668	3,033
Total investment securities	$ 85,809	$ 80,017	$ 108,911	$ 103,536	$ 125,443	$ 120,780

The table below sets forth certain information regarding the amortized cost, weighted average yields and contractual maturities, excluding scheduled principal amortization, of the Bank's investment and mortgage-backed securities, excluding equity securities, as of December 31, 2001. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	At December 31, 2001				
	One Year or Less	More than One Year to Five Years	More than Five Years to Ten Years	More than Ten Years	Total
	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Amortized Cost	Market Value
	Dollars in thousands)					
Investment securities:						
U.S. Government and agency obligations ...	$ -	$ 1,200	$ -	$ -	$ 1,200	$ 1,198
State and municipal obligations (1)	-	-	-	5,561	5,561	5,313
Corporate debt securities (2)	-	-	-	75,199	75,199	68,253
Total investment securities	$ -	$ 1,200	$ -	$ 80,760	$ 81,960	$ 74,764
Weighted average yield	-	2.77%	-	3.37%	3.36%	
Mortgage-backed securities:						
FHLMC	$ 660	$ 15,791	$ 174	$ 13,025	$ 29,650	$ 30,383
FNMA	1,009	10,657	1,240	9,740	22,646	23,088
GNMA	-	323	37	22,869	23,229	23,649
CMOs	-	-	-	153,293	153,293	156,182
Total mortgage-backed securities	$ 1,669	$ 26,771	$ 1,451	$198,927	$228,818	$233,302
Weighted average yield	5.27%	6.27%	7.27%	6.25%	6.38%	

(1) Tax equivalent yield.
(2) All of the Bank's corporate debt securities carry interest rates which adjust to a spread over Libor on a quarterly basis.

Sources of Funds

General. Deposits, loan and MBS repayments and prepayments, proceeds from sales of loans, investment maturities, cash flows generated from operations and FHLB advances and other borrowings are the primary sources of the Bank's funds for use in lending, investing and for other general purposes.

Deposits. The Bank offers a variety of deposit accounts with a range of interest rates and terms. The Bank's deposits consist of money market accounts, savings accounts, NOW accounts, non-interest bearing accounts and time deposits. For the year ended December 31, 2001, time deposits constituted 54.0% of total average deposits. The flow of deposits is influenced significantly by general economic conditions, changes in money market rates, prevailing interest rates and competition. The Bank's deposits are obtained predominantly from the areas in which its branch offices are located. The Bank relies on its community banking focus stressing customer service and long-standing relationships with customers to attract and retain these deposits; however, market interest rates and rates offered by competing financial institutions significantly affect the Bank's ability to attract and retain deposits. The Bank does not use brokers to obtain deposits.

The following table presents the deposit activity of the Bank for the periods indicated:

	For the Year Ended December 31,		
	2001	2000	1999
	(In thousands)		
Net deposits (withdrawals)	$(34,646)	$ 5,294	$(14,480)
Interest credited on deposit accounts	39,501	41,944	36,179
Total increase in deposit accounts	$ 4,855	$47,238	$ 21,699

At December 31, 2001, the Bank had $82.5 million in time deposits in amounts of $100,000 or more maturing as follows:

Maturity Period	Amount	Weighted Average Rate
	(Dollars in thousands)	
Three months or less	$36,818	3.46%
Over three through six months	11,776	4.16
Over six through 12 months	16,954	4.20
Over 12 months	16,950	5.22
Total	$82,498	4.07

The following table sets forth the distribution of the Bank's average deposit accounts for the periods indicated and the weighted average interest rates at the end of each period, on each category of deposits presented.

	At or For the Years Ended December 31,								
	2001			2000			1999		
	Average Balance	Percent of Total Average Deposits	Weighted Average Yield	Average Balance	Percent of Total Average Deposits	Weighted Average Yield	Average Balance	Percent of Total Average Deposits	Weighted Average Yield
	(Dollars in thousands)								
Money market deposit accounts	$ 73,966	6.61%	1.86%	$ 76,570	7.03%	2.58%	$ 77,478	7.40%	2.61%
Savings accounts	178,335	15.93	1.54	170,604	15.67	2.00	173,798	16.60	2.03
NOW accounts	198,186	17.70	1.60	130,423	11.98	2.83	111,356	10.63	1.59
Non-interest-bearing accounts	64,330	5.74	-	43,177	3.97	-	26,953	2.58	-
Total	514,817	45.98	1.41	420,774	38.65	2.18	389,585	37.21	1.88
Time deposits:									
Six months or less	112,608	10.06	2.86	91,801	8.43	5.58	91,114	8.70	4.54
Over 6 through 12 months	108,507	9.69	3.17	122,549	11.26	5.69	118,907	11.36	4.73
Over 12 through 24 months	139,870	12.49	4.50	201,524	18.51	5.62	231,022	22.06	5.04
Over 24 months	137,360	12.27	5.98	141,097	12.96	6.22	109,341	10.44	6.02
IRA/KEOGH	106,489	9.51	5.04	110,940	10.19	5.87	107,152	10.23	5.47
Total time deposits	604,834	54.02	4.39	667,911	61.35	5.82	657,536	62.79	5.18
Total average deposits	$1,119,651	100.00%	2.88%	$1,088,685	100.00%	4.31%	$1,047,121	100.00%	3.94%

Borrowings

From time to time the Bank has obtained term advances from the Federal Home Loan Bank of New York ("FHLB-NY") as an alternative to retail deposit funds and may do so in the future as part of its operating strategy. FHLB-NY term advances may also be used to acquire certain other assets as may be deemed appropriate for investment purposes. These term advances are collateralized primarily by certain of the Bank's mortgage loans and investment and mortgage-backed securities and secondarily by the Bank's investment in capital stock of the FHLB-NY. In addition, the Bank has an available overnight line of credit with the FHLB-NY for $50.0 million which expires November 25, 2002. The Bank also has available from the FHLB-NY a one-month, overnight repricing line of credit for $50.0 million which also expires on November 25, 2002. When utilized, both lines carry a floating interest rate of 10 basis points over the current federal funds rate and are secured by the Bank's mortgage loans, mortgage-backed securities, U.S. Government and agency securities and FHLB-NY stock. The maximum amount that the FHLB-NY will advance to member institutions, including the Bank, fluctuates from time to time in accordance with the policies of the OTS and the FHLB-NY. At December 31, 2001, the Bank had $80.0 million in outstanding borrowings against the FHLB-NY lines of credit and $192.0 million under various term advances.

The Bank also borrows funds using securities sold under agreements to repurchase. Under this form of borrowing specific U.S. Government agency and/or mortgage-backed securities are pledged as collateral to secure the borrowing. These pledged securities are not under the Bank's control. At December 31, 2001, the Bank had borrowed $212.3 million through securities sold under agreements to repurchase. (See note 10 to the consolidated financial statements in the 2001 Annual Report to Stockholders.)

Subsidiary Activities

The Bank owns three subsidiaries - Columbia Equities, Ltd., OceanFirst Services LLC and OceanFirst REIT Holdings, Inc.

Columbia Equities, Ltd. was acquired by the Bank on August 18, 2000 and operates as a mortgage banking subsidiary based in Westchester County, New York. Columbia originates, sells and services a full product line of residential mortgage loans primarily in New York, New Jersey and Connecticut. Loans are originated through three retail branches and to a lesser extent, a web site and a network of independent mortgage brokers. Columbia sells virtually all loan production into the secondary market or, to a lesser extent, the Bank. Presently, servicing rights are retained in connection with most loan sales.

OceanFirst Services LLC was originally organized in 1982 under the name Dome Financial Services, Inc. to engage in the sale of all-savers life insurance. Prior to 1998 the subsidiary was inactive, however, in 1998, the Bank began to sell non-deposit investment products (annuities, mutual funds and insurance) through a third party marketing firm to Bank customers through this subsidiary, recognizing fee income from such sales.

OceanFirst REIT Holdings, Inc. was established in 2001 and acts as the holding company for OceanFirst Realty Corp. OceanFirst Realty Corp. was established in 1997 and is intended to qualify as a real estate investment trust, which may, among other things, be utilized by the Company to raise capital in the future. Upon formation of OceanFirst Realty Corp., the Bank transferred $668 million of mortgage loans to this subsidiary.

Personnel

As of December 31, 2001, the Bank had 366 full-time employees and 80 part-time employees. The employees are not represented by a collective bargaining unit and the Bank considers its relationship with its employees to be good.

REGULATION AND SUPERVISION

General

As a savings and loan holding company, the Company is required by federal law to file reports with, and otherwise comply with, the rules and regulations of the OTS. The Bank is subject to extensive regulation, examination and supervision by the OTS, as its primary federal regulator, and the FDIC, as the deposit insurer. The Bank is a member of the Federal Home Loan Bank System and, with respect to deposit insurance, of the Savings Association Insurance Fund ("SAIF") managed by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other savings institutions. The OTS and/or the FDIC conduct periodic examinations to test the Bank's safety and soundness and compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on the Company, the Bank and their operations. Certain of the regulatory requirements applicable to the Bank and to the Company are referred to below or elsewhere herein. The description of statutory provisions and regulations applicable to savings institutions and their holding companies set forth in this Form 10-K does not purport to be a complete description of such statutes and regulations and their effects on the Bank and the Company.

Holding Company Regulation

The Company is a nondiversified unitary savings and loan holding company within the meaning of federal law. Under prior law, a unitary savings and loan holding company, such as the Company was not generally restricted as to the types of business activities in which it may engage, provided that the Bank continued to be a qualified thrift lender. See "Federal Savings Institution Regulation - QTL Test." The Gramm-Leach-Bliley Act of 1999 provides that no company may acquire control of a savings association after May 4, 1999 unless it engages only in the financial activities permitted for financial holding companies as defined under the Gramm-Leach-Bliley Act or for multiple savings and loan holding companies as described below. Further, the Gramm-Leach-Bliley Act specifies that existing savings and loan holding companies may only engage in such activities. The Gramm-Leach-Bliley Act, however, grandfathered the unrestricted authority for activities with respect to unitary savings and loan holding companies existing prior to May 4, 1999, such as the Company, so long as the Bank continues to comply with the QTL Test. The Company qualifies for the grandfather provision. Upon any non-supervisory acquisition by the Company of another savings institution or savings bank that meets the qualified thrift lender test and is deemed to be a savings institution by the OTS, the Company would become a multiple savings and loan holding company (if the acquired institution is held as a separate subsidiary) and would generally be limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the OTS, and certain activities authorized by OTS regulation.

A savings and loan holding company is prohibited from, directly or indirectly, acquiring more than 5% of the voting stock of another savings institution or

savings and loan holding company, without prior written approval of the OTS and from acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the OTS considers the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the deposit insurance funds, the convenience and needs of the community and competitive factors.

The OTS may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Although savings and loan holding companies are not subject to specific capital requirements or specific restrictions on the payment of dividends or other capital distributions, federal regulations do prescribe such restrictions on subsidiary savings institutions as described below. The Bank must notify the OTS 30 days before declaring any dividend to the Company. In addition, the financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the OTS and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

Acquisition of the Company. Under the Federal Change in Control Act ("CIBCA"), a notice must be submitted to the Office of Thrift Supervision if any person (including a company), or group acting in concert, seeks to acquire 10% or more of the Company's outstanding voting stock, unless the Office of Thrift Supervision has found that the acquisition will not result in a change of control of the Company. Under the CIBCA, the Office of Thrift Supervision has 60 days from the filing of a complete notice to act, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the anti-trust effects of the acquisition. Any company that so acquires control would then be subject to regulation as a savings and loan holding company.

Federal Savings Institution Regulation

Business Activities. The activities of federal savings institutions are governed by federal law and regulations. These laws and regulations delineate the nature and extent of the activities in which federal associations may engage. In particular, many types of lending authority for federal associations, e.g., commercial, non-residential real property loans and consumer loans, are limited to a specified percentage of the institution's capital or assets.

Capital Requirements. The OTS capital regulations require savings institutions to meet three minimum capital standards: a 1.5% tangible capital ratio, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMELS rating system) and an 8% risk-based capital ratio. In addition, the prompt corrective action standards discussed below also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMEL financial institution rating system), and, together with the risk-based capital standard itself, a 4% Tier 1 risk-based capital standard. The OTS regulations also require that, in meeting the tangible, leverage and risk-based capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard for savings institutions requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100%, assigned by the OTS capital regulation based on the risks believed inherent in the type of asset. Core (Tier 1) capital is defined as

common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus, and minority interests in equity accounts of consolidated subsidiaries less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock, the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets and up to 45% of unrealized gains on available-for-sale equity securities with readily determinable fair market values. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital. The capital regulations also incorporate an interest rate risk component. Savings institutions with "above normal" interest rate risk exposure are subject to a deduction from total capital for purposes of calculating their risk-based capital requirements. For the present time, the OTS has deferred implementation of the interest rate risk capital charge. At December 31, 2001, the Bank met each of its capital requirements.

The following table presents the Bank's capital position at December 31, 2001. The Bank met each of its capital requirements at that date.

				Capital	
	Actual Capital	Required Capital	Excess Amount	Actual Percent	Required Percent
	(Dollars in thousands)				
Tangible	$ 125,952	$ 26,396	$ 99,556	7.16%	1.50%
Core (Leverage)	125,952	52,791	73,161	7.16	3.00
Risk-based	136,223	83,894	52,329	12.99	8.00

Prompt Corrective Regulatory Action. The OTS is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, a savings institution that has a ratio of total capital to risk weighted assets of less than 8%, a ratio of Tier 1 (core) capital to risk-weighted assets of less than 4% or a ratio of core capital to total assets of less than 4% (3% or less for institutions with the highest examination rating) is considered to be "undercapitalized." A savings institution that has a total risk-based capital ratio less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and a savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for an institution that is "critically undercapitalized." The regulation also provides that a capital restoration plan must be filed with the OTS within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OTS could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

Insurance of Deposit Accounts. The Bank is a member of the SAIF. The FDIC maintains a risk-based assessment system by which institutions are assigned to one of three categories based on their capitalization and one of three subcategories based on examination ratings and other supervisory information. An institution's assessment rate depends upon the categories to which it is assigned.

Assessment rates for SAIF member institutions are determined semiannually by the FDIC and currently range from zero basis points for the healthiest institutions to 27 basis points for the riskiest.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation ("FICO") to recapitalize the predecessor to the SAIF. During 2001, FICO payments for SAIF members approximated 1.85 basis points.

The Bank's assessment rate for fiscal 2001 was zero basis points and the premium paid for this period was $208,000, all of which related to FICO bonds. The FDIC has authority to increase insurance assessments. A significant increase in SAIF insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Loans to One Borrower. Federal law provides that savings institutions are generally subject to the limits on loans to one borrower applicable to national banks. A savings institution may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by specified readily-marketable collateral. At December 31, 2001, the Bank's limit on loans to one borrower was $18.9 million, and the Bank's largest aggregate outstanding balance of loans to one borrower was $10.4 million.

QTL Test. The HOLA requires savings institutions to meet a qualified thrift lender test. Under the test, a savings association is required to either qualify as a "domestic building and loan association" under the Internal Revenue Code or maintain at least 65% of its "portfolio assets" (total assets less: (1) specified liquid assets up to 20% of total assets; (2) intangibles, including goodwill; and (3) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities) in at least nine months out of each 12 month period.

A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. As of December 31, 2001, the Bank maintained in excess of 100% of its portfolio assets in qualified thrift investments and, therefore, met the qualified thrift lender test. Recent legislation has expanded the extent to which education loans, credit card loans and small business loans may be considered "qualified thrift investments."

Limitation on Capital Distributions. OTS regulations impose limitations upon all capital distributions by a savings institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. Under the regulations, an application to and the prior approval of the OTS is required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OTS regulations (i.e., generally, examination ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with OTS. If an application is not required, the institution must still provide prior notice to OTS of the capital distribution if, like the Bank, it is a subsidiary of a holding company. In the event the Bank's capital fell below its regulatory requirements or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be

permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

Assessments. Savings institutions are required to pay assessments to the OTS to fund the agency's operations. The assessments, paid on a semi-annual basis, are based on the institution's size, supervisory condition and complexity of operations. The assessments paid by the Bank for the fiscal year ended December 31, 2001 totaled $280,000.

Transactions with Related Parties. The Bank's authority to engage in transactions with "affiliates" (e.g., any company that controls or is under common control with an institution, including the Company and its non-savings institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. The transactions with affiliates must be on terms and under circumstances, that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such persons control, is also governed by federal law. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment, except for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed.

Enforcement. The OTS has primary enforcement responsibility over savings institutions and has the authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors to institution of receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC has the authority to recommend to the Director of the OTS that enforcement action to be taken with respect to a particular savings institution. If action is not taken by the Director, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

Standards for Safety and Soundness. The federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OTS determines that a savings institution fails to meet any standard prescribed by the guidelines, the OTS may require the institution to submit an acceptable plan to achieve compliance with the standard.

Federal Home Loan Bank System

The Bank is a member of the Federal Home Loan Bank ("FHLB") System, which consists of 12 regional FHLBs. Each FHLB provides member institutions with a central credit facility. The Bank, as a member of the FHLB of New York ("FHLB-NY"), is required to acquire and hold shares of capital stock in that FHLB in an amount at least equal to 1.0% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or 1/20 of its borrowings from the FHLB-NY, whichever is greater. The Bank was in compliance with this requirement with an investment in FHLB-NY stock at December 31, 2001 of $23.6 million.

The FHLBs are required to provide funds to cover certain obligations on bonds issued to fund the resolution of insolvent thrifts and to contribute funds for affordable housing programs. These requirements could reduce the amount of dividends that the Federal Home Loan Banks pay to their members and could also result in the Federal Home Loan Banks imposing a higher rate of interest on advances to their members. If dividends were reduced, or interest on future Federal Home Loan Bank advances increased, the Bank's net interest income would likely also be reduced. Recent legislation has changed the structure of the Federal Home Loan Banks funding obligations for insolvent thrifts, revised the capital structure of the Federal Home Loan Banks and implemented entirely voluntary membership for Federal Home Loan Banks. Management cannot predict the effect that these changes may have with respect to its Federal Home Loan Bank membership.

Federal Reserve System

The Federal Reserve Board regulations require savings institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows: a 3% reserve ratio is assessed on net transaction accounts up to and including $41.3 million; a 10% reserve ratio is applied above $41.3 million. The first $5.7 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The amounts are adjusted annually. The Bank complies with the foregoing requirements.

FEDERAL AND STATE TAXATION

Federal Taxation

General. The Company and the Bank report their income on a calendar year basis using the accrual method of accounting, and are subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Bank has not been audited by the IRS in over 10 years. For its 2001 taxable year, the Bank is subject to a maximum federal income tax rate of 35.0%.

Bad Debt Reserves. For fiscal years beginning prior to December 31, 1995, thrift institutions which qualified under certain definitional tests and other conditions of the Internal Revenue Code of 1986 (the "Code") were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans (generally secured by interests in real property improved or to be improved) under (i) the Percentage of Taxable Income Method (the "PTI Method") or (ii) the Experience Method. The reserve for nonqualifying loans was computed using the Experience Method.

The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, requires savings institutions to recapture (i.e., take into taxable income) certain portions of their accumulated bad debt reserves. The 1996 Act repeals the reserve method of accounting for bad debts effective for tax years beginning after 1995. Thrift institutions that would be treated as small banks are allowed to utilize the Experience Method applicable to such institutions, while thrift institutions that are treated as large banks (those generally exceeding $500 million in assets) are required to use only the specific charge-off method. Thus, the PTI Method of accounting for bad debts is no longer available for any financial institution.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in method of accounting, initiated by the taxpayer, and having been made with the consent of the IRS. Any Section 481(a) adjustment required to be taken into income with respect to such change generally will be taken into income ratably over a six-taxable year period, beginning with the first taxable year beginning after 1995, subject to the residential loan requirement.

Under the residential loan requirement provision, the recapture required by the 1996 Act will be suspended for each of two successive taxable years, beginning with the Bank's current taxable year, in which the Bank originates a minimum of certain residential loans based upon the average of the principal amounts of such loans made by the Bank during its six taxable years preceding its current taxable year.

Under the 1996 Act, for its current and future taxable years, the Bank is not permitted to make additions to its tax bad debt reserves. In addition, the Bank is required to recapture (i.e., take into taxable income) over a six year period the excess of the balance of its tax bad debt reserves as of December 31, 1995 over the balance of such reserves as of December 31, 1987. Since the Bank satisfied the residential loan requirement provision for 1996 and 1997 as described above, the six year recapture period became effective for the 1998 tax year. As a result of such recapture, the Bank will incur an additional tax liability of approximately $2.3 million. The Bank has accrued for this liability in the consolidated financial statements.

Distributions. Under the 1996 Act, if the Bank makes "non-dividend distributions" to the Company, such distributions will be considered to have been made from the Bank's unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, and then from the Bank's supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount of such reserves) will be included in the Bank's income. Non-dividend distributions include distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not be so included in the Bank's income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. The Bank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

Corporate Alternative Minimum Tax. The Internal Revenue Code of 1986, as amended (the "Code") imposes a tax on alternative minimum taxable income ("AMTI") at a rate of 20%. The excess of the bad debt reserve deduction using

the percentage of taxable income method over the deduction that would have been allowable under the experience method is treated as a preference item for purposes of computing the AMTI. Only 90% of AMTI can be offset by net operating loss carryovers of which the Bank currently has none. AMTI is increased by an amount equal to 75% of the amount by which the Bank's adjusted current earnings exceeds its AMTI (determined without regard to this preference and prior to reduction for net operating losses). The Bank does not expect to be subject to the AMTI.

Dividends Received Deduction and Other Matters. The Company may exclude from its income 100% of dividends received from the Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is generally 70% in the case of dividends received from unaffiliated corporations with which the Company and the Bank will not file a consolidated tax return, except that if the Company or the Bank own more than 20% of the stock of a corporation distributing a dividend then 80% of any dividends received may be deducted.

State and Local Taxation

New Jersey Taxation. The Bank files New Jersey income tax returns. For New Jersey income tax purposes, savings institutions are presently taxed at a rate equal to 3% of taxable income. For this purpose, "taxable income" generally means federal taxable income, subject to certain adjustments (including addition of interest income on State and municipal obligations).

The Company is required to file a New Jersey income tax return because it will be doing business in New Jersey. For New Jersey tax purposes, regular corporations are presently taxed at a rate equal to 9% of taxable income. For this purpose, "taxable income" generally means Federal taxable income, subject to certain adjustments (including addition of interest income on state and municipal obligations). However, if the Company meets certain requirements, it may be eligible to elect to be taxed as a New Jersey Investment Company at a tax rate presently equal to 2.25% (25% of 9%) of taxable income.

New York Taxation. Columbia is subject to New York State income tax at a rate of 9.95% (including a commuter transportation surcharge). The tax is measured by "entire net income" which is Federal taxable income with adjustments.

Delaware Taxation. As a Delaware holding company not earning income in Delaware, the Company is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual franchise tax to the State of Delaware.

Item 2. Properties

The Bank conducts its business through its administrative office, which includes a branch office, and 15 other full service offices located in Ocean, Monmouth and Middlesex Counties and through the administrative and loan production offices of Columbia. The Company believes that the Bank's current facilities will be adequate to meet the present and immediately foreseeable needs of the Bank and the Company.

Location	Leased or Owned	Original Year Leased or Acquired	Date of Lease Expiration(2)	Net Book Value of Property or Leasehold Improvements at December 31, 2001
				(Dollars in thousands)
Administrative Office:				
975 Hooper Avenue Toms River, New Jersey 08754	Owned	1995	--	$8,735
Branch Offices:				
Adamston: 385 Adamston Road Brick, New Jersey 08723	Leased	1999	07/31/09	271
Berkeley: Holiday City Plaza 730 Jamaica Boulevard Toms River, New Jersey 08757	Leased	1984	11/30/04	87
Brick: 321 Chambers Bridge Road Brick, New Jersey 08723	Owned	1960	--	1,143
Concordia: 1 Concordia Shopping Mall Box 3 Cranbury, New Jersey 08512	Leased	1985	07/31/05	63
Route 37 West: 55 Bananier Drive Toms River, New Jersey 08755	Leased	2001	10/31/05	1,468
Lacey: 900 Lacey Road Forked River, New Jersey 08731	Leased	1997	01/31/18	216
Lake Ridge: 147 Route 70, Suite 1 Toms River, New Jersey 08755	Leased	1998	01/31/18	150
Manahawkin 205 Route 72 West Manahawkin, NJ 08050	Leased	2001	10/31/11	948
Pavilion: 70 Brick Boulevard Brick, New Jersey 08723	Leased	1989	09/30/18	349
Point Pleasant Beach: 701 Arnold Avenue Point Pleasant, New Jersey 08742	Owned	1937	--	51
Point Pleasant Boro: 2400 Bridge Avenue Point Pleasant, New Jersey 08742	Owned	1971	--	706

Location	Leased or Owned	Original Year Leased or Acquired	Date of Lease Expiration(2)	Net Book Value of Property or Leasehold Improvements at December 31, 2001
				(Dollars in thousands)
Route 88: 3100 Route 88 Point Pleasant, New Jersey 08742	Leased	2000	03/31/07	720
Spring Lake Heights: 2401 Route 71 Spring Lake Heights, New Jersey 07762	Leased	1999	10/31/09	150
Wall Township: 2445 Route 34 Manasquan, New Jersey 08736	Leased	1999	02/28/10	435
Whiting: Whiting Shopping Center P. O. Box 20 Whiting, New Jersey 08759	Leased	1983	10/31/02	47
Other Properties (1): 730 Brick Boulevard Brick, New Jersey 08723	Owned	1986	--	407
Columbia Equities, Ltd.:				
400 Columbus Avenue Valhalla, New York 10595	Leased	2001	07/01/12	267
141-07 20th Avenue Whitestone, New York 11357	Leased	1999	09/30/02	--

(1) The property was formerly utilized by the Bank, was subsequently subleased and is now vacant.
(2) The Company may also hold options to renew leases for additional terms upon expiration of the current lease.

Item 3. Legal Proceedings

The Company and the Bank are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Such other routine legal proceedings in the aggregate are believed by management to be immaterial to the Company's financial condition or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Information relating to the market for Registrant's common equity and related stockholder matters appears under "Shareholder Information" on the Inside Back Cover in the Registrant's 2001 Annual Report to Stockholders and is incorporated herein by reference.

Item 6. Selected Financial Data

The above-captioned information appears under "Selected Consolidated Financial and Other Data of the Company" in the Registrant's 2001 Annual Report to Stockholders on pages 13 and 14 is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The above-captioned information appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Registrant's 2001 Annual Report to Stockholders on pages 15 through 25 and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The above captioned information appears under "Management's Discussion and Analysis of Financial Condition and Results of Operations - Management of Interest Rate Risk" in the Registrant's 2001 Annual Report to Stockholders on pages 16 through 18.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements of OceanFirst Financial Corp. and its subsidiary, together with the report thereon by KPMG LLP appears in the Registrant's 2001 Annual Report to Stockholders on pages 26 through 41 and are incorporated herein by reference.

Item 9. Change In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information relating to Directors and Executive Officers of the Registrant is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 18, 2002, at pages 4 through 6.

Item 11. Executive Compensation

The information relating to directors' compensation and executives' compensation is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 18, 2002, at pages 7 through 8 and pages 12 through 16 (excluding the Executive Compensation Committee Report and Stock Performance Graph).

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information relating to security ownership of certain beneficial owners and management is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 18, 2002, at pages 3 and 5 through 6.

Item 13. Certain Relationships and Related Transactions

The information relating to certain relationships and related transactions is incorporated herein by reference to the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on April 18, 2002, at page 16.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as a part of this report:

(1) Consolidated Financial Statements of the Company are incorporated by reference to the following indicated pages of the 2001 Annual Report to Stockholders.

	PAGE
Independent Auditors' Report	41
Consolidated Statements of Financial Condition at December 31, 2001 and 2000	26
Consolidated Statements of Income for the Years Ended December 31, 2001, 2000 and 1999	27
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2001, 2000 and 1999	28
Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2000 and 1999	29
Notes to Consolidated Financial Statements for the Years Ended December 31, 2001, 2000 and 1999	30-40

The remaining information appearing in the 2001 Annual Report to Stockholders is not deemed to be filed as part of this report, except as expressly provided herein.

(2) All schedules are omitted because they are not required or applicable, or the required information is shown in the consolidated financial statements or the notes thereto.

(3) Exhibits

(a) The following exhibits are filed as part of this report.

2.1	Stock Purchase Agreement by and among Richard S. Pardes (the sole stockholder of Columbia Equities, Ltd.) and Columbia Equities, Ltd. and OceanFirst Bank as buyer, dated June 27, 2000 (without exhibits) (2)
3.1	Certificate of Incorporation of OceanFirst Financial Corp. (1)
3.2	Bylaws of OceanFirst Financial Corp.(1)
4.0	Stock Certificate of OceanFirst Financial Corp.(1)
10.1	Form of OceanFirst Bank Employee Stock Ownership Plan (1)
10.1(a)	Amendment to OceanFirst Bank Employee Stock Ownership Plan (3)
10.2	OceanFirst Bank Employees' Savings and Profit Sharing Plan (1)
10.3	OceanFirst Bank 1995 Supplemental Executive Retirement Plan (1)
10.4	OceanFirst Bank Deferred Compensation Plan for Directors (1)
10.5	OceanFirst Bank Deferred Compensation Plan for Officers (1)
10.7	OceanFirst Bank Performance Achievement Awards Program (1)
10.8	Amended and Restated OceanFirst Financial Corp. 1997 Incentive Plan (4)
10.9	Form of Employment Agreement between OceanFirst Bank and certain executive officers, including Michael J. Fitzpatrick and John R. Garbarino (1)
10.10	Form of Employment Agreement between OceanFirst Financial Corp. and certain executive officers, including Michael J. Fitzpatrick and John R. Garbarino (1)
10.11	Form of Change in Control Agreement between OceanFirst Bank and certain executive officers, including John K. Kelly, Robert M. Pardes and Karl E. Reinheimer (1)
10.12	Form of Change in Control Agreement between OceanFirst Financial Corp. and certain executive officers, including John K. Kelly, Robert M. Pardes and Karl E. Reinheimer (1)
10.13	2000 Stock Option Plan (5)
10.14	Form of Employment Agreement between Columbia Equities, Ltd. and Robert M. Pardes (6).
13.0	Portions of 2001 Annual Report to Stockholders (filed herewith)
21.0	Subsidiary information is incorporated herein by reference to "Part I - Subsidiaries"
23.0	Consent of KPMG LLP (filed herewith)

(b) Reports on Form 8-K

None.

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(1)	Incorporated herein by reference from the Exhibits to Form S-1, Registration Statement, effective May 13, 1996 as amended, Registration No. 33-80123.
(2)	Incorporated herein by reference from the Exhibits to Form 8-K filed on June 28, 2000.
(3)	Incorporated herein by reference from the Exhibits to Form 10-K filed on March 25, 1997.
(4)	Incorporated herein by reference from Form 14-A Definitive Proxy Statement filed on March 19, 1998.
(5)	Incorporated herein by reference from Form 14-A Definitive Proxy Statement filed on March 17, 2000.
(6)	Incorporated herein by reference from the Exhibits to Form 10-K filed on March 23, 2001.

Pursuant to the requirements of Section 13 or 15(d) 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.

OceanFirst Financial Corp.

By: /s/ John R. Garbarino
John R. Garbarino
Chairman of the Board,
President and
Chief Executive Officer and
Director

Date: March 11, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Name	*Date*
/s/ John R. Garbarino *John R. Garbarino* *Chairman of the Board, President and* *Chief Executive Officer* *(principal executive officer)*	*March 11, 2002*
/s/ Michael J. Fitzpatrick *Michael J. Fitzpatrick* *Executive Vice President and* *Chief Financial Officer* *(principal accounting and financial officer)*	*March 11, 2002*
/s/ Thomas F. Curtin *Thomas F. Curtin* *Director*	*March 11, 2002*
/s/ Carl Feltz, Jr. *Carl Feltz, Jr.* *Director*	*March 11, 2002*

/s/ John W. Chadwick *March 11, 2002*

John W. Chadwick
Director

/s/ Donald E. McLaughlin *March 11, 2002*

Donald E. McLaughlin
Director

/s/ Diane F. Rhine *March 11, 2002*

Diane F. Rhine
Director

/s/ Frederick E. Schlosser *March 11, 2002*

Frederick E. Schlosser
Director

/s/ James T. Snyder *March 11, 2002*

James T. Snyder
Director

/s/ John E. Walsh *March 11, 2002*

John E. Walsh
Director

Exhibit 13

Financial Highlights

(dollars in thousands, except per share amounts)

At or For The Year Ended December 31,	2001	2000	1999
Selected Financial Condition Data:			
Total assets	$ 1,763,666	$1,640,217	$1,590,907
Loans receivable, net	1,300,889	1,136,879	1,042,975
Deposits	1,109,043	1,104,188	1,056,950
Stockholders' equity	146,729	157,736	167,530
Selected Operating Data:			
Net interest income	55,012	49,693	48,538
Non-interest income	12,925	6,145	5,226
Non-interest expense	37,379	31,645	27,852
Net income	18,159	16,382	16,347
Diluted earnings per share	1.85	1.54	1.33
Selected Financial Ratios:			
Stockholders' equity per common share	14.88	14.23	13.27
Cash dividend per share	.84	.72	.57
Stockholders' equity to total assets (capital ratio)	8.32%	9.62%	10.53%
Return on average assets	1.06	1.01	1.04
Return on average stockholders' equity	12.01	10.45	8.90
Average interest rate spread	2.97	2.75	2.70
Net interest margin	3.37	3.20	3.20
Operating expenses to average assets	2.19	1.96	1.78
Operating efficiency ratio	55.02	56.67	51.80
Non-performing loans to total loans receivable	.46	.25	.28
Actual contributions to stockholders' equity and resultant cash earnings data/(1)/:			
Cash earnings	$ 21,953	$ 19,426	$ 19,283
Diluted cash earnings per share	2.23	1.82	1.57
Return on average assets	1.29%	1.20%	1.23%
Return on average stockholders' equity	14.52	12.39	10.50
Operating efficiency ratio	47.49	48.96	43.94

/(1) Cash earnings are determined by adding (net of taxes) to reported earnings the noncash expenses stemming from the amortization and appreciation of allocated shares in the Company's stock-related benefit plans and the amortization of intangible assets./

Earnings Per Share (EPS)

[CHART]

Return On Equity (ROE)

[CHART]

"OceanFirst delivered record-shattering earnings per share, net income and return on average shareholder equity in 2001:"

Annual Dividend Per Share

[CHART]

Letter to our Shareholders

March 2002

Dear Fellow Shareholders:

OceanFirst Financial achieved extraordinary success in what was certainly one of the most tumultuous years in its history. Surpassing the goals we had set, we delivered record-breaking financial results in the face of unprecedented interest rate volatility engineered by the Federal Reserve. We also carried out aggressive initiatives to bolster our strong competitive position as the preeminent provider of financial services to the Central Jersey Shore community. As we commemorate our 100th year, we look forward to continuing our outstanding performance in order to build the value of your OceanFirst investment.

Excellent Financial Results

OceanFirst delivered record-shattering earnings per share (EPS), net income and return on average shareholder equity (ROE) in 2001. EPS grew 20.1% to $1.85 on a fully diluted basis, while net income rose 10.8% to $18.2 million. ROE surpassed 12% for the first time since our 1996 initial public offering. This outstanding performance generated two increases in the cash dividend paid on your shares during the year, and an additional increase announced shortly after the close of the fourth quarter. The dividend rose a total of 5 CENTS, representing a 26.3% increase from the first quarter of 2001. Since the initial dividend was declared in 1997, cash dividends have increased an impressive 140%.

We achieved excellent results in other performance measures as well:

. Cash EPS outpaced reported EPS, growing by 22.5% to $2.23.

Cash earnings are determined by adding to reported earnings the noncash expenses associated with employee benefit and incentive plans and with the amortization

of intangible assets, all net of associated tax benefits. Cash earnings are important as they provide additional capital which can be utilized to support higher levels of share repurchases, cash dividends and asset growth.

. We established over 9,000 new deposit relationships in 2001. As a result, our core deposits at year-end represented 50.7% of total deposits versus only 41.5% at the end of 2000. Core deposits are less interest-rate-sensitive and represent a more stable source of funding than CDs. We achieved the increases in core deposits across the entire depositor spectrum-among consumers, among businesses and among public entities.

. We also built new relationships on the lending side, increasing loans receivable by 14.4%. Commercial loan growth was especially strong: Balances climbed 37.4% to $164.1 million, exceeding our targets for the year. At the close of 2001, commercial loans represented 12.5% of total loans receivable, compared with 10.4% at the end of 2000. This diversification of our loan portfolio enhanced our overall asset yield. In last year's strong residential-mortgage-lending market, which was driven by refinancing activity, record mortgage origination volume was accompanied by record mortgage sales. We sold many of our long-term, fixed-rate loans to help manage our exposure to interest rate risk and to generate impressive gains in non-interest income.

. We achieved our stated goal of growing top-line revenue. Expansion of top-line revenue is critical to sustain growth in earnings. In 2001, net interest income rose 10.7%, and total other income climbed by a striking 110.3%. Our net interest margin finished the year strongly, averaging 3.58% in the fourth quarter versus 3.15% a year earlier.

[CHART]

[CHART]

"The integrity of the Bank's loan portfolio was largely unaffected by the 2001 recession."

Initiatives Strengthen Competitive Position

We accomplished two of the goals we established at the start of last year. We capitalized on the acquisition of Columbia Equities, Ltd. as our new mortgage banking subsidiary, and we took aggressive steps to strengthen our presence in the retail banking market.

[GRAPHIC]

We succeeded in fully integrating the operations of Columbia (based in Westchester County, New York) with those of OceanFirst Bank. The market expansion and greater product diversity that we achieved enhanced our mortgage origination capabilities and enabled us to take fuller advantage of the strong residential mortgage market which prevailed throughout the year.

[PHOTO] [PHOTO] [PHOTO] [PHOTO] [PHOTO]

The OceanFirst Financial Corp. Board of Directors (from left to right):

John R. Garbarino,
Chairman and
Chief Executive Officer;

Thomas F. Curtin;

John E. Walsh;

Frederick E. Schlosser;

James T. Snyder;

John W. Chadwick;

Diane F. Rhine;

Carl Feltz Jr.;

Donald E. McLaughlin.

In the retail banking arena, we witnessed the maturation of the one to two strategically located branch offices we established in each of the last several years. In addition, we entered a new Ocean County market with the successful opening of our Manahawkin branch office, which is projected to become profitable during 2002. We also significantly improved our existing market coverage by relocating our Holiday City South office to a new location on State Highway Route 37 West in Toms River. The relocated branch, which is triple its original size, has reinvigorated our market presence by providing drive-in service, expanded parking and highway visibility. Both of these offices have become strong core deposit generators in just a short period of time.

Another initiative we had planned for 2001 was placed on hold due to an unanticipated, dramatic change in market conditions. As noted in last year's report, we had intended to develop insurance services as a new product line. However, we postponed our plans, at least temporarily, due to the horrific terrorist attacks of 9/11, which disrupted the insurance markets and led to the disappearance of attractive paths of entry into the insurance sector. We concluded shortly after 9/11 that not entering the insurance arena at this time was preferable to making an ill-advised entrance.

[GRAPHIC]

Other initiatives we did pursue included the following:

. We made significant strides in managing interest rate risk.

In addition to the aforementioned long term fixed rate loan sales, we locked in lower rates

[PHOTO] [PHOTO] [PHOTO] [PHOTO]

on borrowings during the fourth quarter by replacing higher-cost wholesale borrowings with those having lower current rates and similar maturities.

. Credit risk in our portfolio was also well managed: The nominal increase we reported in non-performing assets during the year was due primarily to difficulties experienced with a participation in a shared national credit. We note that our $2.4 million portion of the total $125 million credit relationship represents the only shared national credit in our portfolio. The integrity of the Bank's loan portfolio was largely unaffected by the 2001 recession.

. We progressed smartly in our pursuit of new relationships in the local government banking market. We bid on, and won, core banking relationships with several prominent public entities during the period.

. Our Trust and Asset Management Services business, launched in 2000, gained additional market share and generated solid increases in revenue. New relationships we developed provided growth in assets under management. This business line continues to have great potential in our market.

[PHOTO] [PHOTO] [PHOTO] [PHOTO] [PHOTO]

The OceanFirst senior management team (from left to right):

John R. Garbarino,
President and
Chief Executive Officer;

Karl E. Reinheimer;

Michael J. Fitzpatrick;

Robert M. Pardes;

John K. Kelly.

. We completed our eighth stock repurchase program since 1997, and immediately announced the start of the Company's ninth program. During 2001, we repurchased an additional 1.3 million shares, bringing the total number repurchased to 8.4 million - or 46.6% of our original 1996 offering.

Our next 100 years... began on January 28, 2002.

Throughout the current year, we plan to focus on the following key objectives:

. EPS Growth Above 15%. At the heart of our shareholder-value-creation strategy is consistent revenue and net income growth, which translates into higher EPS for our shareholders.

. Balance Sheet Growth and Reconfiguration. To achieve the desired revenue gains, we will continue to emphasize the growth of both core deposits and loans. We will seek out new business relationships, and nurture existing ones. We will also continue to reconfigure the balance sheet. Core deposit gains of recent

"At the heart of our shareholder-valuecreation strategy is consistent revenue and net income growth, which translates into higher EPS for our shareholders."

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years will be preserved, and the loan portfolio will be given a more commercial orientation. As always, we will pursue commercial loan growth in a prudent, methodical manner with a wary eye on credit risk management.

.Risk Management. Effective management of risk is always vital to a financial institution's long-term viability and earnings performance. During the year, we will create and adopt a customized risk management framework to strengthen the process throughout the Company and ensure that the risk culture at OceanFirst remains both disciplined and conservative.

[GRAPHIC]

.Improved Use of Technology. The Company has already taken steps to upgrade its current banking information technology platform to a Siebel Systems, Inc. Customer Relationship Management system. The ongoing maturation of our sales and service culture demands the technological support the Siebel system affords. The new technology will help us acquire customers and will enhance customer satisfaction and loyalty. Providing our staff with a complete picture of the relationship we have with each customer will facilitate the consultative sales and exceptional customer service we promise.

. Insurance Products Business Line. This market, shocked as it was in 2001 by the events of 9/11, will be revisited in 2002 to see if we can make an appropriate entry. We continue to believe that, if properly executed, the incorporation of insurance products into our line of financial services can significantly enhance our stream of non-interest revenue.

"Since 1996, when we became a public company, we have successfully expanded our corporate mission to include not only delivering quality services, but also increasing the value of our shareholders` investment."

OceanFirst begins its second 100 years in the bittersweet position of celebrating its centennial anniversary in the midst of a recession and a war against terrorism, while also saying farewell to a friend and longtime associate. For 42 of those 100 years, Robert E. Knemoller has faithfully served the Company, first as an Officer and more recently a Director, making innumerable contributions to its success. The Board regretfully accepted Bob's resignation at its February 2002 meeting and immediately elected him as Director Emeritus. As previously announced, the remainder of his un-expired Board term will be completed through the appointment of prominent local businessman, John W. Chadwick. The Board gratefully acknowledges Mr. Knemoller's years of loyal service to OceanFirst and looks forward to the advice and counsel of Mr. Chadwick. Throughout its long history, OceanFirst often experienced unusual events and unsettling world conditions. In the face of those difficulties, we never lost our focus on delivering quality financial services to our market. Since 1996, when we became a public company, we have successfully expanded our corporate mission to include not only delivering quality services, but also increasing the value of our shareholders' investment. It is our pursuit and successful execution of this redefined mission that today positions OceanFirst Financial Corp. as an attractive choice for our investors.

As always, we thank you for your continued support.

Very truly yours,

/s/ John R. Garbarino

John R. Garbarino
Chairman, President and Chief Executive Officer

Selected Consolidated Financial and Other Data of the Company

The selected consolidated financial and other data of the Company set forth below is derived in part from, and should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto presented elsewhere in this Annual Report.

At December 31,	2001	2000	1999	1998	1997
(dollars in thousands)					
Selected Financial Condition Data:					
Total assets	$1,763,666	$1,640,217	$1,590,907	$1,561,744	$1,510,947
Investment securities available for sale	80,017	103,536	120,780	137,405	207,357
Federal Home Loan Bank of New York stock	23,560	20,000	16,800	16,800	14,980
Mortgage-backed securities available for sale	233,302	268,042	346,182	381,840	457,148
Loans receivable, net	1,300,889	1,136,879	1,042,975	941,011	783,695
Mortgage loans held for sale	37,828	35,588	--	25,140	--
Deposits	1,109,043	1,104,188	1,056,950	1,035,251	976,764
Federal Home Loan Bank advances	272,000	127,500	115,000	40,000	20,400
Securities sold under agreements to repurchase	212,332	236,494	239,867	272,108	288,200
Stockholders' equity	146,729	157,736	167,530	197,740	215,544

For the Year Ended December 31,	2001	2000	1999	1998	1997
(dollars in thousands: except per share amounts)					
Selected Operating Data:					
Interest income	$ 118,160	$ 116,105	$ 107,347	$ 105,557	$ 98,656
Interest expense	63,148	66,412	58,809	61,399	55,608
Net interest income	55,012	49,693	48,538	44,158	43,048
Provision for loan losses	1,250	985	900	900	900
Net interest income after provision for loan losses	53,762	48,708	47,638	43,258	42,148
Other income	12,925	6,145	5,226	2,411	2,509
Operating expenses	37,379	31,645	27,852	25,457	23,145
Income before provision for income taxes and extraordinary item	29,308	23,208	25,012	20,212	21,512
Provision far income taxes	10,064	6,826	8,665	7,240	7,687
Income before extraordinary item	19,244	16,382	16,347	12,972	13,825
Extraordinary item, net of tax - prepayment penalty on debt extinguishment	(1,085)	--	--	--	--
Net income	$ 18,159	$ 16,382	$ 16,347	$ 12,972	$ 13,825
Basic earnings per share	$ 1.96	$ 1.59	$ 1.36	$ .97	$ .90
Diluted earnings per share	$ 1.85	$ 1.54	$ 1.33	$ .95	$ .88

Selected Consolidated Financial and Other Data (continued)

Selected Consolidated Financial and Other Data of the Company
(continued)

At or For the Year Ended December 31,	2001	2000	1999	1998	1997
Selected Financial Ratios and Other Data/(1)/:					
Performance Ratios:					
Return on average assets	1.06%	1.01%	1.04%	0.85%	0.97%
Return on average stockholders' equity	12.01	10.45	8.90	6.36	6.00
Stockholders' equity to total assets	8.32	9.62	10.53	12.66	14.27
Tangible equity to tangible assets	8.22	9.52	10.48	12.61	14.27
Average interest rate spread /(2)/	2.97	2.75	2.70	2.39	2.39
Net interest margin /(3)/	3.37	3.20	3.20	2.98	3.12
Average interest-earning assets to average interest-bearing liabilities	110.31	110.39	112.94	114.35	117.95
Operating expenses to average assets	2.19	1.96	1.78	1.66	1.63
Operating efficiency ratio /(4)/	55.02	56.67	51.80	54.67	50.80
Asset Quality Ratios:					
Non-performing loans as a percent of total loans receivable /(5)//(6)/	0.46	0.25	0.28	0.56	0.70
Non-performing assets as a percent of total assets /(6)/	0.36	0.19	0.21	0.35	0.45
Allowance for loan losses as a percent of total loans receivable /(5)/	0.77	0.77	0.78	0.76	0.83
Allowance for loan losses as a percent of total non-performing loans /(6)/	167.49	312.62	275.48	137.54	119.03
Per Share Data					
Dividends per common share	$ .84	$ .72	$ .57	$ .46	$ .30
Book value per common share at end of period	14.88	14.23	13.27	13.52	13.72
Tangible book value per common share at end of period	14.71	14.07	13.20	13.45	13.72
Number of full-service customer facilities	16	14	13	11	10

/(1) With the exception of end of year ratios, all ratios are based on average daily balances./

/(2) The average interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing Liabilities./

/(3) The net interest margin represents net interest income as a percentage of average interest-earning assets./

/(4) Operating efficiency ratio represents the ratio of operating expenses to the aggregate of other income and net interest income./

/(5) Total loans receivable includes loans receivable and loans held for sale, net of undisbursed loan funds, deferred loan fees and unamortized discounts/premiums./

/(6) Non-performing assets consist of non-performing loans and real estate acquired through foreclosure ("REO"). Non-performing loans consist of all loans 90 days or more past cue and other loans in the process of foreclosure. It is the Company's policy to cease accruing interest on all such loans./

Management's Discussion and Analysis
of Financial Condition and Results of Operations

General

OceanFirst Financial Corp. (the "Company") is the holding company for OceanFirst Bank (the "Bank"). 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 16,776,156 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"). Concurrent with the close of the Conversion, an additional 1,342,092 shares of common stock (8% of the offering) were issued and donated by the Company to OceanFirst Foundation (the "foundation"), a private foundation dedicated to charitable purposes within Ocean County, New Jersey and its neighboring communities.

On August 18, 2000 the Bank acquired Columbia Equities, Ltd. ("Columbia"), a mortgage banking company based in Westchester County, New York in a transaction accounted for as a purchase. Columbia offers a full product line of residential mortgage loans in New York, New Jersey and Connecticut. Loans are originated through three retail branches, a web site and a network of independent mortgage brokers. The Company's consolidated results of operations include Columbia's results commencing on August 18, 2000.

The Company conducts business, primarily through its ownership of the Bank which operates its administrative/branch office located in Toms Fiver and fifteen other branch offices. Thirteen of the sixteen branch offices are located in Ocean County, New Jersey, with two branches in Monmouth County and one in Middlesex County.

Strategy

The Company operates as a consumer-oriented bank, with a strong focus on its local community. The Bank is the oldest and largest conmmunity-based financial institution headquartered in Ocean County, New Jersey. The Company competes with generally larger and out-of-market financial service providers through this local focus and the delivery of superior service. Additionally, over the past few years, the Company has developed a more pro-active sales culture throughout the organization.

The Company's strategy has been to consistently grow profitability while limiting credit and interest rate risk exposure. To accomplish these objectives, the Company has sought to (1) grow loans receivable through the Bank's traditional mortgage portfolio emphasis supplemented by the offering of commercial lending services to local businesses; (2) grow core deposits through de novo branch expansion and product offerings appealing to a broadened customer base; (3) increase non-interest income by expanding the menu of fee-based products and services; and (4) actively manage the Company's capital position.

With industry consolidation eliminating most locally headquartered competitors, the Company saw an opportunity to fill a perceived void for locally delivered commercial loan and deposit services. As such, over the past few years the Company has assembled an experienced team of business banking professionals responsible for offering commercial loan and deposit services and merchant credit card services to businesses in Ocean County and surrounding communities. As a result of this initiative, commercial loans represented 12.2% of the Bank's total loan portfolio at December 31, 2001 as compared to only 3.6% at December 31, 1997. The diversification of the Company's loan products entails a higher degree of credit risk than is involved in one- to four-family residential mortgage lending activity. As a consequence of this strategy, management has developed a well-defined credit policy focusing on quality underwriting and close management and Board monitoring.

The Company seeks to increase core deposit market share in its primary market area by expanding the Bank's branch network, Over the past three years, the Company has opened five new branch offices, three in Ocean County and two in Southern Monmouth County, the Company's first branches in this county. The de novo branch openings include a second branch in Point Pleasant Boro and a branch in Manahawkin, both opened in 2001. Additionally, during 2001, the Holiday City South branch was relocated to a more prominent location. The Company has committed to the opening of a new branch in Jackson, also in Ocean County, during the second quarter of 2002. The Company is also evaluating additional office sites within its existing market area.

At December 31, 2001, the five new branches maintain an average core deposit mix of 80.1%. Core account development has also benefited from the Company's efforts to attract business deposits in conjunction with its commercial lending operations and from an expanded mix of retail core account products. As a result of these efforts the Company's core deposit ratio has grown to 50.7% at December 31, 2001 as compared to only 13.0% at December 31, 1997. Core deposits are generally considered a less expensive and more stable funding source than certificates of deposit.

Management continues to diversify the Company's retail product line in order to enhance non-interest income. During 1998, the Company began offering alternative investment products (annuities and mutual funds) for sale through its retail branch network. The products are non-proprietary, sold through a third party vendor, and provide the Company with fee income opportunities. In 1999, the menu of alternative investment products was expanded to include life insurance and the Company introduced trust and asset management services in early 2000. Finally, the Company has also expanded the non-interest income received from small business relationships including BankCard services.

Non-Interest Income
(in thousands)

[CHART]

With post conversion capital levels exceeding 20%, management recognized the need to address the Company's overcapitalized position in order to improve return on equity The capital management plan implemented over the past few years includes the following components: (1) share repurchases; (2) cash dividends; and (3) wholesale leverage. During 2001 the Company completed its eighth common stock repurchase program and in August 2001 the Board of Directors authorized a ninth repurchase plan for 10% of the outstanding common shares, or 1,040,476 shares. Through December 31, 2001, the Company has repurchased a total of 8.4 million common shares, 46.6% of the shares originally issued in the conversion. The Company has historically targeted a cash dividend payout of 40% to 50% of net income. The dividend has increased by 140% since the initial dividend in 1997. The Company has used wholesale borrowings to fund purchases of investment and mortgage-backed securities and the retention of some 30-year fixed-rate mortgage loans, much of which had previously been sold. The adoption of this strategy generally increases the Company's interest rate risk exposure. As noted below, management seeks to carefully monitor and assess the Company's interest rate risk exposure while actively managing the balance sheet composition.

The capital management plan has successfully reduced the Company's core capital ratio from 19.4% at December 31, 1996 to 8.3% at December 31, 2001 while increasing the Company's return on equity from 6.0% for the year ended December 31, 1997 to 12.0% for the year ended December 31, 2001. Management believes that prudent loan underwriting standards, the continued high concentration of lower-risk 1- to 4- family mortgage loans, and other effective risk management practices will allow the Company to continue to reduce capital levels in the foreseeable future.

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on the Company's interest-earning assets, such as loans and investments, Securities and the interest expense on its interest-bearing liabilities, such as deposits and borrowings. The Company also generates non-interest income such as income from loan sales, loan servicing, loan originations, merchant credit card services, deposit accounts, the sale of alternative investments, trust and asset management services and other fees. The Companys operating expenses primarily consist of compensation and employee benefits, occupancy and equipment, marketing, and other general and administrative expenses The Company's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory agencies.

Management of Interest Rate Risk

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending, investment and deposit taking activities. The Company's profitability is affected by fluctuations in interest rates. A sudden and substantial increase in interest rates may adversely impact the Company's earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. To that end, management actively monitors and manages interest rate risk exposure.

The principal objectives of the Company's interest rate risk management function are to evaluate the interest rate risk included in certain balance sheet accounts determine the level of risk appropriate given the Company's business focus, operating environment, capital and liquidity requirements and performance objectives; and manage the risk consistent with Board approved guidelines. Through such management, the Company seeks to reduce the vulnerability of its operations to changes in interest rates. The Company monitors its interest rate risk as such risk relates to its operating strategies. The Company's Board of Directors has established an Asset/Liability Committee ("ALCO Committee") consisting of members of the Company's management, responsible for reviewing the Company's asset/liability policies and interest rate risk position. The ALCO Committee meets monthly and reports trends and the Company's interest rate risk position to the Board of Directors on a quarterly basis. The extent of the movement of interest rates, higher or lower, is an uncertainty that could have a negative impact on the earnings of the Company.

The Company utilizes the following strategies to manage interest rate risk: (1) emphasizing the origination for portfolio of fixed-rate mortgage loans having terms to maturity of not more than fifteen years, adjustable-rate loans, floating-rate and balloon maturity commercial loans, and consumer loans consisting primarily of home equity loans and lines of credit; (2) holding primarily short-term and/or adjustable- or floating-rate mortgagebacked and investment securities; (3) attempting to reduce the overall interest rate sensitivity of liabilities by emphasizing core and longer-term deposits; and (4) extending the maturities on wholesale borrowings for up to ten years. The Company may also sell 30-year fixed-rate mortgage loans into the secondary market. In determining whether to retain 30-year fixed-rate mortgages, management considers the Company's overall interest rate risk position, the volume of such loans, the loan yield and the types and amount of funding sources. The Company periodically retains 30-year fixed-rate mortgage loan production in order to improve yields and increase balance sheet leverage. During periods when fixed-rate mortgage loan production is retained, the Company attempts to extend the maturity on part of its wholesale borrowings for up to ten years. With the substantial decline in interest rates during 2001, the Company resumed its practice of selling most 30-year fixed-rate mortgage loans into the secondary market. The Company currently does not participate in hedging programs, interest rate swaps or other activities involving the use of off-balance sheet derivative financial instruments, but may do so in the future to manage interest rate risk.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring an institution's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. Accordingly, during a period of rising interest rates, an institution with a negative gap position generally would not be in as favorable a position, compared to an institution with a positive gap, to invest in higher yielding assets. This may result in the yield on the institution's assets increasing at a slower rate than the increase in its cost of interest-bearing liabilities. Conversely, during a period of falling interest rates, an institution with a negative gap might experience a repricing of its assets at a slower rate than its interest-bearing liabilities, which, consequently, may result in its net interest income growing at a faster rate than an institution with a positive gap position.

At December 31, 2001 the Company's one year gap was negative 6.70%. In performing this calculation, except as stated below, the amount of assets and liabilities which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. Loans receivable reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable-rate loans and fixed-rate loans, and as a result of contractual rate adjustments on adjustable rate loans. Loans on residential properties were projected to repay at rates between 14% and 25% annually. Mortgage-backed securities were projected to prepay at rates between 10% and 27% annually. Passbook accounts, negotiable order of withdrawal ("NOW") and money market; accounts were assumed to decay, or run-off, at 2.78% per month. Prepayment and decay rates can have a significant impact on the Company's estimated gap. There can be no assurance that projected prepayment rates for loans and mortgage-backed securities will be achieved or that projected decay rates will be realized.

Certain shortcomings are inherent in gap analysis. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and decay rates would likely deviate significantly from those assumed in the calculation. Finally, the ability of many borrowers to service their adjustable-rate loans may be impaired in the event of an interest rate increase.

Another method of analyzing an institution's exposure to interest rate risk is by measuring the change in the institution's net portfolio value ("NPV") and net interest income under various interest rate scenarios. NPV is the difference between the net present value of assets, liabilities and off-balance sheet contracts. The NPV ratio, in any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The Company's interest rate sensitivity is monitored by management through the use of an interest rate risk ("IRR") model which measures IRR by modeling the change in NPV and net interest income over a range of interest rate scenarios. The Office of Thrift Supervision ("OTS") also produces an NPV only analysis using its own model, based upon data submitted on the Bank's quarterly Thrift Financial Reports. The results produced by the OTS may vary from the results provided by the Company's model, primarily due to differences in the assumptions utilized including estimated loan prepayment rates, reinvestment rates and deposit decay rates. The following table sets forth the Company's NPV and net interest income as of December 31, 2001 and 2000, as calculated by the Company. For purposes of this table, prepayment speeds and deposit decay rates similar to those used in calculating the Company's gap were used.

	December 31, 2001				
Change in Interest Rates in Basis Points (Rate Shock)	Net Portfolio Value		NPV Ratio	Net Interest Income	
	Amount	%Change		Amount	%Change
200	$118,006	(22.1)%	7.0%	$58,369	(5.3)%
100	141,155	(6.8)	8.2	60,366	(2.1)
Static	151,507	--	8.6	61,649	--
(100)	154,728	2.1	8.6	62,177	.9
(200)	153,274	1.2	8.4	60,781	(1.4)

	December 31, 2000				
Change in Interest Rates in Basis Points (Rate Shock)	Net Portfolio Value		NPV Ratio	Net Interest Income	
	Amount	%Change		Amount	%Change
200	$153,064	(22.3)%	9.9%	$44,556	(8.8)%
100	179,453	(8.9)	11.3	46,728	(4.3)
Static	197,049	--	12.1	48,837	--
(100)	201,071	2.0	12.1	49,569	(1.5)
(200)	196,426	(.3)	11.6	49,483	(1.3)

At December 31, 2001, the Company's NPV in a static rate environment is less than the NPV at December 31, 2000 reflecting the Company's declining capital levels resulting from common stock repurchase programs and the lower interest rate environment which reduces the value of the Company's core deposits. In a shocked interest rate environment, the Company projects a smaller percent change in NPV and net interest income at December 31, 2001 than was the case at December 31, 2000.

As is the case with the gap calculation, certain shortcomings are inherent in the methodology used in the NPV and net interest income IRR measurements. The model requires the making of certain assumptions which may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. First, the model assumes that the composition of the Company's interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured. Second, the model assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Third, the model does not take into account the Company's business or strategic plans. Accordingly, although the above measurements do provide an indication of the Company's IRR exposure at a particular point in time, such measurements are not intended to provide a precise forecast of the effect of changes in market interest rates on the Company's net interest income and can be expected to differ from actual results.

Asset Quality

The following table sets forth information regarding non-performing assets consisting of non-accrual loans and Real Estate Owned (REO) and activity in the allowance for loan losses. The Bank had no troubled-debt restructured loans and 2 REO properties at December 31, 2001. It is the policy of the Bank to cease accruing interest on loans 90 days or more past due or in the process of foreclosure. For the years ended December 31, 2001, 2000, 1999, 1998 and 1997, respectively, the amount of interest income that would have been recognized on non-accrual loans if such loans had continued to perform in accordance with their contractual terms was $379,000, $132,000, $52,000, $270,000 and $278,000.

At or for the year ended December 31,	2001	2000	1999	1998	1997
(dollars in thousands)					
Non-accrual loans:					
Real estate:					
One to four-family	$ 3,661	$2,594	$2,401	$4,605	$5,062
Commercial real estate, multi-family and land	--	--	362	574	382
Construction	--	--	--	--	--
Consumer	151	147	222	245	110
Commercial loans	2,368	182	--	--	--
Total	6,180	2,923	2,985	5,424	5,554
REO, net	133	157	292	43	1,198
Total non-performing assets	$ 6,313	$3,080	$3,277	$5,467	$6,752
Allowance for loan losses:					
Balance at beginning of year	$ 9,138	$8,223	$7,460	$6,612	$6,021
Less: Net charge-offs	37	70	137	52	309
Add: Provision for loan losses	1,250	985	900	900	900
Balance at end of year	$10,351	$9,138	$8,223	$7,460	$6,612
Ratio of net charge-offs during the year to average net loans outstanding during the year	.00%	.01%	.01%	.01%	.05%
Allowance for loan losses as percent of total loans receivable	.77	.77	.78	.76	.83
Allowance for loan losses as a percent of total non-performing loans	167.49	312.62	275.48	137.54	119.03
Non-performing loans as a percent of total loans receivable	.46	.25	.28	.56	.70
Non-performing assets as a percent of total assets	.36	.19	.21	.35	.45

The Company has developed an internal asset classification system which classifies assets depending on risk of loss characteristics. The asset classifications comply with certain regulatory guidelines. At December 31, 2001, the Bank had $4.1 million of assets, including all REO, classified as "Substandard," $2.4 million of assets classified as "Doubtful" and no assets classified as "Loss." Additionally, "Special Mention" assets totaled $4.8 million at December 31, 2001. These loans are classified as Special Mention due to past delinquencies or other identifiable weaknesses. The increase in non-performing loans as a whole and assets classified as Doubtful is primarily due to one non-performing commercial loan with an outstanding balance of $2.4 million which became non-accrual in the first quarter of 2001. The Bank holds a participation interest in a $12.5 million shared national credit on a company headquartered in New Jersey which is secured by various corporate assets. The Bank does not participate in any other shared national credits.

The provision for loan losses increased by $265,000 for the year ended December 31, 2001, as compared to the prior year to reflect the higher level of non-performing assets and the significant loan growth, especially in higher risk commercial loans. Net charge-offs, however, of $37,000 for 2001 remain modest. The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risks inherent in its loan portfolio and the general economy. The allowance for loan losses is maintained at a level management considers sufficient to provide for estimated losses based on evaluating known and inherent risks in the loan portfolio based upon management's continuing analysis of the factors underlying the quality of the loan portfolio. These factors include changes in the size and composition of the loan portfolio, actual loan loss experience, current economic conditions, detailed analysis of individual loans for which full collectibility may not be assured, and the determination of the existence and realizable value of the collateral and guarantees securing the loan. Additions to the allowance are charged to earnings. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to make additional provisions for loan losses based upon information available to them at the time of their examination. Although management uses the best information available, the level of allowance for loan losses remains an estimate which is subject to significant judgment and short-term change. Future adjustments to the allowance may be necessary due to economic, operating, regulatory and other conditions beyond the Company's control.

An overwhelming percentage of the Company's loan portfolio, whether one to four- family, consumer or commercial, is secured by real estate. Additionally, most of the Company's borrowers are located in Ocean County, New Jersey and the surrounding area. These concentrations may adversely affect the Company's loan loss experience should real estate values decline or should the Ocean County area experience an adverse economic shock.

Analysis of Net Interest Income

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income also depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them.

The following table sets forth certain information relating to the Company at December 31, 2001 and for each of the years ended December 31, 2001, 2000, and 1999. The yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown except where noted otherwise. Average balances are derived from average daily balances. The yields and costs include fees which are considered adjustments to yields.

(dollars in thousands)	At December 31, 2001 Balance	Years Ended December 31, 2001 Average Yield/ Cost	2001 Average Balance	2001 Interest	2001 Average Yield/ Cost	2000 Average Balance	2000 Interest	2000 Average Yield/ Cost
Assets:								
Interest-earning assets:								
Interest-earning deposits and short-term investments	$ 5,614	1.00%	$ 1,735	$ 51	2.94%	$ 404	$ 22	5.45%
Investment securities	80,017	3.36	89,483	5,084	5.68	120,000	8,797	7.33
FHLB stock	23,560	5.20	21,336	1,283	6.01	18,118	1,203	6.64
Mortgage-backed securities	233,302	6.25	268,221	17,024	6.35	309,929	20,948	6.76
Loans receivable, net /(l)/	1,338,717	7.27	1,250,049	94,718	7.58	1,105,851	85,135	7.70
Total interest-earning assets	1,681,210	6.89	1,630,824	118,160	7.24	1,554,302	116,105	7.47
Non-interest-earning assets	82,456		75,303			63,219		
Total assets	$1,763,666		$1,706,127			$1,617,521		
Liabilities and Equity:								
Interest-bearing liabilities:								
Money market deposit accounts	$ 78,903	1.86	$ 73,966	$ 1,744	2.36%	$ 76,570	$ 1,998	2.61%
Savings accounts	196,879	1.54	178,335	3,342	1.87	170,604	3,445	2.02
NOW accounts	212,328	1.60	198,186	4,476	2.26	130,423	2,534	1.94
Time deposits	547,134	4.39	604,834	31,927	5.28	667,911	36,689	5.49
Total	1,035,244	3.08	1,055,321	41,489	3.93	1,045,508	44,666	4.27
FHLB advances	272,000	3.97	188,411	8,918	4.73	105,456	6,654	6.31
Securities sold under agreements to repurchase	212,332	4.88	234,608	12,741	5.43	257,086	15,092	5.87
Total Interest-bearing liabilities	1,519,576	3.49	1,478,340	63,148	4.27	1,408,050	66,412	4.72
Non-interest-bearing liabilities	97,361		76,644			52,734		
Total liabilities	1,616,937		1,554,984			1,460,784		
Stockholders' equity	146,729		151,143			156,737		
Total liabilities and equity	$1,763,666		$1,706,127			$1,617,521		
Net interest income				$55,012			$ 49,693	
Net interest rate spread /(2)/		3.40%			2.97%			2.75%
Net interest margin /(3)/		3.74%			3.37%			3.20%
Ratio of interest-earning assets to interest-bearing liabilities	110.64%		110.31%			110.39%		

(dollars in thousands)	Years Ended December 31, 1999 Average Balance	1999 Interest	1999 Average Yield/ Cost
Assets:			
Interest-earning assets:			
Interest-earning deposits and short-term investments	$ 2,860	$ 103	3.60%
Investment securities	122,848	7,840	6.38
FHLB stock	16,800	1,142	6.80
Mortgage-backed securities	375,239	23,622	6.30
Loans receivable, net /(l)/	997,772	74,640	7.48
Total interest-earning assets	1,515,519	107,347	7.08
Non-interest-earning assets	50,231		
Total assets	$1,565,750		

Liabilities and Equity:			
Interest-bearing liabilities:			
Money market deposit accounts	$ 77,478	$ 2,090	2.70%
Savings accounts	173,798	3,518	2.02
NOW accounts	111,356	1,711	1.54
Time deposits	657,536	33,601	5.11
Total	1,020,168	40,920	4.01
FHLB advances	67,857	3,853	5.68
Securities sold under agreements to repurchase	253,811	14,036	5.53
Total Interest-bearing liabilities	1,341,836	58,809	4.38
Non-interest-bearing liabilities	40,209		
Total liabilities	1,382,045		
Stockholders' equity	183,705		
Total liabilities and equity	$1,565,750		
Net interest income		$ 48,538	
Net interest rate spread /(2)/			2.70%
Net interest margin /(3)/			3.20%
Ratio of interest-earning assets to interest-bearing liabilities	112.94%		

/(1) Amount is net of deferred loan fees, undisbursed loan funds, discounts and premiums and estimated loan loss allowances and includes loans held for sale and non-performing loans./

/(2) Net interest rate spread represents the difference between the yield on interest-earning assets and the cost of interest-bearing liabilities./

/(3) Net interest margin represents net interest income divided by average interest-earning assets./

Rate Volume Analysis. The following table presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended December 31, 2001 Compared to Year Ended December 31, 2000			Year Ended December 31, 2000 Compared to Year Ended December 31,1999		
	Increase(Decrease) Due to			Increase(Decrease) Due to		
(in thousands)	Volume	Rate	Net	Volume	Rate	Net
Interest-earning assets:						
Interest-earning deposits and short-term investments	$ 43	$ (14)	$ 29	$ (117)	$ 36	$ (81)
Investment securities	(1,970)	(1,743)	(3,713)	(186)	1,143	957
FHLB stock	201	(121)	80	88	(27)	61
Mortgage-backed securities	(2,705)	(1,219)	(3,924)	(4,316)	1,642	(2,674)
Loans receivable, net	10,931	(1,348)	9,583	8,254	2,241	10,495
Total interest-earning assets	6,500	(4,445)	2,055	3,723	5,035	8,758
Interest-bearing liabilities:						
Money market deposit accounts	(67)	(187)	(254)	(24)	(68)	(92)
Savings accounts	155	(258)	(103)	(73)	--	(73)
NOW accounts	1,474	468	1,942	327	496	823
Time deposits	(3,389)	(1,373)	(4,762)	541	2,547	3,083
Total	(1,827)	(1,350)	(3,177)	771	2,975	3,746
FHLB advances	4,245	(1,981)	2,264	2,334	467	2,801
Securities sold under agreements to repurchase	(1,266)	(1,085)	(2,351)	183	873	1,056
Total interest-bearing liabilities	1,152	(4,416)	(3,264)	3,288	4,315	7,603
Net change in net interest income	$ 5,348	$ (29)	$5,319	$ 435	$ 720	$ 1,155

Comparison of Financial Condition at December 31, 2001 and December 31, 2000

Total assets at December 31, 2001 were $1.764 billion, an increase of $123.4 million, compared to $1.640 billion at December 31, 2000.

Investment securities available for sale decreased by $23.5 million, to a balance of $80.0 million at December 31, 2001, compared to a balance of $103.5 million at December 31, 2000, and mortgage-backed securities available for sale decreased by $34.7 million, to $233.3 million at December 31, 2001, from $268.0 million at December 31, 2000. The investment and mortgage-backed securities available for sale portfolios decreased in order to partly fund growth in the Bank's loans receivable.

Loans receivable, net, increased by $164.0 million, or 14.4%, to a balance of $1.301 billion at December 31, 2001, compared to a balance of $1,137 billion at December 31, 2000. The increase was largely attributable to growth in mortgage loans as the Bank acquired certain mortgage loans, primarily high quality adjustable-rate and short-term fixed-rate loans, from Columbia. Previously, Columbia would have sold these loans into the secondary market. Additionally, commercial lending (including commercial real estate) grew by $44.7 million, or 37.4%.

Deposit balances increased $4.9 million to $1.109 billion at December 31, 2001 from $1.104 billion at December 31, 2000, partly due to the results of new branches opened in 2001. Core deposit categories, a key emphasis for the Company, increased by $104.1 million or 22.8%, as time deposits declined.

Total borrowings, represented by Federal Home Loan Bank advances and securities sold under agreements to repurchase increased by $120.3 million to $484.3 million at December 31, 2001 from $364.0 million at December 31, 2000. The additional borrowings were used to fund the Banks loan growth and common stock repurchase programs.

Stockholders' equity at December 31, 2001 decreased to $146.7 million, compared to $157.7 million at December 31, 2000 due to the execution of the Company's eighth and ninth stock repurchase programs. For the year ended December 31, 2001, the Company repurchased 1,303,143 shares of common stock at a total cost of $31.9 million. Under the 10% repurchase program authorized by the Board of Directors in July 2001, 522,776 shares remain to be purchased as of December 31, 2001.

Results of Operations

Comparison of Operating Results for the Years Ended December 31, 2001 and December 31, 2000

General

Net income increased $1.8 million or 10.8%, to $18.1 million for the year ended December 31, 2001 as compared to net income of $16.3 million for the year ended December 31, 2000. Diluted earnings per share increased 20.1%, to $1.85 for the year ended December 31, 2001 as compared to $1.54 for the year ended December 31, 2000. The higher percentage increase in earnings per share is the result of the Company's common stock repurchase program which reduced the number of shares outstanding for purposes of calculating earnings per share. Net income for the year ended December 31, 2001 was reduced by an extraordinary item of $1.1 million net of tax, resulting from the extinguishment of certain financial liabilities. The Bank prepaid $23.0 million of outstanding borrowings with a weighted average cost of 6.23% incurring a prepayment penalty on the early debt extinguishment. The funds were reborrowed at comparable maturities, but at a lower cost benefiting future periods. For 2002 alone, the restructuring will decrease interest expense by $409,000.

Interest Income

Interest income for the year ended December 31, 2001 was $118.2 million, compared to $116.1 million for the year ended December 31, 2000, an increase of $2.1 million. The increase in interest income was due to an increase in average interest-earning assets of $76.5 million, partly offset by a decrease in the yield on interest-earning assets. The yield on average interest-earning assets decreased to 7.24% on average for year ended December 31, 2001. from 7.47% on average in the prior year. Despite this decline, which was reflective of the lower interest rate environment, the asset yield still benefited from a change in the mix of average interest-earning assets towards a higher concentration of loans receivable with a corresponding reduction of lower-yielding investment and mortgage-backed securities. For the year ended December 31, 2001 loans receivable represented 76.7% of average interest-earning assets as compared to 71.1% for the same prior year period.

Interest Expense

Interest expense for the year ended December 31, 2001 was $63.1 million, compared to $66.4 million for the year ended December 31. 2000, a decrease of $3.3 million, or 4.9%. The decrease in interest expense was primarily the result of a decrease in the average cost of interest-bearing liabilities, which decreased to 4.27% for the year ended December 31, 2001, as compared to 4.72% for the prior year, partly offset by an increase in average interest-bearing liabilities which rose by $70.3 million for the year ended December 31, 2001 as compared to the prior year. The Company's focus on lower cost core deposit growth contributed to the decrease in interest expense, as core deposits represented 46.0% of average deposits (including non-interest-earning deposits) for the year ended December 31, 2001, as compared to 38.6% for the same prior year period.

Provision for Loan Losses

For the year ended December 31, 2001, the Company's provision for loan losses was $1.3 million, an increase of $265,000, or 26.9% from the same prior year period to reflect the growth in loans receivable and a change in overall loan mix to a greater concentration of commercial loans.

Other Income

Other income was $12.9 million for the year ended December 31, 2001, as compared to $6.1 million for the same prior year period. The net gain (loss) on the sale of loans and securities was a $6.0 million gain for the year ended December 31, 2001 as compared to a $41,000 loss for the prior year. The loss for the year ended December 31, 2000 was due to a loss of $1,636,000 on the sale of $31.9 million in mortgage-backed securities available for sale. For the year ended December 31, 2001, the Company sold $421.9 million in mortgage loans at a gain of $6.0 million as compared to the sale of $117.5 million in mortgage loans at a gain of $1.6 million in the prior year. The increased gains from loan sales are primarily due to the mortgage banking activities of Columbia. The Bank also periodically sells 30-year fixed-rate mortgage loans to assist in the management of interest rate risk. Both the Bank and Columbia benefited from the lower interest rate environment in effect during 2001, the resulting heavy refinance activity and the related gains from the sale of these loans.

Fees and service charges remained stable at $4.7 million for both the year ended December 31, 2001 and 2000. Loan servicing income decreased by $1.4 million for the year ended December 31, 2001 as compared to the prior year due to actual and anticipated prepayments of the loans underlying the servicing portfolio. The Company evaluates mortgage servicing rights for impairment on a quarterly basis. The valuation of mortgage servicing rights is determined through a discounted analysis of future cash flows, incorporating numerous assumptions which are subject to significant change in the near term. Generally, a decline in market interest rates will cause expected prepayment speeds to increase resulting in a lower valuation for mortgage servicing rights and ultimately lower future servicing fee income.

Excluding loan servicing income, fees and service charges increased by $1.4 million, or 32.8%, for the year ended December 31, 2001 as compared to the prior year 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 trust and asset management services introduced late in the first quarter of 2000. Other income increased by $675,000 for the year ended December 31, 2001 as compared to the prior year primarily due to an increase in the Bank's investment in Bank Owned Life Insurance(BOLI).

Operating Expenses

Operating expenses were $37.4 million for the year ended December 31, 2001, an increase of $5.7 million compared to the same prior year period. The increase was primarily due to operating expenses associated with Columbia and the costs associated with the opening and operation of the Banks fourteenth, fifteenth and sixteenth branch offices in May 2000, February 2001 and September 2001, respectively. Occupancy costs for the year ended December 31, 2001, also include $373,000 of lease termination costs incurred in connection with the relocation of Columbia's corporate headquarters to more efficient office space. Columbia leased a new facility which will reduce occupancy cost by approximately $120,000 in 2002.

Provision for Income Taxes

Income tax expense attributable to income before extraordinary item was $10.1 million for the year ended December 31, 2001, compared to $6.8 million for the year ended December 31, 2000. Income tax expense for 2000 included the recognition of a $1.1 million tax benefit relating to the charitable donation expense associated with the 1996 formation of the OceanFirst Foundation. Charitable donations are tax deductible subject to a limitation of 10% of annual taxable income, however, the Company was able to carry forward the unused portion of the deduction for five years following the year in which the contribution was made. Based on the Company's original estimate of taxable income for 1996 and the carry forward period, $4.3 million of charitable donation expense was considered not tax deductible because the Company believed it was unlikely to realize sufficient earnings over the six year period to take the full deduction. After considering the Company's strong earnings performance and expectations for taxable income through December 31, 2001, the Company, in the third quarter of 2000, estimated that an additional $3.0 million of charitable donation expense could be recognized for tax purposes, providing for a tax benefit of $1.1 million. The Company had a remaining charitable expense carry forward of $1,229,000 ($430,000 on an after-tax basis) which expired on December 31, 2001.

Comparison of Operating Results for the Years Ended December 31, 2000 and December 31,1999

General

Net income increased $35,000 or .2%, to $16.4 million for the year ended December 31, 2000 as compared to net income of $16.3 million for the year ended December 31, 1999. Diluted earnings per share increased 15.8%, to $1.54 for the year ended December 31, 2000 as compared to $1.33 for the year ended December 31, 1999.

Interest Income

Interest income for the year ended December 31, 2000 was $116.1 million, compared to $107.3 million for the year ended December 31, 1995, an increase of $8.8 million. The increase in interest income was due to an increase in the yield on interest-earning assets and an increase in average interest-earning assets. The yield on average interest-earning assets increased to 7.47% on average for the year ended December 31, 2000, from 7.08% on average in the same prior year period partly due to a higher rate environment and partly due to a change in the mix of average interest-earning assets towards a higher concentration of loans receivable with a corresponding reduction of lower yielding investment and mortgage-backed securities. For the year ended December 31, 2000 loans receivable represented 71.1% of average interest-earning assets as compared to 65.8% for the same prior year period.

Interest Expense

Interest expense for the year ended December 31, 2000 was $66.4 million, compared to $58.8 million for the year ended December 31, 1999, an increase of $7.6 million, or 12.9%. The increase in interest expense was primarily the result of an increase in the average cost of interest-bearing liabilities which increased to 4.72% for the year ended December 31, 2000, as compared to 4.38% for the same prior year period and an increase in average interest-bearing liabilities which rose by $66.2 million for the year ended December 31, 2000, as compared to the same prior year period. The Company's focus on lower cost core deposit growth moderated the increase in interest expense, as core deposits represented 38.6% of average deposits (including non-interest-earning deposits) for the year ended December 31, 2000, as compared to 37.2% for the same prior year period.

Provision for Loan Losses

For the year ended December 31, 2000, the Company's provision for loan losses was $985,000, an increase of $85,000, or 9.4% from the same prior year period to reflect the growth in loans receivable and a change in overall loan mix to a greater concentration of commercial loans. The Company's non-performing assets declined slightly to $2.9 million at December 31, 2000, as compared to $3.0 million at December 31, 1999.

Other Income

Other income was $6.1 million for the year ended December 31, 2000 as compared to $5.2 million for the same prior year period. The net (loss) gain on the sale of loans and securities was a $41,000 loss for the year ended December 31, 2000 as compared to a $557,000 gain for the same prior year period. The loss for the year ended December 31, 2000 was due to a loss of $1,636,000 on the sale of $31.9 million in mortgage-backed securities available for sale. For the same prior year period the Company recognized a loss of $49,000 on the sale of investment securities available for sale. For the year ended December 31, 2000, the Company sold $117.5 million in mortgage loans at a gain

of $1,595.000, as compared to the sale of $48.1 million in mortgage loans at a gain of $606,000 in the same prior year period. The increased gains from loan sales are primarily due to the mortgage banking activities for Columbia.

Results of Operations (continued)

Fees and service charges increased by $1.1 million or 30.8% for the year ended December 31, 2000 as compared to the same prior year period 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 trust and asset management services introduced late in the first quarter of 2000.

Operating Expenses

Operating expenses were $31.6 million for the year ended December 31, 2000, an increase of $3.8 million compared to the same prior year period. The increase was partly due to operating and related expenses associated with Columbia, the costs associated with the opening of the Bank's twelfth and thirteenth branch offices in September and October 1999; the Bank's fourteenth branch office in May 2000 and the introduction of the Company's Trust and Asset Management business line. Federal deposit insurance decreased by $380,000 for the year ended December 31, 2000 as compared to the same prior year period due to a decline in the assessment rate.

Provision for Income Taxes

Income tax expense was $6.8 million for the year ended December 31, 2000, compared to $8.7 million for the year ended December 31, 1999. Income tax expense decreased as the Company recognized a tax benefit of $1.1 million in 2000 relating to the recognition, for tax purposes, of previously unrecognized charitable donation expense associated with the 1996 formation of OceanFirst Foundation.

Liquidity and Capital Resources

The Company's primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, proceeds from the sales of loans, FHLB advances and other borrowings and, to a lesser extent, investment maturities. 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 December 31, 2001, the Company had $80.0 million in outstanding overnight borrowings from the FHLB, an increase from $52.5 million at December 31, 2000. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company also had other borrowings of $404.3 million at December 31, 2001, an increase from $311.5 million at December 31, 2000. These borrowings were used to fund loan growth and a wholesale leverage strategy designed to improve returns on invested capital.

The Company's cash needs for the year ended December 31, 2001 were primarily satisfied by proceeds from the sale of mortgage loans held for sale, maturities of investment securities available for sale, principal payments on loans and mortgage-backed securities and increased total borrowings. The cash was principally utilized for loan originations, the purchase of mortgage-backed securities and the purchase of treasury stock. For the year ended December 31, 2000, 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-backed securities and increased deposits. The cash provided was principally utilized for loan originations, the purchase of investment and mortgage-backed securities and the purchase of treasury stock.

At December 31, 2001, the Bank exceeded all of its regulatory capital requirements with tangible capital of $126.0 million, or 7.16% of total adjusted assets, which is above the required level of $26.4 million or 1.5%; core capital of $126.0 million or 7.16% of total adjusted assets, which is above the required level of $52.8 million, or 3.0%; and risk-based capital of $136.2 million, or 12.99% of risk-weighted assets, which is above the required level of $83.9 million or 8.0%. The Bank is considered a "well capitalized" institution under the Office of Thrift Supervision's prompt corrective action regulations.

Impact of Inflation and Changing Prices

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollar amounts without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

Impact of New Accounting Pronouncements

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No.138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment to FASB Statement No. 133." SFAS No. 138 amends certain aspects of SFAS No. 133 to simplify the accounting for derivatives and hedges under SFAS No. 133. SFAS No. 138 was effective upon the Company's adoption of SFAS No. 133 (January 1, 2001). The initial adoption of SFAS No. 133 and SFAS No. 138 did not have a material impact on the Company's financial statements.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (A Replacement of FASB Statement 125)." SPAS No. 140 supersedes and replaces the guidance in SFAS No. 125 and, accordingly, provides guidance on the following topics:
securitization transactions involving financial assets; sales of financial assets such as receivables, loans, and securities; factoring transactions; wash sales; servicing assets and liabilities; collateralized borrowing arrangements; securities lending transactions; repurchase agreements; loan collateralized borrowing arrangements; securities lending transactions; repurchase agreements; loan participations; and extinguishment of liabilities. The provisions of SFAS No. 140 were effective for transactions entered into after March 31, 2001. The initial adoption of SFAS No. 140 did not have a material impact on the Company's financial statements.

On July 20, 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, as well as all purchase method business combinations completed after June 30, 2001. SFAS 141 also specifies the criteria acquired intangible assets must meet to be recognized and reported apart from goodwill. SFAS 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 will also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed periodically for impairment.

SFAS 142 requires that goodwill and any intangible asset determined to have an indefinite useful life acquired after June 30, 2001 will not be amortized, but will continue to be evaluated for impairment in accordance with the appropriate pre-SFAS 142 accounting literature. Goodwill and intangible assets acquired in business combinations completed before July 1, 2001 will continue to be amortized prior to the adoption of SFAS 142.

The Company is required to adopt the provisions of SFAS 141 immediately. The initial adoption of SFAS 141 had no impact on the Company's consolidated financial statements. The Company is required to adopt SFAS 142 effective January 1, 2002. As of December 31, 2001, the Company has $1.0 million in unamortized goodwill with annual amortization of $253,000 which will cease upon the adoption of SFAS 142. The Company is currently evaluating the transitional goodwill impairment criteria of SFAS 142 and is not able to estimate the impact, if any, that SFAS 142 may have on recorded goodwill. The impairment adjustment, if any, will have to be identified by June 30, 2002 and measured and recorded by the Company no later than December 31, 2002. The impairment adjustment, if any, will be recognized as a cumulative effect of a change in accounting principle and will be recorded in the first interim reporting period of 2002. The adoption of SFAS 142 did not significantly impact the Company's accounting for currently recorded intangible assets, primarily core deposit intangibles.

On October 3, 2001, the FASB issued SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. While SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," it retains many of the fundamental provisions of that Statement. The Statement is effective for fiscal years beginning after December 15, 2001. The initial adoption of SFAS No. 144 did not have a significant impact on the Company's financial statements.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires an enterprise to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets. The Company is required to adopt the provisions of SFAS No. 143 for fiscal years beginning after June 15, 2002. The Company does not anticipate that SFAS No. 143 will significantly impact the Company's consolidated financial statements.

Private Securities Litigation Reform Act Safe Harbor Statement

In addition to historical information, this annual 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 of the business are included in Item 1, BUSINESS of the Company's 2001 Form 10-K.

Consolidated Statements of Financial Condition

December 31, 2001 and 2000 (dollars in thousands, except per share amounts)	2001	2000
Assets		
Cash and due from banks	$ 16,876	$ 7,235
Investment securities available for sale (notes 4 and 10)	80,017	103,536
Federal Home Loan Bank of New York stock, at cost (note 10)	23,560	20,000
Mortgage-backed securities available for sale (notes 5 and 10)	233,302	268,042
Loans receivable, net (notes 6 and 10)	1,300,889	1,136,879
Mortgage loans held for sale	37,828	35,588
Interest and dividends receivable (note 7)	7,632	9,318
Real estate owned, net	133	157
Premises and equipment, net (note 8)	16,730	14,676
Servicing asset (note 6)	7,628	6,363
Other assets (note 11)	39,071	38,423
Total assets	$ 1,763,666	$ 1,640,217
Liabilities and Stockholders' Equity		
Deposits (note 9)	$ 1,109,043	$ 1,104,188
Federal Home Loan Bank advances (note 10)	272,000	127,500
Securities sold under agreements to repurchase (note 10)	212,332	236,494
Advances by borrowers for taxes and insurance	6,371	6,388
Other liabilities (note 11)	17,191	7,911
Total liabilities	1,616,937	1,482,481
Stockholders' equity (notes 3, 11, 12 and 13):		
Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued	--	--
Common stock, $.O1 par value, 55,000,000 shares authorized, 18,118,248 shares issued and 9,860,889 and 11,084,123 shares outstanding at December 31, 2001 and 2000, respectively	181	181
Additional paid-in capital	181,780	179,805
Retained earnings	131,746	121,737
Accumulated other comprehensive loss	(824)	(4,927)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(12,663)	(14,156)
Unearned Incentive Awards	(161)	(2,096)
Treasury stock, 8,257,359 and 7,034,125 shares at December 31, 2001 and 2000, respectively	(153,330)	(122,808)
Total stockholders' equity	46,729	157,736
Commitments and contingencies (note 14)		
Total liabilities and stockholders' equity	$ 1,763,666	$ 1,640,217

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(in thousands, except per share amounts)

Years Ended December 31, 2001, 2000 and 1999	2001	2000	1999
Interest income:			
Loans	$ 94,718	$ 85,135	$74,640
Mortgage-backed securities	17,024	20,948	23,622
Investment securities and other	6,418	10,022	9,085
Total interest income	118,160	116,105	107,347
Interest expense:			
Deposits (note 9)	41,489	44,666	40,920
Borrowed funds	21,659	21,746	17,889
Total interest expense	63,148	66,412	58,809
Net interest income	55,012	49,693	48,538
Provision for loan losses (note 6)	1,250	985	900
Net interest income after provision for loan losses	53,762	48,708	47,638
Other income:			
Fees and service charges	4,677	4,667	3,569
Net gain (loss) on sales of loans and securities available for sale (notes 4 and 5)	5,954	(41)	557
Net income from other real estate operations	271	171	148
Other	2,023	1,348	952
Total other income	12,925	6,145	5,226
Operating expenses:			
Compensation and employee benefits (notes 12 and 13)	19,987	17,870	15,378
Occupancy (note 14)	3,385	2,261	2,133
Equipment	2,168	1,661	1,375
Marketing	1,711	1,685	1,733
Federal deposit insurance	489	479	859
Data processing	2,128	1,702	1,333
General and administrative	7,511	5,987	5,041
Total operating expenses	37,379	31,645	27,852
Income before provision for income taxes and extraordinary item	29,308	23,208	25,012
Provision for income taxes (note 11)	10,064	6,826	8,665
Income before extraordinary item	19,244	16,382	16,347
Extraordinary item, net of tax - prepayment penalty on debt extinguishment (notes 10 and 11)	(1,085)	--	--
Net Income	$ 18,159	$ 16,382	$16,347
Basic earnings per share			
Income before extraordinary item	$ 2.07	$ 1.59	$ 1.36
Extraordinary item, net of tax	(.11)	--	--
Net income	$ 1.96	$ 1.59	$ 1.36
Diluted earnings per share			
Income before extraordinary item	$ 1.96	$ 1.54	$ 1.33
Extraordinary item, not of tax	(.11)	--	--
Net income	$ 1.85	$ 1.54	$ 1.33
Average basic shares outstanding (note 1)	9,288	10,293	11,990
Average diluted shares outstanding (note 1)	9,837	10,666	12,299

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

(dollars in thousands, except per share amounts)

Years Ended December 31, 2001, 2000 and 1999	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)Income	Employee Stock Ownership Plan
Balance at December 31, 1998	$ 181	$178,309	$ 103,982	$(1,226)	$(17,376)
Comprehensive income:					
Net income	--	--	16,347	--	--
Other comprehensive loss:					
Unrealized loss on securities (net of tax benefit $4,917)	--	--	--	(8,373)	--
Reclassification adjustment for losses included in net income (net of tax benefit $18)	--	--	--	31	--
Total comprehensive income	--	--	--	--	--
Earned Incentive Awards	--	--	--	--	--
Purchase 2,010,061 shares of common stock	--	--	--	--	--
Allocation of ESOP stock	--	--	--	--	1,649
ESOP adjustment	--	541	--	--	--
Cash dividend - $.57 per share	--	--	(7,157)	--	--
Exercise of stock options	--	--	(3)	--	--
Balance at December 31, 1999	181	178,850	113,169	(9,568)	(15,727)
Comprehensive income:					
Net income	--	--	16,382	--	--
Other comprehensive gain:					
Unrealized gain on securities (net of tax expense $2,153)	--	--	--	3,578	--
Reclassification adjustment for losses included in net income (net of tax benefit $573)	--	--	--	1,063	--
Total comprehensive income	--	--	--	--	--
Earned Incentive Awards	--	--	--	--	--
Tax benefit of stock plans	--	258	--	--	--
Purchase 1,614,892 shares of common stock	--	--	--	--	--
Allocation of ESOP stock	--	--	--	--	1,571
ESOP adjustment	--	697	--	--	--
Cash dividend- $.72 per share	--	--	(7,622)	--	--
Exercise of stock options	--	--	(192)	--	--
Balance at December 31, 2000	181	179,805	121,737	(4,927)	(14,156)
Comprehensive income:					
Net income	--	--	18,159	--	--
Other comprehensive gain:					
Unrealized gain on securities (net of tax expense $2,409)	--	--	--	4,103	--
Total comprehensive income	--	--	--	--	--
Earned Incentive Awards	--	--	--	--	--
Tax benefit of stock plans	--	641	--	--	--
Purchase 1,303,143 shares of common stock	--	--	--	--	--
Allocation of ESOP stock	--	--	--	--	1,493
ESOP adjustment	--	1,334	--	--	--
Cash dividend -$.84 per share	--	--	(7,943)	--	--
Exercise of stock options	--	--	(207)	--	--
Balance at December 31, 2001	$ 181	$181,780	$ 131,746	$ (824)	$(12,663)

Years Ended December 31, 2001, 2000 and 1999	Unearned Incentive Awards	Treasury Stock	Total
Balance at December 31, 1998	$(5,963)	$(60,167)	$ 197,740
Comprehensive income:			
Net income	--	--	16,347
Other comprehensive loss:			
Unrealized loss on securities (net of tax benefit $4,917)	--	--	(8,373)
Reclassification adjustment for losses			

included in net income (net of tax benefit $18)	--	--	31
Total comprehensive income	--	--	8,005
Earned Incentive Awards	1,933	--	1,933
Purchase 2,010,061 shares of common stock	--	(35,198)	(35,198)
Allocation of ESOP stock	--	--	1,649
ESOP adjustment	--	--	541
Cash dividend - $.57 per share	--	--	(7,157)
Exercise of stock options	--	20	17
Balance at December 31, 1999	(4,030)	(95,345)	167,530
Comprehensive income:			
Net income	--	--	16,382
Other comprehensive gain:			
Unrealized gain on securities (net of tax expense $2,153)	--	--	3,578
Reclassification adjustment for losses included in net income (net of tax benefit $573)	--	--	1,063
Total comprehensive income	--	--	21,023
Earned Incentive Awards	1,934	--	1,934
Tax benefit of stock plans	--	--	258
Purchase 1,614,892 shares of common stock	--	(28,800)	(28,800)
Allocation of ESOP stock	--	--	1,571
ESOP adjustment	--	--	697
Cash dividend- $.72 per share	--	--	(7,622)
Exercise of stock options	--	1,337	1,145
Balance at December 31, 2000	(2,096)	(122,808)	157,736
Comprehensive income:			
Net income	--	--	18,159
Other comprehensive gain:			
Unrealized gain on securities (net of tax expense $2,409)	--	--	4,103
Total comprehensive income	--	--	22,262
Earned Incentive Awards	1,935	--	1,935
Tax benefit of stock plans	--	--	641
Purchase 1,303,143 shares of common stock	--	(31,921)	(31,921)
Allocation of ESOP stock	--	--	1,493
ESOP adjustment	--	--	1,334
Cash dividend - $.84 per share	--	--	(7,943)
Exercise of stock options	--	1,399	1,192
Balance at December 31,2001	$ (161)	$(153,330)	$ 146,729

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(in thousands, except per share amounts)

Years Ended December 31, 2001, 2000 and 1999	2001	2000	1999
Cash flows from operating activities:			
Net income	$ 18,159	$ 16,382	$ 16,347
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	1,960	1,640	1,509
Amortization of Incentive Awards	1,935	1,934	1,933
Amortization of ESOP	1,493	1,571	1,649
ESOP adjustment	1,334	697	541
Amortization of servicing asset	2,503	673	351
Amortization of intangible assets	359	103	103
Net premium amortization in excess of discount accretion on securities	683	384	1,044
Net accretion of deferred fees and discounts in excess of premium amortization on loans	(407)	(280)	(310)
Provision for loan losses	1,250	985	900
Deferred taxes	(1,500)	(318)	757
Net gain on sales of real estate owned	(308)	(209)	(246)
Net (gain) loss on sales of loans and securities available for sale	(5,954)	41	(557)
Proceeds from sales of mortgage loans held for sale	427,876	119,139	48,719
Mortgage loans originated for sale	(424,162)	(130,761)	(22,973)
Increase in value of Bank Owned Life Insurance	(1,696)	(1,194)	(808)
Decrease (increase) in interest and dividends receivable	1,686	(752)	1,352
(Increase) decrease in other assets	(3,988)	6,914	(1,576)
Increase (decrease) in other liabilities	9,921	1,656	(5,979)
Total adjustments	12,985	2,223	26,409
Net cash provided by operating activities	31,144	18,605	42,756
Cash flows from investing activities:			
Net increase in loans receivable	(165,307)	(95,377)	(103,663)
Proceeds from sales of investment and mortgage-backed securities available for sale	--	30,279	121
Purchase of investment securities available for sale	(1,292)	(21,089)	(15,423)
Purchase of mortgage-backed securities available for sale	(49,006)	(5,059)	(97,251)
Proceeds from maturities of investment securities available for sale	24,470	37,700	30,043
Principal payments on mortgage-backed securities available for sale	89,916	58,901	120,460
Purchases of Federal Home Loan Bank of New York stock	(3,560)	(3,200)	--
Proceeds from sales of real estate owned	786	1,211	1,106
Purchases of premises and equipment	(4,014)	(2,108)	(1,451)
Purchase of Bank Owned Life Insurance	--	(8,000)	--
Acquisition of Columbia Equities, Ltd., net of cash and cash equivalents	--	(2,954)	--
Net cash used in investing activities	(108,007)	(9,696)	(66,058)
Cash flows from financing activities:			
Increase in deposits	4,855	47,238	21,699
Increase (decrease) in short-term borrowings	41,338	50,127	(71,741)
Proceeds from Federal Home Loan Bank advances	155,000	55,000	105,000
Repayments of Federal Home Loan Bank Advances	(38,000)	(127,696)	--
Proceeds from securities sold under agreements to repurchase	10,000	85,000	83,754
Repayments of securities sold under agreements to repurchase	(48,000)	(86,000)	(74,254)
(Decrease) increase in advances by borrowers for taxes and insurance	(17)	(73)	894
Exercise of stock options	1,192	1,145	17
Dividends paid	(7,943)	(7,622)	(7,157)
Purchase of treasury stock	(31,921)	(28,800)	(35,198)
Net cash provided by (used in) financing activities	86,504	(11,681)	23,014
Net increase (decrease) in cash and due from banks	9,641	(2,772)	(288)
Cash and due from banks at beginning of year	7,235	10,007	10,295
Cash and due from banks at end of year	$ 16,876	$ 7,235	$ 10,007
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	$ 64,798	$ 66,073	$ 58,238
Income taxes	7,600	5,310	13,416
Noncash investing activities:			
Transfer of loans receivable to real estate owned	454	768	1,109
Mortgage loans securitized into mortgage-backed securities	$ 90,563	$ 23,042	$ 37,200

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of OceanFirst Financial Corp. (the "Company") and its whollyowned subsidiary, OceanFirst Bank (the "Bank") and its whollyowned subsidiaries, Columbia Equities, Ltd. ("Columbia"), OceanFirst REIT Holdings, Inc., OceanFirst Realty Corp. and OceanFirst Services, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

Business

The Bank provides a range of banking services to customers through a network of branches in Ocean, Monmouth and Middlesex counties in New Jersey. The Bank is subject to competition from other financial institutions; it is also subject to the regulations of certain regulatory agencies and undergoes periodic examinations by those regulatory authorities.

Basis of Financial Statement Presentation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statement of financial condition and revenues and expenses for the period then ended. Actual results could differ significantly from those estimates and assumptions.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, the valuation of real estate acquired in connection with foreclosures or in settlement of loans and the valuation of mortgage servicing rights. In connection with the determination of the allowances for loan losses and Real Estate Owned (REO), management obtains independent appraisals for significant properties.

Cash Equivalents

Cash equivalents consist of interest-bearing deposits in other financial institutions and loans of Federal funds. For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Investment and Mortgage-Backed Securities

The Company classifies all investment and mortgage-backed securities as available for sale. Securities available for sale include securities that management intends to use as part of its asset/liability management strategy. Such securities are carried at fair value and unrealized gains and losses, net of related tax effect, are excluded from earnings, but are included as a separate component of stockholders' equity. Gains or losses on the sale of such securities are included in other income using the specific identification method.

Loans Receivable

Loans receivable, other than loans held for sale, are stated at unpaid principal balance, plus unamortized premiums less unearned discounts, net of deferred loan origination and commitment fees, and the allowance for loan losses. Discounts and premiums are recognized in income using the level-yield method over the estimated lives of the loans.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net fee or cost is recognized in interest income using the level-yield method over the contractual life of the specifically identified loans, adjusted for actual prepayments.

Loans in which interest is more than 90 days past due, including impaired loans, and other loans in the process of foreclosure are placed on nonaccrual status. Interest income previously accrued on these loans, but not yet received, is reversed in the current period. Any interest subsequently collected is credited to income in the period of recovery. A loan is returned to accrual status when all amounts due have been received and the remaining principal balance is deemed collectible.

A loan is considered impaired when it is deemed probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. The Company has defined the population of impaired loans to be all non-accrual commercial real estate, multi-family, land, construction and commercial loans in excess of $250,000. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral or the present value of the loan's expected future cash flows. Smaller balance homogeneous loans that are collectively evaluated for impairment, such as residential mortgage loans and installment loans, are specifically

excluded from the impaired loan portfolio.

Mortgage Loans Held for Sale

The Company regularly sells part of its mortgage loan originations. Mortgage loans intended for sale are carried at the lower of unpaid principal balance, net, or market value on an aggregate basis.

Allowance for Loan Losses

The adequacy of the allowance for loan losses is based on management's evaluation of the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and current economic conditions. Additions to the allowance arise from charges to operations through the provision for loan losses or from the recovery of amounts previously charged off. The allowance is reduced by loan charge-offs. Loans are charged-off when management believes such loans are uncollectible.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions in the Company's market area. In addition, various regulatory agencies, as an integral part of their routine examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

Mortgage Servicing Rights, or MSR

The Company recognizes as a separate asset the rights to service mortgage loans, whether those rights are acquired through loan purchase or loan origination activities. MSR's are amortized in proportion to and over the estimated period of net servicing income. MSR's are stratified by underlying loan type (primarily fixed and adjustable) and interest rate. The estimated fair value of each MSR stratum is determined through a discounted analysis of future cash flows, incorporating numerous assumptions including servicing income, servicing costs, market discount rates, prepayment speeds and default rates. Impairment of the MSR is assessed on the fair value of those rights on a stratum-by-stratum basis with any impairment recognized through a valuation allowance for each impaired stratum. Individual allowances for each stratum are then adjusted in subsequent periods to reflect changes in the measurement of impairment.

Real Estate Owned

Real estate owned is carried at the lower of cost or fair value, less estimated costs to sell. When a property is acquired, the excess of the loan balance over fair value is charged to the allowance for loan losses. A reserve for real estate owned has been established to provide for subsequent declines in the fair values of properties. Real estate owned is carried net of the related reserve. Operating results from real estate owned, including rental income, operating expenses, and gains and losses realized from the sales of real estate owned are recorded as incurred.

Premises and Equipment

Land is carried at cost and premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or leases. Repair and maintenance items are expensed and improvements are capitalized. Gains and losses on dispositions are reflected in current operations.

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock Based Compensation

The Company accounts for stock based compensation using the intrinsic value method under Accounting Principles Board No. 25 and accordingly has recognized no compensation expense under this method. The fair value pro-forma disclosures required by Statement of Financial Accounting Standards No. 123 are included in note 13 - Incentive Plan.

Comprehensive Income

Comprehensive income is divided into net income and other comprehensive income. Other comprehensive income includes items recorded directly in equity, such as unrealized gains or losses on securities available for sale.

Intangible Assets

Goodwill and core deposit premiums are amortized using the straight line method over periods from five to ten years. Intangible assets are periodically evaluated for impairment in response to changes in circumstances or events.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding plus potential common stock, utilizing the treasury stock method. All share amounts exclude unallocated shares of stock held by the Employee Stock Ownership Plan (ESOP) and the Incentive Plan.

The following reconciles shares outstanding for basic and diluted earnings per share for the years ended December 31, 2001, 2000 and 1999 (in thousands):

Year ended December 31,	2001	2000	1999
Weighted average shares			

outstanding	10,512	11,766	13,727
Less: Unallocated ESOP shares	(1,059)	(1,180)	(1,309)
Unallocated Incentive Award shares	(165)	(293)	(428)
Average basic shares outstanding	9,288	10,293	11,990
Add: Effect of dilutive securities:			
Stock options	415	225	148
Incentive Awards	134	148	161
Average diluted shares outstanding	9,837	10,666	12,299

(2) Acquisition

The Bank completed the acquisition of Columbia, a mortgage brokerage company based in Westchester County, New York on August 18, 2000 in a transaction accounted for as a purchase. Accordingly, the assets and liabilities of Columbia were recorded on the books of the Bank at their fair market values of $37.1 million and $34.1 million, respectively. The purchase price was $4 million. The Company's consolidated results of operations include Columbia's results commencing on August 18, 2000. Pro-forma financial information was not presented for the period prior to the acquisition due to the insignificance of Columbia's operating results.

(3) Regulatory Matters

At the time of the conversion to a federally chartered stock savings bank, the Bank established a liquidation account with a balance equal to its retained earnings at March 31, 1996. The balance in the liquidation account at December 31, 2001 was approximately $10.1 million. The liquidation account will be maintained for the benefit of eligible account holders who continue to maintain their accounts at the Bank after the conversion. The liquidation account will be reduced annually to the extent that the eligible account holders have reduced their qualifying deposits as of each anniversary date. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation, each eligible account holder will be entitled to receive a distribution from the liquidation account in an amount proportionate to the current adjusted qualifying balances for accounts then held.

Notes to Consolidated Financial Statements (continued)

Office of Thrift Supervision (OTS) regulations require savings institutions to maintain minimum levels of regulatory capital. Under the regulations in effect at December 31, 2001, the Bank was required to maintain a minimum ratio of tangible capital to total adjusted assets of 1.5%; a minimum ratio of Tier 1
(core) capital to total adjusted assets of 3.0%; and a minimum ratio of total (core and supplementary) capital to risk-weighted assets of 8.0%.

Under its prompt corrective action regulations, the OTS is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized institution. Such actions could have a direct material effect on the institution's financial statements. The regulations establish a framework for the classification of savings institutions into five categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. Generally an institution is considered well capitalized if it has a Tier 1 ratio of at least 6.0%; and a total risk-based capital ratio of at least 10.0%. At December 31, 2001 and 2000 the Bank was considered well capitalized.

The following is a summary of the Bank's actual capital amounts and ratios as of December 31, 2001 and 2000, compared to the OTS minimum capital adequacy requirements and the OTS requirements for classification as a well capitalized institution (in thousands).

	Actual		For capital adequecy purposes		To be well capitalized under prompt corrective action	
As of December 3l, 2001:	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tangible capital	$125,952	7.2%	$26,396	1.5%	$ --	--%
Core capital	125,952	7.2	52,791	3.0	87,985	5.0
Tier 1 risk-based capital	125,952	12.0	41,947	4.0	62,920	6.0
Risk-based capital	136,223	13.0	83,894	8.0	104,867	10.0
As of December 31, 2000:						
Tangible capital	$119,591	7.3%	$24,653	1.5%	$ --	--%
Core capital	119,591	7.3	49,307	3.0	82,178	5.0
Tier 1 risk-based capital	119,591	12.9	37,099	4.0	55,649	6.0
Risk-based capital	128,597	13.9	74,198	8.0	92,748	10.0

OTS regulations impose limitations upon all capital distributions by savings institutions, like the Bank, such as dividends and payments to repurchase or otherwise acquire shares. The Company may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements, the amount required for the liquidation account, or if such declaration and payment would otherwise violate regulatory requirements.

(4) Investment Securities Available for Sale

The amortized cost and estimated market value of investment securities available for sale at December 31, 2001 and 2000 are as follows (in thousands):

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
United States Government and agency obligations	$ 1,200	$ --	$ (2)	$ 1,198
State and municipal obligations	5,561	--	(248)	5,313
Corporate debt securities	75,199	--	(6,946)	68,253
Equity investments	3,849	1,404	--	5,253
	$ 85,809	$1,404	$(7,196)	$80,017

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
United States				

Government and agency obligations	$ 24,469	$ 4	$ (100)	$ 24,373
State and municipal obligations	5,561	--	(405)	5,156
Corporate debt securities	75,124	--	(5,508)	69,616
Equity investments	3,757	634	--	4,391
	$108,911	$638	$(6,013)	$103,536

Gross losses on the sale of investment securities available for sale of $49,000 were realized in 1999. There were no gains realized during 2001, 2000 or 1999.

The amortized cost and estimated market value of investment securities available for sale, excluding equity investments, at December 31, 2001 by contractual maturity, are shown below (in thousands). Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. At December 31, 2001, investment securities available for sale with an amortized cost and estimated market value of $75,745,000 and $68,551,000 respectively, were callable prior to the maturity date.

December 31, 2001	Amortized Cost	Estimated Market Value
Less than one year	$ --	$ --
Due after one year through five years	1,200	1,198
Due after five years through ten years	--	--
Due after ten years	80,760	73,566
	$81,960	$74,764

(5) Mortgage-Backed Securities Available for Sale

The amortized cost and estimated market value of mortgage backed securities available for sale at December 31, 2001 and 2000 are as follows (in thousands):

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
FHLMC	$ 29,650	$ 733	$ --	$ 30,383
FNMA	22,646	445	(3)	23,088
GNMA	23,229	420	--	23,649
Collateralized mortgage obligations	153,293	2,889	--	156,182
	$228,818	$4,487	$ (3)	$233,302

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
FHLMC	$ 48,888	$ 95	$ (199)	$ 48,784
FNMA	37,172	82	(245)	37,009
GNMArities	34,092	--	(252)	33,840
Collateralized mortgage obligations	150,335	176	(2,102)	148,409
	$270,487	$ 353	$(2,798)	$268,042

Gross losses on the sale of mortgage-backed securities available for sale of $1,636,000 were realized in 2000. There were no gains realized during 2001, 2000 or 1999.

Collateralized mortgage obligations issued by FHLMC, FNMA, GNMA and private interests amounted to $45,338,000, $22,254,000, $24,328,000 and $64,262,000, respectively, at December 31, 2001 and $39,458,000, $16,303,000, $7,581,000 and $85,067,000, respectively, at December 31, 2000. The privately issued CMOs have generally been underwritten by large investment banking firms with the timely payment of principal and interest on these securities supported (credit enhanced) in varying degrees by either insurance issued by a financial guarantee insurer, letters of credit or subordination techniques. Substantially all such securities are triple "A" rated by one or more of the nationally recognized securities rating agencies. The privately-issued CMOs are subject to certain credit-related risks normally not associated with U.S. Government Agency CMOs. Among such risks is the limited loss protection generally provided by the various forms of credit enhancements as losses in excess of certain levels are not protected. Furthermore, the credit enhancement itself is subject to the creditworthiness of the enhancer. Thus, in the event a credit enhancer does not fulfill its obligations, the CMO holder could be subject to risk of loss similar to a purchaser of a whole loan pool. Management believes that the credit enhancements are adequate to protect the Company from losses and has, therefore, not provided an allowance for losses on its privately-issued CMOs.

The contractual maturities of mortgage-backed securities available for sale generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments.

(6) Loans Receivable, Net

A summary of loans receivable at December 31, 2001 and 2000 follows (in thousands):

December 31,	2001	2000
Real estate mortgage:		
One to four-family	$ 1,070,096	$ 956,336
Commercial real estate, multi-family and land	112,318	89,663
FHA insured & VA guaranteed	2,358	1,782
	1,184,772	1,047,781
Real estate construction	9,082	7,973
Consumer	67,039	62,923
Commercial	51,756	29,687
Total loans	1,312,649	1,148,364
Loans in process	(2,458)	(2,927)
Deferred origination costs, net	1,048	561
Unamortized premium	1	19
Allowance for loan losses	(10,351)	(9,138)

	(11,760)	(11,485)
	$ 1,300,889	$ 1,136,879

At December 31, 2001, 2000 and 1999 loans in the amount of $6,180,000, $2,923,000 and $2,985,000, respectively, were three or more months delinquent or in the process of foreclosure and the Company was not accruing interest income. At December 31, 2001, the impaired loan portfolio consisted of one commercial loan for $2,368,000 for which general and specific allocations to the allowance for loan losses of $1,184,000 were identified. The Company had no impaired loans at December 31, 2000 and 1999. If interest income on nonaccrual loans and impaired loans had been current in accordance with their original terms, approximately $379,000, $132,000 and $52,000 of interest income for the years ended December 31, 2001, 2000 and 1999, respectively, would have been recorded. At December 31, 2001, there were no commitments to lend additional funds to borrowers whose loans are classified as nonperforming.

An analysis of the allowance for loan losses for the years ended December 31, 2001, 2000 and 1999 is as follows (in thousands):

Year Ended December 31,	2001	2000	1999
Balance at beginning of year	$ 9,138	$ 8,223	$ 7,460
Provision charged to operations	1,250	985	900
Charge-offs	(98)	(92)	(241)
Recoveries	61	22	104
Balance at end of year	$ 10,351	$ 9,138	$ 8,223

An analysis of the servicing asset for the years ended December 31, 2001, 2000 and 1999 is as follows (in thousands):

Year Ended December 31,	2001	2000	1999
Balance at beginning of year	$ 6,363	$ 2,244	$ 1,406
Purchase, net of sales	--	3,481	--
Capitalized mortgage servicing rights	3,768	1,311	1,189
Amortization	(2,503)	(673)	(351)
Balance at end of year	$ 7,628	$ 6,363	$ 2,244

The estimated fair value of the servicing asset at December 31, 2001 was $8,917,000.

Notes to Consolidated Financial Statements (continued)

(7) Interest and Dividends Receivable

A summary of interest and dividends receivable at December 31, 2001 and 2000 follows (in thousands):

December 31,	2001	2000
Loans	$5,829	$6,480
Investment securities	436	1,177
Mortgage-backed securities	1,367	1,661
	$7,632	$9,318

(8) Premises and Equipment, Net

Premises and equipment at December 31, 2001 and 2000 are summarized as follows (in thousands):

December 31,	2001	2000
Land	$ 3,195	$ 3,195
Buildings and improvements	14,203	11,255
Leasehold improvements	1,667	1,619
Furniture and equipment	9,820	8,647
Automobiles	164	118
Construction in progress	484	687
Total	29,533	25,521
Accumulated depreciation and amortization	(12,803)	(10,845)
	$ 16,730	$ 14,676

(9) Deposits

Deposits, including accrued interest payable of $560,000 and $459,000 at December 31, 2001 and 2000, respectively, are summarized as follows (in thousands):

December 31,	2001		2000	
	Amount	Weighted Average Cost	Amount	Weighted Average Cost
Non-interest bearing accounts	$ 73,799	--%	$ 49,910	--%
NOW accounts	212,328	1.60	170,976	2.83
Money market deposit accounts	78,903	1.86	71,010	2.58
Savings accounts	196,879	1.54	165,866	2.00
Time deposits	547,134	4.39	646,426	5.82
	$1,109,043	2.88%	$1,104,188	4.31%

Included in time deposits at December 31, 2001, and 2000, respectively, is $82,498,000 and $90,172,000 in deposits of $100,000 and over.

Time deposits at December 31, 2001 mature as follows (in thousands):

Year ended December 31,	
2002	$393,355
2003	87,647
2004	43,914
2005	10,389
2006	6,616
Thereafter	5,213
	$547,134

Interest expense on deposits for the years ended December 31, 2001, 2000 and 1999 was as follows (in thousands):

Year ended December 31,	2001	2000	1999
NOW accounts	$ 4,476	$ 2,534	$ 1,711
Money market deposit accounts	1,744	1,998	2,090
Savings accounts	3,342	3,445	3,518
Time deposits	31,927	36,689	33,601
	$41,489	$44,666	$40,920

(10) Borrowed Funds

Borrowed funds are summarized as follows (in thousands):

December 31,	2001		2000	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Federal Home Loan Bank advances	$272,000	3.97%	$127,500	6.00%
Securities sold under agreements to repurchase	212,332	4.88	236,494	5.79
	484,332	4.37%	$363,994	5.86%

Information concerning Federal Home Loan Bank ("FHLB") advances and securities sold under agreements to repurchase ("reverse repurchase agreements") is summarized as follows (in thousands):

	FHLB Advances		Reverse Repurchase Agreements	
	2001	2000	2001	2000
Average balance	$188,411	$105,456	$234,608	$257,086
Maximum amount outstanding at any month end	272,000	154,000	254,996	277,000
Average interest rate for the year	4.73%	6.31%	5.43%	5.87%

U.S. Government agencies and mortgage-backed securities pledged as collateral under reverse repurchase agreements at December 31

Amortized cost	--	--	$219,540	$244,790
Estimated market value	--	--	223,691	242,617

The securities collateralizing the reverse repurchase agreements are not under the Company's control, as they are delivered to the lender with whom each transaction is executed. The lender, who may sell, loan or otherwise dispose of such securities to other parties in the normal course of their operations, agree to resell to the Company substantially the same securities at the maturities of the agreement.

FHLB advances and reverse repurchase agreements have contractual maturities at December 31, 2001 as follows (in thousands):

Year ended December 31	FHLB advances	Reverse Repurchase Agreements
2002	$115,000	$ 32,332
2003	23,000	40,000
2004	27,000	45,000
2005	42,000	25,000
2006	45,000	20,000
Thereafter	20,000	50,000
	$272,000	$212,332
Amount callable by lender prior to the maturity date	$ 70,000	$180,000

In the fourth quarter of 2001, the Bank prepaid $23,000,000 of outstanding borrowings with a weighted average cost of 6.23%, incurring a prepayment penalty on the early debt extinguishment of $1,669,000. The funds were reborrowed at comparable maturities but at an average cost of only 4.48%.

The Bank has an available overnight line of credit with the FHLB for $50,000,000 which expires November 25, 2002. The Bank also has available from the FHLB, a one-month overnight repricing line of credit for $50,000,000 which expires November 25, 2002. When utilized, both lines carry a floating interest rate of 10 basis points over the current Federal funds rate. All FHLB advances, including the lines of credit, are secured by the Bank's mortgage loans, mortgaged-backed securities, U. S. Government agency obligations and FHLB stock. As a member of the FHLB of New York, the Company is required to maintain a minimum investment in the capital stock of the Federal Home Loan Bank of New York, at cost, in an amount not less than 1% of its outstanding home loans (including mortgage-backed securities) or 5% of its outstanding notes payable to the FHLB.

(11) Income Taxes

Legislation was enacted in August 1996 which repealed for tax purposes the percentage of taxable income bad debt reserve method. As a result, the Company must instead use the direct charge-off method to compute its bad debt deduction. The legislation also requires the Company to recapture its post-1987 additions to the tax bad debt reserve which amounted to $778,000 and $1,166,000 at December 31, 2001 and 2000, respectively. The Company has accrued for this liability in the consolidated financial statements.

Retained earnings at December 31, 2001 includes approximately $10,750,000 for which no provision for income tax has been made. This amount represents an allocation of income to bad debt deductions for tax purposes only. Events that would result in taxation of these reserves include failure to qualify as a bank for tax purposes, distributions in complete or partial liquidation, stock redemptions and excess distributions to shareholders. At December 31, 2001 the Company had an unrecognized deferred tax liability of $3,870,000 with respect to this reserve.

The provision for income taxes attributable to income before extraordinary item for the years ended December 31, 2001, 2000 and 1999 consists of the following (in thousands):

Year Ended December 31,	2001	2000	1999
Current:			
Federal	$ 11,506	$ 7,091	$7,870
State	58	53	38
Total Current	11,564	7,144	7,908
Deferred:			
Federal	(1,500)	(318)	757
	$ 10,064	$ 6,826	$8,665

Included in other comprehensive income is income tax expense (benefit) attributable to net unrealized gains (losses) on securities available for sale in the amount of $2,409,000, $2,726,000 and $(4,899,000) for the years ended December 31, 2001, 2000 and 1999, respectively. Included in the extraordinary item is an income tax benefit of $584,000 in 2001.

A reconciliation between the provision for income taxes and the expected amount computed by multiplying income before extraordinary item and the provision for income taxes times the applicable statutory Federal income tax rate for the years ended December 31, 2001, 2000 and 1999 is as follows (in thousands):

Year Ended December 31,	2001	2000	1999
Income before provision			

for income taxes and extraordinary item	$ 29,308	$ 23,208	$25,012
Applicable statutory Federal income tax rate	35.0%	35.0%	35.0%
Computed "expected" Federal income tax expense	$ 10,258	$ 8,123	$ 8,754
Increase(decrease) in Federal income tax expense resulting from:			
Decrease in deferred tax valuation allowance relating to charitable donation	--	(1,060)	--
ESOP adjustment	467	244	189
Earnings on life insurance	(594)	(418)	(233)
State income taxes net of Federal benefit	38	35	24
Other items, net	(105)	(98)	(19)
	$ 10,064	$ 6,826	$ 8,665

Included in other assets at December 31, 2001 and 2000 is a net deferred tax asset of $4,881,000 and $5,790,000, respectively. In addition, at December 31, 2001 and 2000 the Company recorded a current tax payable (refund) of $2,536,000 and $(263,000), respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2001 and 2000 are presented below (in thousands):

December 31,	2001	2000
Deferred tax assets:		
Allowance for loan and real estate owned losses per books	$ 3,836	$ 3,519
Reserve for uncollected interest	117	94
Deferred compensation	523	369
Premises and equipment, differences in depreciation	528	364
Other reserves	171	199
Stock awards	716	656
ESOP	176	176
Charitable donation	--	1,613
Unrealized loss on securities available for sale	484	2,893
Intangible assets	91	60
Lease termination costs	138	--
Penalty on extinguishment of debt	607	--
Other	8	31
Total gross deferred tax assets	7,395	9,974
Less valuation allowance	--	(430)
Deferred tax assets, net	7,395	9,544
Deferred tax liabilities:		
Allowance for loan and real estate owned losses for tax purposes	(287)	(438)
Excess servicing on sale of mortgage loans	(882)	(414)
Investments, discount accretion	(117)	(89)
Deferred loan and commitment costs, net	(1,228)	(1,114)
Undistributed income of real estate investment trust subsidiary	--	(1,699)
Total deferred tax liabilities	(2,514)	(3,754)
Net deferred tax assets	$ 4,881	$ 5,790

The Company, as part of the conversion, recorded a charitable donation expense of $14,258,000 in 1996. Under the Internal Revenue Code, charitable donations are tax deductible subject to a limitation 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. Based on the Company's estimate of taxable income for 1996 and the carry forward period, $4,258,000 of the charitable donation expense was initially considered non tax deductible as it was unlikely that the Company would realize sufficient earnings over the six year period to take the full deduction. As a result, the Company established a deferred tax valuation allowance of $1,490,000 relating to the nondeductible expense. In 2000, after considering the Company's actual earnings performance and expectations for taxable income through December 31, 2001, the Company estimated that an additional $3,029,000 of charitable donation expense could be recognized for tax purposes, providing for a benefit of $1,060,000.

The Company has determined that it is not required to establish a valuation reserve for the remaining deferred tax asset account since it is "more likely than not" that the remaining deferred tax assets will be realized through future reversals of existing taxable temporary differences, future taxable income and tax planning strategies. The conclusion that it is "more likely than not" that the remaining deferred tax assets will be realized is based on the history of earnings and the prospects for continued growth. Management will continue to review the tax criteria related to the recognition of deferred tax assets.

(12) Employee Stock Ownership Plan

As part of the conversion, the Bank established an Employee Stock Ownership Plan ("ESOP") to provide retirement benefits for eligible employees. All full-time employees are eligible to participate in the ESOP after they attain age 21 and complete one year of service during which they work at least 1,000 hours. ESOP shares are first allocated to employees who also participate in the Bank's Incentive Savings (401K) Plan in an amount equal to 50% of the first 6% of the employee's contribution. During 2001, 2000 and 1999, 10,377, 10,861 and 11,544 shares, respectively, were either released or committed to be released under this formula. The remaining ESOP shares are allocated among participants on the basis of compensation earned during the year. Employees are fully vested in their ESOP account after the completion of five years of credited service or completely if service was terminated due to death, retirement, disability, or change in control of the Company. ESOP participants are entitled to receive distributions from the ESOP account only upon termination of service, which includes retirement and death.

The ESOP originally borrowed $13,421,000 from the Company to purchase 1,342,092 shares of common stock issued in the conversion. On May 12, 1998, the initial loan agreement was amended to allow the ESOP to borrow an additional $8,200,000 in order to fund the purchase of 422,500 shares of common stock. At the same time the term of the loan was extended from the initial twelve years to thirty years. The amended loan is to be repaid from discretionary contributions by the Bank to the ESOP trust. The Bank intends to make contributions to the ESOP in amounts at least equal to the principal and interest requirement of the debt, assuming a fixed interest rate of 8.25%.

The Bank's obligation to make such contributions is reduced to the extent of any dividends paid by the Company on unallocated shares and any investment earnings realized on such dividends. As of December 31, 2001 and 2000, contributions to the ESOP, which were used to fund principal and interest payments on the ESOP debt, totaled $2,689,000 and $2,830,000, respectively. During 2001 and 2000, $935,000 and $890,000, respectively, of dividends paid on unallocated ESOP shares were used for debt service. At December 31, 2001 and 2000, the loan had an outstanding balance of $13,111,000 and $14,596,000, respectively, and the ESOP had unallocated shares of 1,001,146 and 1,119,196, respectively. At December 31, 2001, the unallocated shares had a fair value of $24,188,000. The unamortized balance of the ESOP is shown as unallocated common stock held by the ESOP and is reflected as a reduction of stockholders' equity.

For the years ended December 31, 2001, 2000 and 1999, the Bank recorded compensation expense related to the ESOP of $2,827,000, $2,268,000 and $2,190,000, respectively, including $1,334,000, $697,000 and $541,000, respectively, representing additional compensation expense to reflect the increase in the average fair value of committed to be released and allocated shares in excess of the Bank's cost. As of December 31, 2001, 653,536 shares had been allocated to participants and 109,910 shares were committed to be released.

(13) Incentive Plan

On February 4, 1997, a special meeting of the Company's shareholders ratified the OceanFirst Financial Corp. 1997 Incentive Plan which was subsequently amended on February 18, 1998. The Amended and Restated OceanFirst Financial Corp. 1997 Incentive Plan (the "Incentive Plan") authorizes the granting of options to purchase Common Stock, option-related awards and awards of Common Stock. On April 19, 2000, the Company's shareholders ratified the OceanFirst Financial Corp. 2000 Stock Option Plan (the "Stock Option Plan") which authorizes the granting of stock options. The purpose of both plans is to attract and retain qualified personnel in key positions, provide officers, employees and non-employee directors ("Outside Directors") with a proprietary interest in the Company as an incentive to contribute to the success of the Company, promote the attention of management to other stockholder's concerns and reward employees for outstanding performance. All officers, other employees and Outside Directors of the Company and its affiliates are eligible to receive awards under the plans.

During 1997, the Company acquired 671,046 shares in the open market at a cost of $10,176,000. These shares have been awarded to officers and directors. Such amounts represent deferred compensation and have been accounted for as a reduction of stockholders' equity. Awards vest at the rate of 20% per year except that the Company has determined that certain awards are also contingent upon attainment of certain performance goals by the Company, which performance goals would be established by a committee of Outside Directors ("Committee"). The first and second annual installments vested on the first and second anniversary dates of the date of grant. Vesting of 25% of the third annual installment, and 50% of each of the fourth and fifth annual installments, are subject to the attainment of performance goals established by the Committee. The performance goals may be set by the Committee on an individual basis, for all Stock Awards made during a given period of time, or for all Stock Awards for indefinite periods. No Stock Award that is subject to a performance goal is to be distributed to an employee until the Committee confirms that the underlying performance goal has been achieved. No Stock Award that is subject to a performance goal is to be distributed to an Outside Director until an independent third party confirms that the underlying performance goal has been achieved. The Committee established certain levels of earnings per share growth as the performance goal for 2001. As a result of the Company attaining the earnings per share growth specified by the Committee, all of the shares in the fifth annual installment will vest on February 4, 2002. The Company recorded compensation expense relating to stock awards of $1,935,000, $1,934,000 and $1,933,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Under the Incentive Plan and Stock Option Plan, the Company is authorized to issue up to 1,677,614 shares and 631,000 shares, respectively, subject to option. All options expire 10 years from the date of grant and generally vest at the rate of 20% per year. The exercise price of each option equals the market price of the Company's stock on the date of grant.

The Company accounts for stock option awards using the intrinsic value method and has recognized no compensation expense in 2001, 2000 and 1999. SFAS 123 permits the use of the intrinsic value method; however, requires the Company to disclose the pro forma net income and earnings per share as if the stock based compensation had been accounted for using the fair value method. Had the compensation costs for the Company's stock option plan been determined based on the fair value method, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands except per share data):

	2001	2000	1999
Net income:			
As reported	$18,159	$16,382	$16,347
Pro forma	17,241	15,499	15,343
Basic earnings per share;			
As reported	1.96	$ 1.59	$ 1.36
Pro forma	1.86	1.51	1.28
Diluted earnings per share:			
As reported	1.85	$ 1.54	$ 1.33
Pro forma	1.75	1.45	1.25
Weighted average fair value of an option share granted during the year	$ 4.62	$ 4.64	$ 4.02

The fair value of stock options granted by the Company was estimated through the use of the Black-Scholes option pricing model applying the following assumptions:

	2001	2000	1999
Risk-free interest rate	4.91%	6.06%	5.76%
Expected option life	6 years	6 years	6 years
Expected volatility	22%	24%	25%
Expected dividend yield	3.35%	3.25%	3.20%

A summary of option activity for the years ended December 31, 2001, 2000 and 1999 follows:

2001	2000	1999

	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,565,711	$14.85	1,674,003	$14.72	1,642,827	$14.67
Granted	35,111	22.62	88,441	18.94	58,287	16.26
Exercised	(79,909)	14.93	(108,310)	14.85	(1,208)	14.41
Forfeited	(18,398)	19.01	(88,423)	15.72	(25,903)	15.33
Outstanding at end of year	1,502,515	$15.01	1,565,711	$14.85	1,674,003	$14.72

At December 31,	2001	2000	1999
Options exercisible	1,088,227	854,847	626,761
Range of exercise prices	$13.94-$26.70	$13.94-$21.09	$1394-$19.88
Weighted average remaining contractual life	5.5 years	6.4 years	7.2 years

Notes to Consolidated Financial Statements (continued)

(14) Commitments, Contingencies and Concentrations of Credit Risk

The Company, in the normal course of business, is party to financial instruments and commitments which involve, to varying degrees, elements of risk in excess of the amounts recognized in the consolidated financial statements. These financial instruments and commitments include unused consumer lines of credit and commitments to extend credit.

At December 31, 2001, the following commitments and contingent liabilities existed which are not reflected in the accompanying consolidated financial statements (in thousands):

December 31,	2001
Unused consumer and construction loan lines of credit (primarily floating-rate)	$ 39,135
Unused commercial loan lines of credit (primarily floating-rate)	32,208
Other commitments to extend credit:	
Fixed-Rate	110,362
Adjustable-Rate	59,796
Floating-Rate	6,060

The Company's fixed-rate loan commitments expire within 90 days of issuance and carried interest rates ranging from 4.00% to 9.62% at December 31, 2001.

The Company's maximum exposure to credit losses in the event of nonperformance by the other party to these financial instruments and commitments is represented by the contractual amounts. The Company uses the same credit policies in granting commitments and conditional obligations as it does for financial instruments recorded in the consolidated statements of financial condition.

These commitments and obligations do not necessarily represent future cash flow requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's assessment of risk. Substantially all of the unused consumer and construction loan lines of credit are collateralized by mortgages on real estate.

At December 31, 2001, the Company is obligated under noncancellable operating leases for premises and equipment. Rental expense under these leases aggregated approximately $1,647,000, $843,000 and $604,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

The projected minimum rental commitments as of December 31, 2001 are as follows (in thousands):

Year ended December 31	
2002	$ 967
2003	910
2004	911
2005	765
2006	720
Thereafter	3,175
	$7,448

The Company grants one to four-family and commercial first mortgage real estate loans to borrowers primarily located in Ocean, Middlesex and Monmouth Counties, New Jersey. Its borrowers' abilities to repay their obligations are dependent upon various factors including the borrowers' income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Company's lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company's control; the Company is, therefore, subject to risk of loss.

The Company believes its lending policies and procedures adequately minimize the potential exposure to such risks and that adequate provisions for loan losses are provided for all known and inherent risks. Collateral and/or guarantees are required for all loans.

Contingencies

The Company is a defendant in certain claims and legal actions arising in the ordinary course of business. Management and its legal counsel are of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial

condition, results of operations or liquidity

(15) Fair Value of Financial Instruments

Fair value estimates, methods and assumptions are set forth below for the Company's financial instruments.

Cash and Due from Banks

For cash and due from banks, the carrying amount approximates fair value.

Investments and Mortgage-Backed Securities

The fair value of investments and mortgage-backed securities is estimated based on bid quotations received from securities dealers, if available. If a quoted market price was not available, fair value was estimated using quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

Federal Home Loan Bank of New York Stock

The fair value for Federal home Loan Bank of New York Stock is its carrying value since this is the amount for which it could be redeemed. There is no active market for this stock and the Company is required to maintain a minimum balance based upon the unpaid principal of home mortgage loans and mortgage-backed securities.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage, construction, consumer and commercial. Each loan category is further segmented into fixed and adjustable rate interest terms.

Fair value of performing and non-performing loans was estimated by discounting the future cash flows, net of estimated prepayments, at a rate for which similar loans would be originated to new borrowers with similar terms.

Deposits

The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings, and NOW and money market accounts are, by definition, equal to the amount payable on demand. The related insensitivity of the majority of these deposits to interest rate changes creates a significant inherent value which is not reflected in the fair value reported. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Borrowed Funds

Fair value estimates are based on discounting contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

Commitments to Extend Credit, and to Purchase or Sell Securities

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates.

The estimated fair values of the Bank's financial instruments as of December 31, 2001 and 2000 are presented in the following tables (in thousands). Since the fair value of off-balance sheet commitments approximate book value, these disclosures are not included.

December 31, 2001	Book Value	Fair Value
Financial Assets:		
Cash and due from banks	$ 16,876	$ 16,876
Investment securities available for sale	80,017	80,017
Mortgage-backed securities available for sale	233,302	233,302
Federal Home Loan Bank of New York stock	23,560	23,560
Loans receivable and mortgage loans held for sale	1,338,717	1,351,532
Financial Liabilities:		
Deposits	1,109,043	1,114,551
Borrowed funds	$ 484,332	$ 509,897

December 31, 2000	Book Value	Fair Value
Financial Assets:		
Cash and due from banks	$ 7,235	$ 7,235
Investment securities available for sale	103,536	103,536
Mortgage-backed securities available for sale	268,042	268,042
Federal Home Loan Bank of New York stock	20,000	20,000
Loans receivable and mortgage loans held for sale	1,172,467	1,181,446
Financial Liabilities:		
Deposits	1,104,188	1,101,477
Borrowed funds	$ 363,994	$ 371,399

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include the mortgage banking operation, deferred tax assets, and premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

(16) Parent-Only Financial Information

The following condensed statements of financial condition at December 31, 2001 and 2000 and condensed statements of operations and cash flows for the years ended December 31 2001, 2000 and 1999 for OceanFirst Financial Corp. (parent company only) reflects the Company's

investment in its wholly-owned subsidiary, the Bank, using the equity method of accounting.

CONDENSED STATEMENTS OF FINANCIAL CONDITION
(in thousands)

December 31,	2001	2000
Assets		
Cash and due from banks	$ 7	$ 7
Advances to subsidiary Bank	3,003	21,972
Investment securities	5,253	4,391
ESOP loan receivable	13,111	14,596
Investment in subsidiary Bank	125,936	116,067
Other assets	--	1,071
Total assets	$147,310	$158,104
Liabilities and Stockholders' Equity		
Other liabilities	$ 581	$ 368
Stockholders' equity	146,729	157,736
Total liabilities and stockholders' equity	$147,310	$158,104

CONDENSED STATEMENTS OF OPERATIONS
(in thousand)

Year ended December 31,	2001	2000	1999
Dividend income - Subsidiary Bank	$15,000	$ 46,000	$ 36,500
Interest income - Investment securities	140	144	29
Interest income -Advances to subsidiary Bank	411	1,229	210
Interest income- ESOP loan receivable	1,204	1,328	1,453
Total dividend and interest income	16,755	48,701	38,192
Loss on sale of securities available for sale	--	--	49
Other operating expenses	1,226	1,198	1,186
Income before income taxes and equity in (distributions in excess) undistributed earnings of subsidiary Bank	15,529	47,503	36,957
Provision (benefit) for income taxes	156	(597)	150
Income before equity in (distributions in excess of) undistributed earnings of subsidiary Bank	15,373	48,100	36,807
Equity in (distributions in excess of) undistributed earnings of subsidiary Bank	2,786	(31,718)	(20,460)
Net income	$18,159	$ 16,382	$ 16,347

CONDENSED STATEMENTS OF CASH FLOWS
(in thousands)

Year ended December 31,	2001	2000	1999
Cash flows from operating activities:			
Net income	$ 18,159	$ 16,382	$ 16,347
Decrease (increase) in advances to subsidiary Bank	18,969	(16,100)	1,767
(Equity in) distributions in excess of undistributed earnings of subsidiary Bank	(2,786)	31,718	20,460
Loss on sale of securities available for sale	--	--	49
Deferred taxes	1,309	(381)	1,081
(Decrease) increase in other liabilities	(307)	311	(326)
Reduction in Incentive Awards	1,935	1,934	1,933
Net cash provided by operating activities	37,279	33,864	41,311
Cash flows from investing activities:			
Purchase of investment securities	(92)	(89)	(611)
Sale of investment securities	--	--	121
Repayments on ESOP loan receivable	1,485	1,502	1,517
Net cash provided by investing activities	1,393	1,413	1,027
Cash flows from financing activities:			
Dividends paid	(7,943)	(7,622)	(7,157)
Purchase of treasury stock	(31,921)	(28,800)	(35,198)
Exercise of stock options	1,192	1,145	17
Net cash used in financing activities	(38,672)	(35,277)	(42,338)
Net increase in cash and due from banks	--	--	--
Cash and due from banks at beginning of year	7	7	7
Cash and due from banks at end of year	$ 7	$ 7	$ 7

SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA
(Unaudited)

Quarter ended	Dec. 31	Sept. 30	June 30	March 31
(dollars in thousands, except per share data)				
2001				

Interest income	$29,480	$29,950	$29,420	$29,310
Interest expense	14,390	15,700	16,479	16,579
Net interest income	15,090	14,250	12,941	12,731
Provision for loan losses	470	265	260	255
Net intereset income after provision for loan losses	14,620	13,985	12,681	12,476
Other income	4,353	2,480	3,292	2,800
Operating expenses	9,735	9,471	9,063	9,110
Income before provision for income taxes and extra-ordinary item	9,238	6,994	6,910	6,166
Provision for income taxes	3,190	2,312	2,417	2,145
Income before extraordinary item	6,048	4,682	4,493	4,021
Extraordinary item, net of tax-prepayment penalty on debt extinguishment	(1,085)	--	--	--
Net income	$ 4,963	$ 4,682	$ 4,493	$ 4,021
Basic earnings per share				
Income before extraordinary item	$ .68	$ .51	$ .47	$ .42
Extraordinary item, net of tax	(.12)	--	--	--
Net income per share	$ .56	$ .51	$ .47	$ .42
Diluted earnings per share				
Income before extraordinary item	$ .64	$ .48	$ .45	$ .40
Extraordinary item, net of tax	(.11)	--	--	--
Net income per share	$ .53	$ .48	$ .45	$ .40
2000				
Interest income	$29,863	$29,547	$28,613	$28,082
Interest expense	17,511	17,386	16,069	15,446
Net interest income	12,352	12,161	12,544	12,636
Provision for loan losses	240	255	250	240
Net intereset income after provision for loan losses	12,112	11,906	12,294	12,396
Other income	2,871	422	1,522	1,330
Operating expenses	8,980	8,260	7,211	7,194
Income before provision for income taxes	6,003	4,068	6,605	6,532
Provision for income taxes	2,093	248	2,267	2,218
Net income	$ 3,910	$ 3,820	$ 4,338	$ 4,314
Basic earnings per share	$ .39	$ .38	$ .42	$ .40
Diluted earnings per share	$ .38	$ .36	$ .41	$ .39

Independent Auditors' Report

The Board of Directors and Stockholders

OceanFirst Financial Corp:

We have audited the consolidated statements of financial condition of OceanFirst Financial Corp. and subsidiary as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of OceanFirst Financial Corp. and subsidiary as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Short Hills, New Jersey

January 16, 2002

ANNUAL MEETING OF SHAREHOLDERS
The Annual Meeting of Shareholders will be held on April 18, 2002 at 10:00 a.m. at Doolan's at 700 State Highway 71 North, Spring Lake Heights, New Jersey.

INVESTOR RELATIONS
Copies of the Company's earnings releases and financial publications, including the annual report on Form 10-K (without exhibits) filed with the Securities and Exchange Commission are available without charge by contacting:

Sally Dennis, Assistant Vice President, Ext. 7516 sdennis@oceanfirst.com

STOCK TRANSFER AGENT AND REGISTRAR
Shareholders wishing to change the name, address or ownership of stock, to report lost certificates or to consolidate accounts are asked to contact the Company's stock registrar and transfer agent directly:

American Stock Transfer & Trust Co.
Shareholder Relations Department
59 Maiden Lane
New York, NY 10038
(800)937-5449

INDEPENDENT AUDITORS

KPMG LLP
150 John F. Kennedy Parkway
Short Hills, NJ 07078

SECURITIES COUNSEL

Muldoon Murphy & Faucette LLP
5101 Wisconsin Avenue, NW
Washington, DC 20016

Market Information
for Common Stock

OceanFirst Financial Corp.'s common stock is traded on the Nasdaq Stock Market under the symbol OCFC. The stock is customarily listed as OceanF in the Asbury Park Press and the Ocean County Observer. The table below shows the reported high and low daily closing prices of the common stock during the periods indicated in 2001 and 2000.

2001

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	24.00	26.95	26.70	25.62
Low	21.44	21.50	23.50	23.29

2000

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
High	16.75	18.87	21.25	24.62
Low	15.00	14.62	18.37	19.31

As of December 31, 2001, the Company had approximately 4,000 shareholders, including the number of persons or entities holding stock in nominee or street name through various brokers and banks.

Exhibit 23

INDEPENDENT ACCOUNTANTS' CONSENT

The Board of Directors
OceanFirst Financial Corp.:

We consent to incorporation by reference in the registration statement (No. 333-42088) on Form S-8, pertaining to the OceanFirst Financial Corp. 2000 Stock Option Plan, and in the registration statement (No. 33-34143) on Form S-8, pertaining to the OceanFirst Financial Corp. 1997 Incentive Plan, and in the registration statement (No. 33-34145), on Form S-8, pertaining to the Retirement Plan for OceanFirst Bank, of OceanFirst Financial Corp., of our report dated January 16, 2002, relating to the consolidated statements of financial condition of OceanFirst Financial Corp. and subsidiary as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001, which report is incorporated by reference in the December 31, 2001 Annual Report on Form 10-K of OceanFirst Financial Corp.

KPMG LLP

Short Hills, New Jersey
March 20, 2002

End of Filing

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