OCEANFIRST FINANCIAL CORP

FORM 10-Q
(Quarterly Report)

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Address	975 HOOPER AVE
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Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	12/31

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 For the quarterly period ended June 30, 2002

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

Commission file number 0-27428

OceanFirst Financial Corp.

(Exact name of registrant as specified in its charter)

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

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

(Former name, former address and formal fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

As of August 9, 2002, there were 14,212,080 shares of the Registrant's Common Stock, par value $.01 per share, outstanding.

OceanFirst Financial Corp.

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PART I. FINANCIAL INFORMATION

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

	June 30, 2002 (Unaudited)	December 31, 2001
ASSETS		
Cash and due from banks	$ 32,306	$ 16,876
Investment securities available for sale	79,423	80,017
Federal Home Loan Bank of New York stock, at cost	20,115	23,560
Mortgage-backed securities available for sale	177,905	233,302
Loans receivable, net	1,314,316	1,300,889
Mortgage loans held for sale	17,871	37,828
Interest and dividends receivable	8,303	7,632
Real estate owned, net	477	133
Premises and equipment, net	17,998	16,730
Servicing asset	8,983	7,628
Other assets	39,564	39,071
Total assets	$1,717,261	$1,763,666
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$1,162,055	$1,109,043
Federal Home Loan Bank advances	199,000	272,000
Securities sold under agreements to repurchase	191,717	212,332
Advances by borrowers for taxes and insurance	6,644	6,371
Other liabilities	13,533	17,191
Total liabilities	1,572,949	1,616,937
Stockholders' equity:		
Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $.01 par value, 55,000,000 shares authorized, 27,177,372 shares issued and 14,306,021 and 14,791,334 shares outstanding at June 30, 2002 and December 31, 2001, respectively	181	181
Additional paid-in capital	183,288	181,780
Retained earnings	137,412	131,746
Accumulated other comprehensive loss	(1,016)	(824)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(11,955)	(12,663)
Unearned Incentive Awards	-	(161)
Treasury stock, 12,871,351 and 12,386,038 shares at June 30, 2002 and December 31, 2001, respectively	(163,598)	(153,330)
Total stockholders' equity	144,312	146,729
Total liabilities and stockholders' equity	$1,717,261	$1,763,666

See accompanying notes to unaudited consolidated financial statements.

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

	For the three months ended June 30		For the six months ended June 30	
	2002	2001	2002	2001
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	$ 23,374	$23,099	$47,230	$45,830
Mortgage-backed securities	2,607	4,520	5,705	8,894
Investment securities and other	888	1,801	2,348	4,004
Total interest income	26,869	29,420	55,283	58,728
Interest expense:				
Deposits	7,258	11,065	14,642	22,782
Borrowed funds	4,948	5,414	10,310	10,275
Total interest expense	12,206	16,479	24,952	33,057
Net interest income	14,663	12,941	30,331	25,671
Provision for loan losses	375	260	875	515
Net interest income after provision for loan losses	14,288	12,681	29,456	25,156
Other income:				
Fees and service charges	1,471	1,270	2,949	2,625
Net gain on sales of loans and securities available for sale	1,114	1,426	1,508	2,504
Net income from other real estate operations	55	40	74	55
Other	466	556	1,000	907
Total other income	3,106	3,292	5,531	6,091
Operating expenses:				
Compensation and employee benefits	4,997	4,737	10,259	10,105
Occupancy	798	742	1,590	1,436
Equipment	575	562	1,118	1,057
Marketing	433	457	857	794
Federal deposit insurance	124	123	250	246
Data processing	726	568	1,313	1,059
General and administrative	2,157	1,874	4,301	3,476
Total operating expense	9,810	9,063	19,688	18,173
Income before provision for income taxes	7,584	6,910	15,299	13,074
Provision for income taxes	2,448	2,417	5,114	4,561
Net income	$ 5,136	$ 4,493	$10,185	$ 8,513
Basic earnings per share	$ .40	$ .32	$ .78	$ .59
Diluted earnings per share	$ .37	$ .30	$ .73	$ .56
Average basic shares outstanding	12,960	14,255	13,049	14,393
Average diluted shares outstanding	13,904	14,970	13,900	15,089

See accompanying notes to unaudited consolidated financial statements.

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

	For the six months ended June 30, 2002	2001
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 10,185	$ 8,513
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	972	951
Amortization of Incentive Awards	161	968
Amortization of ESOP	708	742
ESOP adjustment	950	619
Amortization of servicing asset	1,105	759
Amortization of intangible assets	53	179
Net premium amortization in excess of discount accretion on securities	699	308
Net accretion of deferred fees and discounts in excess of premium amortization on loans	(46)	(83)
Provision for loan losses	875	515
Net gain on sales of real estate owned	(80)	(86)
Net gain on sales of loans and securities available for sale	(1,508)	(2,504)
Proceeds from sales of mortgage loans held for sale	250,147	165,375
Mortgage loans originated for sale	(228,682)	(152,435)
Increase in value of Bank Owned Life Insurance	(974)	(796)
(Increase) decrease in interest and dividends receivable	(671)	372
Increase in other assets	(1,920)	(1,805)
(Decrease) increase in other liabilities	(3,100)	2,740
Total adjustments	18,689	15,819
Net cash provided by operating activities	28,874	24,332
Cash flows from investing activities:		
Net increase in loans receivable	(14,821)	(81,411)
Purchase of mortgage-backed securities available for sale	-	(49,006)
Purchase of investment securities available for sale	(600)	(92)
Proceeds from maturities of investment securities available for sale	-	13,500
Principal payments on mortgage-backed securities available for sale	55,588	37,369
Decrease (increase) in Federal Home Loan Bank of New York stock	3,445	(850)
Proceeds from sales of real estate owned	301	434
Purchases of premises and equipment	(2,240)	(2,324)
Net cash provided by (used in) investing activities	41,673	(82,380)

Continued

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

	For the six months ended June 30, 2002	2001
	(Unaudited)	
Cash flows from financing activities:		
Increase in deposits	$ 53,012	$ 2,132
(Decrease) increase in short-term borrowings	(75,615)	46,471
Proceeds from Federal Home Loan Bank advances	25,000	80,000
Repayments of Federal Home Loan Bank advances	(43,000)	(20,000)
Proceeds from securities sold under agreements to repurchase	-	33,000
Repayments of securities sold under agreements to repurchase	-	(56,000)
Increase in advances by borrowers for taxes and insurance	273	760
Exercise of stock options	601	863
Dividends paid	(4,383)	(3,912)
Purchase of treasury stock	(11,005)	(15,326)
Net cash (used in) provided by financing activities	(55,117)	67,988
Net increase in cash and due from banks	15,430	9,940
Cash and due from banks at beginning of period	16,876	7,235
Cash and due from banks at end of period	$ 32,306	$ 17,175
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 24,942	$ 33,389
Income taxes	2,803	1,747
Noncash investing activities:		
Transfer of loans receivable to real estate owned	565	340
Mortgage loans securitized into mortgage-backed securities	90,028	11,698

See accompanying notes to unaudited consolidated financial statements.

OceanFirst Financial Corp.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of OceanFirst Financial Corp. (the "Company") and its wholly-owned subsidiary, OceanFirst Bank (the "Bank") and its wholly-owned subsidiaries, Columbia Equities, Ltd., OceanFirst REIT Holdings, Inc., OceanFirst Realty Corp. and OceanFirst Services, LLC.

The interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months ended June 30, 2002 are not necessarily indicative of the results of operations that may be expected for all of 2002.

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

These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report to Stockholders on Form 10-K for the year ended December 31, 2001.

Note 2. Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three months ended June 30, 2002 and 2001 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Weighted average shares issued net of Treasury shares	14,452	16,056	14,595	16,250
Less: Unallocated ESOP shares	(1,439)	(1,611)	(1,460)	(1,632)
Unallocated incentive award shares	(53)	(190)	(86)	(225)
Average basic shares outstanding	12,960	14,255	13,049	14,393
Add: Effect of dilutive securities:				
Stock options	902	622	781	588
Incentive awards	42	93	70	108
Average diluted shares outstanding	13,904	14,970	13,900	15,089

Note 3. Comprehensive Income

For the three month periods ended June 30, 2002 and 2001 total comprehensive income, representing net income plus or minus items recorded directly in equity, such as the change in unrealized gains or losses on securities available for sale amounted to $7,131,000 and $5,410,000, respectively. For the six months ended June 30, 2002 and 2001, total comprehensive income amounted to $9,993,000 and $11,535,000.

Note 4. Impact of Recent Accounting Pronouncements

In July, 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Statement is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In April, 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The Statement, among other things, rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishments of Debt, as amended. Under SFAS No. 4, as amended, gains and losses from the extinguishment of debt were required to be classified as an extraordinary item, if material. Under SFAS No. 145, gains or losses from the extinguishment of debt are to be classified as a component of operating income, rather than an extraordinary item. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002, with early adoption of the provisions related to the rescission of SFAS No. 4 encouraged. Upon adoption, companies must reclassify prior period amounts previously classified as an extraordinary item.

The Company elected to adopt the provisions related to the rescission of SFAS No. 4 effective April 1, 2002. The adoption resulted in a second quarter 2002 debt prepayment penalty of $72,000 being classified in general and administrative expenses. The Company recognized an extraordinary loss, net of tax of $1,085,000 in the fourth quarter of 2001 pertaining to debt prepayment penalties. The gross prepayment penalty of $1,669,000 will be reclassified as a component of general and administrative expenses in 2001, with the related tax benefit of $584,000 reported as a component of income tax expense in the consolidated financial statements for the year ending December 31, 2001.

On July 20, 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS 142 requires 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 also requires 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 not be amortized, but continue to be evaluated for impairment in accordance with the appropriate pre-SFAS 142 accounting literature. The Company adopted SFAS 142 effective January 1, 2002. As of December 31, 2001, the Company had $1.0 million in unamortized goodwill with annual amortization of $253,000 which ceased upon the adoption of SFAS 142. The cessation of goodwill amortization for the three and six months ended June 30, 2002 did not have a significant impact on the Company's consolidated financial statements as compared to the same prior year period. The Company has determined that there is no impairment to goodwill based on the criteria of SFAS 142. 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 or 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.

Note 5. Loans Receivable, Net

Loans receivable, net at June 30, 2002 and December 31, 2001 consisted of the following (in thousands):

	June 30, 2002	December 31, 2001
Real estate:		
One- to four-family	$1,070,352	$1,110,282
Commercial real estate, multi-family and land	125,498	112,318
Construction	9,948	9,082
Consumer	75,152	67,039
Commercial	61,314	51,756
Total loans	1,342,264	1,350,477
Loans in process	(3,120)	(2,458)
Deferred origination costs, net	1,882	1,048
Unearned (discount) premium	(7)	1
Allowance for loan losses	(8,832)	(10,351)
Total loans, net	1,332,187	1,338,717
Less: mortgage loans held for sale	17,871	37,828
Loans receivable, net	$1,314,316	$1,300,889

Note 6. Deposits

The major types of deposits at June 30, 2002 and December 31, 2001 were as follows (in thousands):

	June 30, 2002	December 31, 2001
Type of Account		
Non-interest bearing	$ 83,693	$ 73,799
NOW	248,289	212,328
Money market deposit	102,398	78,903
Savings	217,368	196,879
Time deposits	510,307	547,134
	$1,162,055	$1,109,043

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Total assets at June 30, 2002 were $1.717 billion, a decrease of $46.4 million, compared to $1.764 billion at December 31, 2001.

Loans receivable, net and mortgage loans held for sale together decreased by $6.5 million to a balance of $1.332 billion at June 30, 2002, compared to a balance of $1.339 billion at December 31, 2001. Commercial and commercial real estate loans outstanding increased $22.7 million while one- to four-family mortgage loans declined, as the Bank actively sold 30-year fixed-rate mortgage loans during the period.

Proceeds from the loan sales and the cash flow from mortgage-backed securities were used to reduce total borrowings (Federal Home Loan Bank advances and securities sold under agreements to repurchase) which declined by $93.6 million, to $390.7 million at June 30, 2002 from $484.3 million at December 31, 2001. The sale of 30-year fixed-rate mortgage loans and the reduction in the total borrowings reduces the Company's interest rate risk exposure and better positions the Bank for the higher rate environment expected later in 2002.

Deposit balances increased $53.0 million to $1.162 billion at June 30, 2002 from $1.109 billion at December 31, 2001. Core deposit categories, a key emphasis for the Company, increased by $89.8 million as time deposits declined.

Stockholders' equity at June 30, 2002 decreased to $144.3 million, compared to $146.7 million at December 31, 2001 due to the execution of the Company's ninth stock repurchase program. The Company repurchased 542,350 shares of common stock during the six months ended June 30, 2002 at a total cost of $11.0 million. Under the 10% repurchase program authorized by the Board of Directors, July 19, 2001, 241,814 shares remain to be purchased as of June 30, 2002.

Results of Operations

General

Net income increased to $5.1 million and $10.2 million for the three and six months ended June 30, 2002, respectively, as compared to net income of $4.5 million and $8.5 million for the three and six months ended June 30, 2001, respectively. Diluted earnings per share increased to $.37 and $.73, respectively, for the three and six months ended June 30, 2002, as compared to $.30 and $.56, respectively, for the same prior year periods. Earnings per share is favorably affected by the Company's repurchase program, which reduced the number of shares outstanding.

Interest Income

Interest income for the three and six months ended June 30, 2002 was $26.9 million and $55.3 million, respectively, compared to $29.4 million and $58.7 million, respectively, for the three and six months ended June 30, 2001. The decrease in interest income was due to a decline in the yield on interest-earning assets to 6.67% and 6.75%, respectively, for the three and six months ended June 30, 2002, as compared to 7.28% and 7.41%, respectively, for the same prior year periods. Despite the decline, which was reflective of the general interest rate environment, the asset yield still benefited from the Bank's strong loan growth, which was partly funded by reductions in the lower-yielding investment and mortgage-backed securities available for sale portfolios. For the three and six months ended June 30, 2002 loans receivable represented 82.1% and 81.4%, respectively, of average interest-earning assets as compared to 75.1% and 75.2%, respectively, for the same prior year periods.

Interest Expense

Interest expense for the three and six months ended June 30, 2002 was $12.2 million and $25.0 million, respectively, compared to $16.5 million and $33.1 million, respectively, for the three and six months ended June 30, 2001. The decrease in interest expense was primarily the result of a decrease in the cost of interest-bearing liabilities to 3.32% and 3.34%, respectively, for the three and six months ended June 30, 2002, as compared to 4.50% and 4.60%, respectively, in the same prior year periods. Funding costs were partly restrained due to the Company's focus on lower-costing core deposit growth. Core deposits (including non-interest-bearing deposits) represented 55.1% and 53.9%, respectively, of average deposits for the three and six months ended June 30, 2002, as compared to 44.6% and 43.2%, respectively, for the same prior year periods.

Provision for Loan Losses

For the three and six months ended June 30, 2002, the Company's provision for loan losses was $375,000 and $875,000, respectively, as compared to $260,000 and $515,000, respectively, for the same prior year periods. The increase was due to the deterioration and charge-off during the first quarter of a non-performing commercial loan.

Other Income

Other income was $3.1 million and $5.5 million, respectively, for the three and six months ended June 30, 2002, compared to $3.3 million and $6.1 million, respectively, for the same prior year periods. For the three and six months ended June 30, 2002 the Company recorded a gain of $1.1 million and $1.5 million, respectively, on the sale of loans, as compared to a gain of $1.4 million and $2.5 million, respectively, in the same prior year periods. Servicing fee income for the three and six months ended June 30, 2002 was adversely effected by the recognition of a $144,000 impairment reserve on the Company's loan servicing asset.

Excluding the respective net gains on the sale of loans and the impairment to the loan servicing asset, other income increased by $270,000, or 14.5%, and $580,000, or 16.2%, for the three and six months ended June 30, 2002, as compared to the same prior year periods. Fees and service charges increased due to the growth in commercial account services, retail core account balances and trust fees.

Operating Expenses

Operating expenses were $9.8 million and $19.7 million, respectively, for the three and six months ended June 30, 2002, as compared to $9.1 million and $18.2 million, respectively, in the same prior year periods. The increases were principally due to the costs associated with the opening and operation of the Bank's sixteenth and seventeenth branch offices in September 2001 and May 2002, as well as higher loan related expenses. Additionally, general and administrative expenses for the three and six months ended June 30, 2002 include a $72,000 prepayment penalty on the early termination of an $8.0 million borrowing. Compensation expense benefited from the elimination, in February 2002, of the amortization expense relating to the stock awards granted under the 1997 Incentive Plan, a cost savings of $484,000 and $806,000, respectively, for the three and six months ended June 30, 2002 as compared to the same prior year periods. This savings was partly offset by an increase in ESOP expense of $205,000 and $296,000 for the three and six months ended June 30, 2002, respectively, due to the higher average market price for OCFC shares during 2002.

Provision for Income Taxes

Income tax expense was $2.4 million and $5.1 million, respectively, for the three and six months ended June 30, 2002, compared to $2.4 and $4.6 million, respectively, for the same prior year periods. The effective tax rate decreased to 32.3% and 33.4%, respectively, for the three and six months ended June 30, 2002 as compared to 35.0% and 34.9%, respectively, for the same prior year periods. The decrease was due to a change in Federal tax regulations allowing for the deductibility of ESOP dividends beginning in 2002. On July 2, 2002, the New Jersey legislature passed the New Jersey Business Tax Reform Act. The effect of this legislation on the Company is approximately $400,000 to $600,000 (before federal tax benefit) in additional state taxes per year, or approximately $.02 to $.03 per diluted share after the federal tax benefit. The tax is retroactive to January 1, 2002 and will be reflected in the Company's third quarter operating results.

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 sale of loans, Federal Home Loan Bank ("FHLB") and other borrowings and, to a lesser extent, investment maturities. While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including an overnight line of credit and advances from the FHLB.

At June 30, 2002, the Company had no outstanding overnight borrowings from the FHLB, a decrease from $80.0 million at December 31, 2001. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company also had other borrowings of $390.7 million at June 30, 2002, a decrease from $484.3 million at December 31, 2001. These borrowings were used to fund a wholesale leverage strategy designed to improve returns on invested capital.

The Company's cash needs for the six months ended June 30, 2002, were primarily provided by principal payments on loans and mortgage-backed securities, increased deposits and proceeds from the sale of mortgage loans held for sale. The cash was principally utilized for loan originations, a reduction in total borrowings and the purchase of treasury stock. For the six months ended June 30, 2001, the cash needs of the Company were primarily satisfied by principal payments on loans and mortgage-backed securities, maturities of investment securities, proceeds from the sale of mortgage loans held for sale and increased total borrowings. The cash provided was principally used for the origination of loans, the purchase of mortgage-backed securities and the purchase of treasury stock.

At June 30, 2002, the Bank exceeded all of its regulatory capital requirements with tangible capital of $122.8 million, or 7.2%, of total adjusted assets, which is above the required level of $25.7 million or 1.5%; core capital of $122.8 million or 7.2% of total adjusted assets, which is above the required level of $51.4 million, or 3.0%; and risk-based capital of $131.5 million, or 12.4% of risk-weighted assets, which is above the required level of $84.8 million or 8.0%. The Bank is considered a "well capitalized" institution under the Office of Thrift Supervision's prompt corrective action regulations.

Non-Performing Assets

The following table sets forth information regarding the Company's nonperforming assets consisting of non-accrual loans and Real Estate Owned (REO). It is the policy of the Company to cease accruing interest on loans 90 days or more past due or in the process of foreclosure.

	June 30, 2002	December 31, 2001
	(dollars in thousands)	
Non-accrual loans:		
Real estate:		
One-to four-family	$ 3,130	$ 3,661
Commercial real estate, multi-family and land	-	-
Consumer	114	151
Commercial	45	2,368
Total	3,289	6,180
REO, net	477	133
Total non-performing assets	$ 3,766	$ 6,313
Non-performing loans as a percent of total loans receivable	.25%	.46%
Non-performing assets as a percent of total assets	.22	.36
Allowance for loan losses as a percent of total loans receivable	.66	.77
Allowance for loan losses as percent of total non-performing loans	268.53	167.49

The decrease in non-performing loans is primarily due to the first quarter charge-off of a non-performing commercial loan with an outstanding balance of $2.4 million. The loan is a participation interest in a $125 million shared national credit on a company headquartered in New Jersey, and is secured by corporate assets and various commercial real estate properties. The Bank does not participate in any other shared national credits. The creditor filed for bankruptcy protection in March 2002 and an orderly asset liquidation appears less likely. Any future recovery of principal would increase the Bank's allowance for loan losses.

Recent Developments

On July 2, 2002, the New Jersey legislature passed the New Jersey Business Tax Reform Act. The effect of this legislation on the Company is approximately $400,000 to $600,000 in additional state taxes per year, or approximately $.02 to $.03 per diluted share after the Federal tax benefit. The tax is retroactive to January 1, 2002 and will be reflected in the Company's third quarter operating results.

Private Securities Litigation Reform Act Safe Harbor Statement

In addition to historical information, this quarterly report may include certain forward looking statements based on current management expectations. The Company's actual results could differ materially from those management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal and state tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in the quality or composition of the Bank's loan and investment portfolios, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors, and the effects of war or terrorism activities affecting the Company's operations, markets, products, services and prices. Further description of the risks and uncertainties to the business are included in Item 1, Business, of the Company's 2001 Form 10-K.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company's interest rate sensitivity is monitored by management through the use of an interest rate risk (IRR) model. Based on internal IRR modeling the Company's one year gap at June 30, 2002 was positive 10.4% as compared to negative 6.7% at December 31, 2001. Additionally, the table below sets forth the Company's exposure to interest rate risk as measured by the change in net portfolio value ("NPV") and net interest income under varying rate shocks as of June 30, 2002 and December 31, 2001. All methods used to measure interest rate sensitivity involve the use of assumptions, which may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. The Company's interest rate sensitivity should be reviewed in conjunction with the financial statements and notes thereto contained in the Company's Annual Report for the year ended December 31, 2001.

At June 30, 2002 passbook, NOW and Money Market accounts ("core deposits") were assumed to decay, or runoff, at a slower rate than at December 31, 2001. The slower decay rate was partly responsible for reducing the Company's negative gap, increasing NPV in a static rate environment and reducing interest rate sensitivity in a shocked interest rate environment. The increase in core deposits and the decline in time deposits from December 31, 2001 to June 30, 2002 also contributed to this trend. Also, assumed prepayment speeds for mortgage loans and mortgage-backed securities were higher at June 30, 2002 as compared to December 31, 2001 due to the lower interest rate environment. Finally, interest rate volatility was favorably impacted by the Bank's sale of 30-year fixed-rate mortgage loans during the six months ended June 30, 2002. The proceeds from these sales were used to reduce overnight borrowings which declined by $80.0 million from December 31, 2001 to June 30, 2002.

	June 30, 2002					December 31, 2001				
	Net Portfolio Value			Net Interest Income		Net Portfolio Value			Net Interest Income	
Change in Interest Rates in Basis Points (Rate Shock)	Amount	% Change	NPV Ratio	Amount	% Change	Amount	% Change	NPV Ratio	Amount	% Change
(dollars in thousands)										
200	$166,005	(9.6)%	10.0%	$59,107	1.5%	$118,006	(22.1)%	7.0%	$58,369	(5.3)%
100	184,545	.5	10.8	59,218	1.7	141,155	(6.8)	8.2	60,366	(2.1)
Static	183,702	-	10.6	58,231	-	151,507	-	8.6	61,649	-
(100)	170,965	(6.9)	9.7	55,964	(3.9)	154,728	2.1	8.6	62,177	.9

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not engaged in any legal proceedings of a material nature at the present time. From time to time, the Company is a party to routine legal proceedings within the normal course of business. Such routine legal proceedings in the aggregate are believed by management to be immaterial to the Company's financial condition or results of operations.

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

3.1 Certificate of Incorporation of OceanFirst Financial Corp.*

3.2 Bylaws of OceanFirst Financial Corp.**

4.0 Stock Certificate of OceanFirst Financial Corp.*

99.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) The Company filed an 8-K on June 26, 2002 which included by Exhibit, the written presentation OceanFirst Financial Corp. provided to current and prospective investors on June 26, 2002 and June 27, 2002.

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

** Incorporated herein by reference into this document from the Exhibit to Form 10-Q, Quarterly Report, filed on August 11, 2000.

SIGNATURES

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

OceanFirst Financial Corp.

Registrant

DATE:	*August 14, 2002*	*/s/ John R. Garbarino* ----------------------------------- *John R. Garbarino* *Chairman of the Board, President and Chief Executive Officer*
DATE:	*August 14, 2002*	*/s/ Michael Fitzpatrick* ----------------------------------- *Michael Fitzpatrick* *Executive Vice President and Chief Financial Officer*

Exhibit 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of OceanFirst Financial Corp. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John R. Garbarino, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ John R. Garbarino

John R. Garbarino
Chief Executive Officer
August 14, 2002

Exhibit 99.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of OceanFirst Financial Corp. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Fitzpatrick, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Michael Fitzpatrick

Michael Fitzpatrick
Chief Financial Officer
August 14, 2002