

OCEANFIRST FINANCIAL CORP

FORM 10-Q (Quarterly Report)

Filed 8/9/2005 For Period Ending 6/30/2005

Address	975 HOOPER AVE TOMS RIVER, New Jersey 08753-8396
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CIK	0001004702
Industry	S&Ls/Savings Banks
Sector	Financial
Fiscal Year	12/31

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2005

☐ **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
(State or other jurisdiction of
incorporation or organization)

22-3412577
(I.R.S. Employer
Identification No.)

975 Hooper Avenue, Toms River, NJ
(Address of principal executive offices)

08754-2009
(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 ☒ NO ☐ .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO ☐ .

As of August 3, 2005, there were 12,755,011 shares of the Registrant's Common Stock, par value \$.01 per share, outstanding.

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

	June 30, 2005	December 31, 2004
	(Unaudited)	
ASSETS		
Cash and due from banks	\$ 45,832	\$ 74,021
Investment securities available for sale	85,412	83,960
Federal Home Loan Bank of New York stock, at cost	19,500	21,250
Mortgage-backed securities available for sale	105,687	124,478
Loans receivable, net	1,573,554	1,472,907
Mortgage loans held for sale	71,985	63,961
Interest and dividends receivable	6,860	6,033
Real estate owned, net	288	288
Premises and equipment, net	15,795	16,037
Servicing asset	9,356	8,790
Bank Owned Life Insurance	35,525	34,990
Intangible Assets	1,324	1,376
Other assets	6,646	6,184
	<u>\$1,977,764</u>	<u>\$1,914,275</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$1,357,161	\$1,270,535
Securities sold under agreements to repurchase with retail customers	64,158	45,072
Securities sold under agreements to repurchase with the Federal Home Loan Bank	69,000	106,000
Federal Home Loan Bank advances	321,000	312,000
Advances by borrowers for taxes and insurance	8,760	6,289
Other liabilities	22,399	36,423
	<u>1,842,478</u>	<u>1,776,319</u>
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 12,742,633 and 13,024,204 shares outstanding at June 30, 2005 and December 31, 2004, respectively	272	272
Additional paid-in capital	195,915	193,723
Retained earnings	160,866	157,575
Accumulated other comprehensive loss	(1,011)	(667)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(8,061)	(8,652)
Treasury stock, 14,434,739 and 14,153,168 shares at June 30, 2005 and December 31, 2004, respectively	(212,695)	(204,295)
	<u>135,286</u>	<u>137,956</u>
Total stockholders' equity	<u>135,286</u>	<u>137,956</u>
Total liabilities and stockholders' equity	<u>\$1,977,764</u>	<u>\$1,914,275</u>

See accompanying Notes to Unaudited Consolidated Financial Statements.

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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,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	\$22,757	\$20,405	\$44,530	\$40,593
Mortgage-backed securities	967	1,194	2,061	2,050
Investment securities and other	1,136	546	2,591	1,532
Total interest income	24,860	22,145	49,182	44,175
Interest expense:				
Deposits	5,326	3,490	10,018	6,976
Borrowed funds	4,605	5,147	9,058	9,931
Total interest expense	9,931	8,637	19,076	16,907
Net interest income	14,929	13,508	30,106	27,268
Provision for loan losses	200	50	250	100
Net interest income after provision for loan losses	14,729	13,458	29,856	27,168
Other income:				
Loan servicing income	60	83	101	145
Fees and service charges	2,388	2,084	4,570	4,020
Net gain on sales of loans available for sale	3,204	2,028	6,544	4,359
Net loss from other real estate operations	—	(3)	(1)	—
Income from Bank Owned Life Insurance	262	315	535	645
Other	4	6	42	13
Total other income	5,918	4,513	11,791	9,182
Operating expenses:				
Compensation and employee benefits	7,484	6,494	15,013	13,183
Occupancy	1,106	919	2,175	1,793
Equipment	641	540	1,275	1,084
Marketing	764	442	1,463	645
Federal deposit insurance	128	120	253	240
Data processing	773	735	1,556	1,470
General and administrative	2,261	2,428	4,791	4,694
Total operating expenses	13,157	11,678	26,526	23,109
Income before provision for income taxes	7,490	6,293	15,121	13,241
Provision for income taxes	2,615	2,272	5,300	4,741
Net income	\$ 4,875	\$ 4,021	\$ 9,821	\$ 8,500
Basic earnings per share	\$ 0.41	\$ 0.33	\$ 0.83	\$ 0.70
Diluted earnings per share	\$ 0.40	\$ 0.32	\$ 0.80	\$ 0.67
Average basic shares outstanding	11,818	12,158	11,892	12,161
Average diluted shares outstanding	12,194	12,656	12,315	12,716

See accompanying Notes to Unaudited Consolidated Financial Statements.

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OceanFirst Financial Corp.
Consolidated Statements of
Changes in Stockholders' Equity (Unaudited)
(in thousands, except per share amounts)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Employee Stock Ownership Plan	Treasury Stock	Total
Balance at December 31, 2003	\$ 272	\$ 189,615	\$ 150,804	\$ (3,400)	\$ (9,911)	\$(192,718)	\$134,662
Comprehensive income:							
Net income	—	—	8,500	—	—	—	8,500
Other comprehensive income:							
Unrealized gain on securities (net of tax expense \$645)	—	—	—	936	—	—	936
Total comprehensive income							9,436
Tax benefit of stock plans	—	1,373	—	—	—	—	1,373
Purchase 392,254 shares of common stock	—	—	—	—	—	(9,485)	(9,485)
Allocation of ESOP stock	—	—	—	—	630	—	630
ESOP adjustment	—	1,173	—	—	—	—	1,173
Cash dividend - \$.40 per share	—	—	(4,879)	—	—	—	(4,879)
Exercise of stock options	—	—	(1,175)	—	—	3,753	2,578
Balance at June 30, 2004	\$ 272	\$ 192,161	\$ 153,250	\$ (2,464)	\$ (9,281)	\$(198,450)	\$135,488
Balance at December 31, 2004	\$ 272	\$ 193,723	\$ 157,575	\$ (667)	\$ (8,652)	\$(204,295)	\$137,956
Comprehensive income:							
Net income	—	—	9,821	—	—	—	9,821
Other comprehensive income:							
Unrealized loss on securities (net of tax benefit \$237)	—	—	—	(344)	—	—	(344)
Total comprehensive income							9,477
Stock award	—	103	—	—	—	—	103
Tax benefit of stock plans	—	1,089	—	—	—	—	1,089
Purchase 504,013 shares of common stock	—	—	—	—	—	(11,586)	(11,586)
Allocation of ESOP stock	—	—	—	—	591	—	591
ESOP adjustment	—	1,000	—	—	—	—	1,000
Cash dividend - \$.40 per share	—	—	(4,775)	—	—	—	(4,775)
Exercise of stock options	—	—	(1,755)	—	—	3,186	1,431
Balance at June 30, 2005	\$ 272	\$ 195,915	\$ 160,866	\$ (1,011)	\$ (8,061)	\$(212,695)	\$135,286

See accompanying Notes to Unaudited Consolidated Financial Statements.

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OceanFirst Financial Corp. Consolidated Statements of Cash Flows (dollars in thousands)

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 9,821	\$ 8,500
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of premises and equipment	1,027	1,012
Amortization of ESOP	591	630
ESOP adjustment	1,000	1,173
Tax benefit of stock plans	1,089	1,373
Stock award	103	—
Amortization of servicing asset	1,123	947
Amortization of intangible assets	52	53
Net premium amortization in excess of discount accretion on securities	471	625
Net amortization of deferred fees and discounts on loans	317	128
Provision for loan losses	250	100
Net gain on sales of real estate owned	—	(5)
Net gain on sale of fixed assets	(28)	—
Net gain on sales of loans	(6,544)	(4,359)
Proceeds from sales of mortgage loans held for sale	333,185	172,933
Mortgage loans originated for sale	(336,354)	(195,581)
Increase in value of Bank Owned Life Insurance	(535)	(645)
Increase in interest and dividends receivable	(827)	(757)
Increase in other assets	(224)	(770)
Decrease in other liabilities	(14,026)	(385)
Total adjustments	(19,330)	(23,528)
Net cash used in operating activities	(9,509)	(15,028)
Cash flows from investing activities:		
Net increase in loans receivable	(101,214)	(34,258)
Purchase of investment securities available for sale	(2,043)	(802)
Purchase of mortgage-backed securities available for sale	—	(82,844)
Proceeds from maturities of investment securities available for sale	—	1,755
Principal payments on mortgage-backed securities available for sale	18,331	21,112
Decrease (increase) in Federal Home Loan Bank of New York stock	1,750	(4,540)
Proceeds from sales of real estate owned	—	257
Proceeds from sale of fixed assets	49	—
Purchases of premises and equipment	(806)	(725)
Net cash used in investing activities	(83,933)	(100,045)

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OceanFirst Financial Corp.
Consolidated Statements of Cash Flows (Continued)
(dollars in thousands)

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	
Cash flows from financing activities:		
Increase in deposits	\$ 86,626	\$ 43,458
Increase in short-term borrowings	38,086	13,246
Proceeds from securities sold under agreements to repurchase with the Federal Home Loan Bank	—	40,000
Repayments from securities sold under agreements to repurchase with the Federal Home Loan Bank	(11,000)	(6,000)
Proceeds from Federal Home Loan Bank advances	24,000	74,000
Repayments of Federal Home Loan Bank advances	(60,000)	(26,000)
Increase in advances by borrowers for taxes and insurance	2,471	792
Exercise of stock options	1,431	2,578
Dividends paid	(4,775)	(4,879)
Purchase of treasury stock	(11,586)	(9,485)
	<u>65,253</u>	<u>127,710</u>
Net cash provided by financing activities	65,253	127,710
	<u>(28,189)</u>	<u>12,637</u>
Net (decrease) increase in cash and due from banks	(28,189)	12,637
Cash and due from banks at beginning of period	74,021	36,172
Cash and due from banks at end of period	<u>\$ 45,832</u>	<u>\$ 48,809</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 19,421	\$ 16,615
Income taxes	9,033	7,163
Non cash activities:		
Transfer of securities sold under agreements to repurchase to advances	26,000	10,000

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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 Home Loans, LLC, OceanFirst REIT Holdings, Inc. 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 and six months ended June 30, 2005 are not necessarily indicative of the results of operations that may be expected for all of 2005.

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 (the “SEC”).

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, 2004.

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. Statement of Financial Accounting Standard No. 123, “Accounting for Stock-based Compensation” as amended by Statement of Financial Accounting Standard No. 148, “Accounting for Stock-based Compensation-Transition and Disclosure”, permits the use of the intrinsic value method; however, the amended statement 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):

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net income – as reported	\$ 4,875	\$ 4,021	\$9,821	\$8,500
Stock-based compensation expense included in reported net income, net of related tax effects	15	—	67	—
Total stock-based compensation expense determined under the fair value based method, net of related tax effects	(186)	(135)	(407)	(255)
Net stock-based compensation expense not included in reported net income, all relating to stock option grants, net of related tax effects.	(171)	(135)	(340)	(255)
Net income – pro forma	\$ 4,704	\$ 3,886	\$9,481	\$8,245
Basic earnings per share:				
As reported	\$.41	\$.33	\$.83	\$.70
Pro forma	\$.40	\$.32	\$.80	\$.68
Diluted earnings per share:				
As reported	\$.40	\$.32	\$.80	\$.67
Pro forma	\$.39	\$.31	\$.77	\$.65

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Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three and six months ended June 30, 2005 and 2004 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Weighted average shares issued net of Treasury shares	12,810	13,309	12,905	13,333
Less: Unallocated ESOP shares	(974)	(1,119)	(991)	(1,138)
Unallocated incentive award shares	(18)	(32)	(22)	(34)
Average basic shares outstanding	11,818	12,158	11,892	12,161
Add: Effect of dilutive securities:				
Stock options	361	473	406	528
Incentive awards	15	25	17	27
Average diluted shares outstanding	12,194	12,656	12,315	12,716

Comprehensive Income

For the three month periods ended June 30, 2005 and 2004, total comprehensive income, representing net income plus or minus the change in unrealized gains or losses on securities available for sale amounted to \$5,411,000 and \$2,291,000, respectively. For the six months ended June 30, 2005 and 2004, total comprehensive income amounted to \$9,477,000 and \$9,436,000, respectively.

Note 2. Loans Receivable, Net

Loans receivable, net at June 30, 2005 and December 31, 2004 consisted of the following (in thousands):

	June 30, 2005	December 31, 2004
Real estate:		
One- to four-family	\$1,183,007	\$ 1,126,585
Commercial real estate, multi- family and land	270,643	243,299
Construction	15,554	19,189
Consumer	124,536	99,279
Commercial	64,207	61,290
Total loans	1,657,947	1,549,642
Loans in process	(5,882)	(5,970)
Deferred origination costs, net	3,991	3,888
Unearned discount	(3)	(4)
Allowance for loan losses	(10,514)	(10,688)
Total loans, net	1,645,539	1,536,868
Less: Mortgage loans held for sale	71,985	63,961
Loans receivable, net	\$1,573,554	\$ 1,472,907

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Note 3. Deposits

The major types of deposits at June 30, 2005 and December 31, 2004 were as follows (in thousands):

	June 30, 2005	December 31, 2004
Type of Account		
Non-interest-bearing	\$ 125,928	\$ 106,492
Interest-bearing checking accounts	332,233	297,919
Money market deposit	138,503	142,893
Savings	262,306	250,032
Time deposits	498,191	473,199
	<u>\$1,357,161</u>	<u>\$ 1,270,535</u>

Note 4. Recent Accounting Pronouncements

On April 14, 2005 the Securities and Exchange Commission amended the compliance dates for the Financial Accounting Standard Board's Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (Statement No. 123R). The Commission's new rule allows companies to implement Statement No. 123R at the beginning of the next fiscal year, instead of the next reporting period, that begins after June 15, 2005, or December 15, 2005 for small business issuers. The Commission's new rule does not change the accounting required by Statement No. 123R; it changes only the dates for compliance with the standard. The Company is currently evaluating the transition provisions of Statement 123R and does not know the impact on the consolidated financial statements at this time.

In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retroactive application to prior periods' financial statement of a voluntary change in accounting principle unless it is impracticable. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, with earlier application permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after June 1, 2005.

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

Critical Accounting Policies

Note 1 to the Company's Audited Consolidated Financial Statements for the year ended December 31, 2004 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004, as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are inherently subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets are carried in the consolidated statements of financial condition at fair value or the lower of cost or fair value. Policies with respect to the methodologies used to determine the allowance for loan losses, the valuation of Mortgage Servicing Rights and judgments regarding securities impairment are the most critical accounting policies because they are important to the presentation of the Company's financial condition and results of operations, involve a higher degree of complexity and require management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. The use of different judgments, assumptions and estimates could result in material differences in the results of operations or financial condition. These critical accounting policies and their application are reviewed periodically and, at least annually, with the Audit Committee of the Board of Directors.

Summary

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, 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 Company's operating expenses primarily consist of compensation and employee benefits, occupancy and equipment, marketing, data

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processing 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.

After declining to relatively low levels in early 2004, interest rates have steadily risen over the past year, especially at the shorter end of the yield curve. The previously low interest rate environment generally had an adverse effect on the Company's operating results. Prepayments on loans and mortgage-backed securities caused asset yields to decline at a faster rate than the cost of liabilities, causing the Company's net interest margin to contract. The more recent rising rate environment reduced prepayment activity and caused the Company's net interest margin to expand.

The Company continues to focus on growing loans receivable, while limiting credit and interest rate risk exposure. The Company opened a joint residential/commercial loan production office in Monmouth County in late 2004. In the third quarter of 2004, the Company expanded its loan production platform through the acquisition of a consumer direct lending operation by Columbia Home Loans, LLC, the Company's mortgage banking subsidiary. The acquisition increased the volume of loans sold by the Company and related gain on sale and was also partially responsible for the increase in operating expenses.

While the Company continues to focus on growing core deposits (defined as all deposits other than time deposits) the rise in interest rates and the muted reaction of competitors provided the Company with an opportunity to be more competitive in the market for time deposits within established pricing guidelines. Both core and time deposit balances increased over the past year. Deposit growth also benefited from the opening of the Company's eighteenth branch office in Freehold late in the first quarter of 2005.

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 for the three and six months ended June 30, 2005 and 2004. 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 certain fees which are considered adjustments to yields.

	For the Three Months Ended June 30,					
	2005			2004		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST
	(Dollars in thousands)					
Assets						
Interest-earnings assets:						
Interest-earning deposits and short term investments	\$ 13,234	\$ 98	2.96%	\$ 10,781	\$ 28	1.04%
Investment securities (1)	86,883	803	3.70	85,477	437	2.04
FHLB stock	19,802	235	4.75	23,659	81	1.37
Mortgage-backed securities (1)	112,397	967	3.44	147,860	1,194	3.23
Loans receivable, net (2)	1,590,601	22,757	5.72	1,450,303	20,405	5.63
Total interest-earning assets	1,822,917	24,860	5.45	1,718,080	22,145	5.16
Non-interest-earning assets	100,779			96,984		
Total assets	\$1,923,696			\$1,815,064		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Transaction deposits	\$ 726,798	1,757	0.97	\$ 668,862	959	0.57
Time deposits	487,151	3,569	2.93	388,212	2,531	2.61
Total	1,213,949	5,326	1.75	1,057,074	3,490	1.32
Borrowed funds	443,728	4,605	4.15	500,461	5,147	4.11
Total interest-bearing liabilities	1,657,677	9,931	2.40	1,557,535	8,637	2.22
Non-interest-bearing deposits	120,869			111,841		

Non-interest-bearing liabilities	<u>10,585</u>	<u>9,940</u>
Total liabilities	1,789,131	1,679,316
Stockholders' equity	<u>134,565</u>	<u>135,748</u>
Total liabilities and stockholders' equity	<u>\$1,923,696</u>	<u>\$1,815,064</u>
Net interest income	<u>\$ 14,929</u>	<u>\$ 13,508</u>
Net interest rate spread (3)	<u>3.05%</u>	<u>2.94%</u>
Net interest margin (4)	<u>3.28%</u>	<u>3.14%</u>

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FOR THE SIX MONTHS ENDED JUNE 30,						
	2005			2004		
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST
(Dollars in thousands)						
Assets						
Interest-earning assets:						
Interest-earning deposits and short term investments	\$ 14,358	\$ 194	2.70%	\$ 9,957	\$ 50	1.00%
Investment securities (1)	86,422	1,995	4.62	85,519	1,327	3.10
FHLB stock	20,086	402	4.00	22,186	155	1.40
Mortgage-backed securities (1)	116,747	2,061	3.53	123,739	2,050	3.31
Loans receivable, net (2)	1,568,749	44,530	5.68	1,437,748	40,593	5.65
Total interest-earning assets	1,806,362	49,182	5.45	1,679,149	44,175	5.26
Non-interest earning assets	101,430			95,499		
Total assets	\$1,907,792			\$1,774,648		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Transaction deposits	\$ 725,381	3,334	0.92	\$ 667,169	1,892	0.57
Time deposits	474,649	6,684	2.82	385,066	5,084	2.64
Total	1,200,030	10,018	1.67	1,052,235	6,976	1.33
Borrowed funds	443,222	9,058	4.09	472,969	9,931	4.20
Total interest-bearing liabilities	1,643,252	19,076	2.32	1,525,204	16,907	2.22
Non-interest-bearing deposits	114,995			102,659		
Non-interest bearing liabilities	14,052			12,211		
Total liabilities	1,772,299			1,640,074		
Stockholders' equity	135,493			134,574		
Total liabilities and stockholders' equity	\$1,907,792			\$1,774,648		
Net interest income		\$ 30,106			\$ 27,268	
Net interest rate spread (3)			3.13%			3.04%
Net interest margin (4)			3.33%			3.25%

(1) Amounts are recorded at average amortized cost.

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

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

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

Comparison of Financial Condition at June 30, 2005 and December 31, 2004

Total assets at June 30, 2005 were \$1.978 billion, an increase of \$63.5 million, compared to \$1.914 billion at December 31, 2004.

Loans receivable, net increased by \$100.6 million to a balance of \$1.574 billion at June 30, 2005, compared to a balance of \$1.473 billion at December 31, 2004. Commercial and commercial real estate loans outstanding increased \$30.3 million.

Deposit balances increased \$86.6 million to \$1.357 billion at June 30, 2005 from \$1.271 billion at December 31, 2004. Core deposits (all deposits except time deposits), a key emphasis for the Company, increased by \$61.6 million, while time deposits also increased by \$25.0

million.

Total Federal Home Loan Bank borrowings, consisting of securities sold under agreements to repurchase and advances, decreased \$28.0 million to \$390.0 million at June 30, 2005, compared to a balance of \$418.0 million at December 31, 2004. The Company utilized excess cash and due from bank balances and deposit flows to retire the Federal Home Loan Bank borrowings.

Stockholders' equity at June 30, 2005 decreased to \$135.3 million, compared to \$138.0 million at December 31, 2004. The Company repurchased 504,013 shares of common stock during the six months ended June 30, 2005 at a total cost of \$11.6 million. Under the 10% repurchase program authorized by the Board of Directors in October 2003, 246,042 shares remain to be purchased as of June 30, 2005. The cost of the share repurchases was partly offset by net income, proceeds from stock option exercises and the related tax benefit, and Employee Stock Ownership Plan amortization.

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Comparison of Operating Results for the Three and Six Months Ended June 30, 2005 and June 30, 2004

General

Net income increased to \$4.9 million and \$9.8 million, respectively, for the three and six months ended June 30, 2005, as compared to net income of \$4.0 million and \$8.5 million, respectively, for the three and six months ended June 30, 2004. Diluted earnings per share increased to \$.40 and \$.80, respectively, for the three and six months ended June 30, 2005, as compared to \$.32 and \$.67, respectively, for the same prior year periods. Earnings per share was favorably affected by the Company's repurchase program, which reduced the average diluted shares outstanding.

Interest Income

Interest income for the three and six months ended June 30, 2005 was \$24.9 million and \$49.2 million, respectively, compared to \$22.1 million and \$44.2 million, respectively, for the three and six months ended June 30, 2004. The yield on interest-earning assets increased to 5.45% for both the three and six months ended June 30, 2005, as compared to 5.16% and 5.26%, respectively, for the same prior year periods. Average interest-earning assets increased by \$104.8 million and \$127.2 million, respectively, for the three and six months ended June 30, 2005 as compared to the same prior year periods. The growth was concentrated in average loans receivable which grew \$140.3 million, or 9.7%, for the three months ended June 30, 2005 as compared to the same prior year period. For the six months ended June 30, 2005 average loans receivable increased \$131.0 million, or 9.1%, as compared to the same prior year period.

Interest Expense

Interest expense for the three and six months ended June 30, 2005 was \$9.9 million and \$19.1 million, respectively, compared to \$8.6 million and \$16.9 million, respectively, for the three and six months ended June 30, 2004. The cost of interest-bearing liabilities increased to 2.40% and 2.32%, respectively, for the three and six months ended June 30, 2005, as compared to 2.22% in the same prior year periods. Average interest-bearing liabilities increased by \$100.1 million and \$118.0 million, respectively, for the three and six months ended June 30, 2005 as compared to the same prior year periods. The growth was concentrated in interest-bearing deposits which grew \$156.9 million, or 14.8% for the three months ended June 30, 2005 as compared to the same prior year period. For the six months ended June 20, 2005 average interest-bearing deposits increased \$147.8 million, or 14.0%, as compared to the same prior year period.

Net Interest Income

Net interest income for the three and six months ended June 30, 2005 increased to \$14.9 million and \$30.1 million, respectively, as compared to \$13.5 million and \$27.3 million, respectively, in the same prior year periods. The net interest margin increased to 3.28% and 3.33%, respectively, for the three and six months ended June 30, 2005 from 3.14% and 3.25%, respectively, in the same prior year periods. Net interest income benefited from the wider net interest margin and the increase in average interest-earning assets as noted above.

Provision for Loan Losses

For the three and six months ended June 30, 2005, the Company's provision for loan losses was \$200,000 and \$250,000, respectively, as compared to \$50,000 and \$100,000 for the same prior year periods. Total loans receivable increased and net charge-offs for the three and six months ended June 30, 2005 increased to \$422,000 and \$425,000, respectively, from no net charge-offs and a \$49,000 net recovery, respectively, for the same prior year periods. Non-performing loans, however, decreased to \$2.1 million at June 30, 2005 from \$3.5 million at December 31, 2004 and \$3.6 million at June 30, 2004.

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Other Income

Other income was \$5.9 million and \$11.8 million, respectively, for the three and six months ended June 30, 2005, compared to \$4.5 million and \$9.2 million, respectively, for the same prior year periods. For the three and six months ended June 30, 2005, the Company recorded gains of \$3.2 million and \$6.5 million, respectively, on the sale of loans available for sale, as compared to gains of \$2.0 million and \$4.4 million, respectively, in the same prior year periods. Loans sold for the three and six month period ended June 30, 2005 increased to \$166.1 million and \$326.6 million, respectively, from \$100.1 million and \$168.6 million, respectively, in the same prior year periods. In the third quarter of 2004, the Company expanded its loan production platform through the acquisition of a consumer direct lending operation by Columbia Home Loans, LLC. Fees and service charges increased \$304,000 and \$550,000, respectively, for the three and six months ended June 30, 2005, as compared to the same prior year periods primarily related to increases in investment services and trust fees.

Operating Expenses

Operating expenses were \$13.2 million and \$26.5 million, respectively, for the three and six months ended June 30, 2005, as compared to \$11.7 million and \$23.1 million, respectively, in the same prior year periods. The increase was primarily due to the costs related to the third quarter 2004 acquisition of a consumer direct lending operation.

Provision for Income Taxes

Income tax expense was \$2.6 million and \$5.3 million, respectively, for the three and six months ended June 30, 2005, as compared to \$2.3 million and \$4.7 million, respectively, for the same prior year periods. The effective tax rates decreased slightly to 34.9% and 35.1%, respectively, for the three and six months ended June 30, 2005 as compared to 36.1% and 35.8%, respectively, for the same prior year periods.

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, 2005 the Company had outstanding overnight borrowings from the FHLB of \$19.0 million as compared to no outstanding overnight borrowings at December 31, 2004. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total FHLB borrowings of \$390.0 million at June 30, 2005, a decrease from \$418.0 million at December 31, 2004. The decrease in borrowings was funded by a reduction in cash and due from banks and increased deposits.

The Company's cash needs for the six months ended June 30, 2005, were primarily satisfied 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 repurchase of common stock. For the six months ended June 30, 2004, the cash needs of the Company were primarily satisfied by principal payments on loans and mortgage-backed securities, increased deposits, increased total borrowings and proceeds from the sale of mortgage loans held for sale. The cash provided was principally used for the origination of loans, the purchase of mortgage-backed securities and the repurchase of common stock.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination and sale of loans. At June 30, 2005, outstanding commitments to originate loans totaled \$261.8 million; outstanding unused lines of credit totaled \$160.1 million; and outstanding commitments to sell loans totaled \$97.3 million. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

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Time deposits scheduled to mature in one year or less totaled \$303.0 million at June 30, 2005. Based upon historical experience management estimates that a significant portion of such deposits will remain with the Company.

Under the Company's stock repurchase programs, shares of OceanFirst Financial Corp. common stock may be purchased in the open market and through other privately negotiated transactions, from time-to-time, depending on market conditions. The repurchased shares are held as treasury stock for general corporate use. For the six months ended June 30, 2005, the Company purchased 504,013 shares of common stock at a total cost of \$11.6 million compared with purchases of 392,254 shares for the six months ended June 30, 2004 at an aggregate cost of \$9.5 million. At June 30, 2005, there were 246,042 shares remaining to be repurchased under the existing stock repurchase program. Cash dividends declared and paid during the first six months of 2005 were \$4.8 million, a decrease from \$4.9 million from the same prior year period due to the reduction in common shares outstanding. On July 20, 2005, the Board of Directors declared a quarterly cash dividend of twenty cents (\$.20) per common share. The dividend is payable on August 12, 2005 to stockholders of record at the close of business on July 29, 2005.

The primary source of liquidity for OceanFirst Financial Corp., the holding company of OceanFirst Bank, is capital distributions from the banking subsidiary. For the first six months of 2005, OceanFirst Financial Corp. received \$11.1 million in dividend payments from OceanFirst Bank. The primary use of these funds is the payment of dividends to shareholders and the repurchase of common stock. OceanFirst Financial Corp.'s ability to continue these activities is partly dependent upon capital distributions from OceanFirst Bank. Applicable Federal law or the Bank's regulator, may limit the amount of capital distributions OceanFirst Bank may make.

At June 30, 2005, the Bank exceeded all of its regulatory capital requirements with tangible capital of \$119.4 million, or 6.1% of total adjusted assets, which is above the required level of \$29.6 million or 1.5%; core capital of \$119.4 million or 6.1% of total adjusted assets, which is above the required level of \$59.2 million, or 3.0%; and risk-based capital of \$129.7 million, or 10.0% of risk-weighted assets, which is above the required level of \$103.8 million or 8.0%. The Bank is considered a "well-capitalized" institution under the Office of Thrift Supervision's Prompt Corrective Action Regulations.

Off-Balance-Sheet Arrangements and Contractual Obligations

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in the financial statements. These transactions involve, to varying degrees, elements of credit, interest rate, and liquidity risk. Such transactions are used for general corporate purposes or for customer needs. Corporate purpose transactions are used to help manage credit, interest rate, and liquidity risk or to optimize capital. Customer transactions are used to manage customers' requests for funding. These financial instruments and commitments include unused consumer lines of credit and commitments to extend credit. The Company also has outstanding commitments to sell loans amounting to \$97.3 million.

The following table shows the contractual obligations of the Company by expected payment period as of June 30, 2005 (in thousands):

Contractual Obligation	Total	Less than one year	1-3 years	3-5 years	More than 5 years
Debt Obligations	\$454,158	\$175,158	\$161,000	\$103,000	\$15,000
Commitments to Originate Loans	261,835	261,835	—	—	—
Commitments to Fund Unused Lines of Credit	160,092	160,092	—	—	—

Debt obligations include borrowings from the FHLB and Securities Sold under Agreements to Repurchase. The borrowings have defined terms and, under certain circumstances, \$102.0 million of the borrowings are callable at the option of the lender.

Commitments to originate loans and commitments to fund unused lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments

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generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company's exposure to credit risk is represented by the contractual amount of the instruments.

Non-Performing Assets

The following table sets forth information regarding the Company's non-performing 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, 2005	December 31, 2004
	(dollars in thousands)	
Non-accrual loans:		
Real estate:		
One- to four-family	\$ 893	\$ 1,337
Commercial real estate, multi-family and land	—	744
Consumer	324	784
Commercial	835	623
Total non-performing loans	2,052	3,488
REO, net	288	288
Total non-performing assets	\$ 2,340	\$ 3,776
Allowance for loan losses as a percent of total loans receivable	.63%	.69%
Allowance for loan losses as percent of total non-performing loans	512.38	306.42
Non-performing loans as a percent of total loans receivable	.12	.23
Non-performing assets as a percent of total assets	.12	.20

The Company also classifies assets in accordance with certain regulatory guidelines. At June 30, 2005 the Bank had \$5.8 million classified as Special Mention, \$2.1 million classified as Substandard and \$405,000 classified as Doubtful as compared to \$12.3 million, \$5.1 million and \$226,000, respectively, classified as Special Mention, Substandard and Doubtful at December 31, 2004.

Private Securities Litigation Reform Act Safe Harbor Statement

In addition to historical information, this quarterly report contains certain forward-looking statements which are based on certain assumptions and describe future plans, strategies and expectations of the Company. These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project," or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations of the Company and the subsidiaries include, but are not limited to, changes in interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on statements. The Company does not undertake - and specifically disclaims any obligation - to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Further description of the risks and uncertainties to the business are included in Item 1, BUSINESS of the Company's 2004 Form 10-K.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's interest rate sensitivity is monitored through the use of an interest rate risk (IRR) model. The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at June 30, 2005, which were anticipated by the Company, based upon certain assumptions, to reprice or mature in each of the future time periods shown. At June 30, 2005 the Company's one-year gap was positive 4.93% as compared to positive 5.14% at December 31, 2004.

At June 30, 2005 (dollars in thousands)	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Total
Interest-earning assets: (1)						
Interest-earning deposits and short-term investments	\$ 8,728	\$ —	\$ —	\$ —	\$ —	\$ 8,728
Investment securities	77,562	2,803	—	—	6,529	86,894
FHLB stock	—	—	—	—	19,500	19,500
Mortgage-backed securities	8,492	23,443	33,048	40,361	568	105,912
Loans receivable (2)	281,135	289,925	550,011	330,597	200,397	1,652,065
Total interest-earning assets	375,917	316,171	583,059	370,958	226,994	1,873,099
Interest-bearing liabilities:						
Money market deposit accounts	6,140	16,833	35,147	80,383	—	138,503
Savings accounts	11,628	31,880	66,564	152,234	—	262,306
Interest-bearing checking accounts	14,728	40,380	84,309	192,816	—	332,233
Time deposits	130,671	172,375	133,194	51,318	10,633	498,191
FHLB advances	36,000	71,000	119,000	80,000	15,000	321,000
Securities sold under agreements to repurchase	64,158	4,000	42,000	23,000	—	133,158
Total interest-bearing liabilities	263,325	336,468	480,214	579,751	25,633	1,685,391
Interest sensitivity gap (3)	\$112,592	\$ (20,297)	\$102,845	\$(208,793)	\$201,361	\$ 187,708
Cumulative interest sensitivity gap	\$112,592	\$ 92,295	\$195,140	\$ (13,653)	\$187,708	\$ 187,708
Cumulative interest sensitivity gap as a percent of total interest-earning assets	6.01%	4.93%	10.42%	(0.73)%	10.02%	10.02%

- (1) Interest-earning assets are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments, and contractual maturities.
- (2) For purposes of the gap analysis, loans receivable includes loans held for sale and non-performing loans gross of the allowance for loan losses, unamortized discounts and deferred loan fees.
- (3) Interest sensitivity gap represents the difference between interest-earning assets and interest-bearing liabilities.

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, 2005 and December 31, 2004. 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, 2004.

Change in Interest Rates in Basis Points (Rate Shock) (dollars in thousands)	June 30, 2005					December 31, 2004				
	Net Portfolio Value			Net Interest Income		Net Portfolio Value			Net Interest Income	
	Amount	% Change	NPV Ratio	Amount	% Change	Amount	% Change	NPV Ratio	Amount	% Change
200	\$200,902	(8.1)%	10.6%	\$62,297	1.2	\$185,995	(9.7)%	10.1%	\$59,967	1.9%
100	214,880	(1.7)	11.0	62,219	1.1	200,162	(2.8)	10.6	59,661	1.4
Static	218,681	—	11.0	61,560	—	205,868	—	10.7	58,856	—
(100)	211,401	(3.3)	10.5	60,000	(2.5)	204,583	(0.6)	10.5	57,699	(2.7)
(200)	195,860	(10.4)	9.7	57,064	(7.3)	N/A	N/A	N/A	N/A	N/A

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Item 4. Disclosure Controls and Procedures

The Company's management, including the Company's principal executive officer and principal financial officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon their evaluation, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the SEC (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. In addition, based on that evaluation, no change in the Company's internal control over financial reporting occurred during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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. Unregistered Sales of Equity Securities and Use of Proceeds

Information regarding the Company's common stock repurchases for the three month period ended June 30, 2005 is as follows:

Period	Total Number of Shares Purchased	Average price Paid per Share	Total Number of Shares Purchased as	Maximum Number
			Part of Publicly Announced Plans or Programs	of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2005 through April 30, 2005	6,000	\$ 23.07	6,000	441,942
May 1, 2005 through May 31, 2005	94,500	\$ 21.96	94,500	347,442
June 1, 2005 through June 30, 2005	101,400	\$ 21.93	101,400	246,042

On October 22, 2003 the Company announced its intention to repurchase up to 1,341,818 shares, or 10%, of its outstanding common stock.

Item 3. Defaults Upon Senior Securities

Not Applicable

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

Not Applicable

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Item 5. Other Information

During the three months ended June 30, 2005, Messrs. Garbarino, Fitzpatrick, Pardes, Kelly and Iantosca, ("Named Executive Officers") received stock option grants for 3,806, 1,464, 1,098, 751 and 615 shares, respectively and incentive bonuses of \$39,572, \$15,225, \$11,419, \$7,805 and \$6,394, respectively. On April 21, 2005 each outside director received 473 common shares representing payment of the \$10,000 annual retainer for service on the Company's Board of Directors.

Item 6. Exhibits

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.*
- 10.18 Amendment and Form of OceanFirst Bank Employee Severance Compensation Plan.
- 31.1 Rule 13a-14(a)/15d-14(c) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(c) Certification of Chief Financial Officer
- 32.0 Section 1350 Certifications

* Incorporated herein by reference into this document from the Exhibits to Form S-1, Registration Statement, effective May 13, 1996, as amended, Registration No. 33-80123.

** Incorporated herein by reference into this document from the Exhibit to Form 10-K, Annual Report, filed on March 25, 2003.

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 9, 2005

/s/ John R. Garbarino

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

DATE: August 9, 2005

/s/ Michael Fitzpatrick

Michael Fitzpatrick
Executive Vice President and
Chief Financial Officer

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Exhibit Index

<u>Exhibit</u>	<u>Description</u>	<u>Page</u>
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31.1	Rule 13a-14(a)/15d-14(c) Certification of Chief Executive Officer	29
31.2	Rule 13a-14(a)/15d-14(c) Certification of Chief Financial Officer	30
32.0	Section 1350 Certifications	31

AMENDMENT TO THE OCEAN FEDERAL SAVINGS BANK EMPLOYEE SEVERANCE COMPENSATION PLAN

This Amendment to the Ocean Federal Savings Bank Employee Severance Compensation Plan the (“Plan”), is executed on July 20, 2005, by the Board of Directors of OceanFirst Bank, formerly Ocean Federal Savings Bank (the “Bank”).

WHEREAS, on July 17, 1996 the Bank adopted the Ocean Federal Savings Bank Employee Severance Plan; and

WHEREAS, as authorized under Article VIII of the Plan, the Board of Directors of the Bank feels it would be in the best interest of the Bank to amend the Plan to make certain changes regarding Participant eligibility and vesting requirements; and

WHEREAS, with certain exceptions not applicable here, pursuant to Article VIII the Plan may be amended in any respect by resolution adopted by the majority of the Board of Directors of the Bank.

NOW THEREFORE, the Ocean Federal Savings Bank Employee Severance Compensation Plan is hereby amended as follows:

1. The name of the Plan is hereby amended to read “The OceanFirst Bank Employee Severance Compensation Plan” and all references to Ocean Federal Savings Bank are deleted and substituted with the name “OceanFirst Bank”;

Section 3.1, “Participation,” the following words are added at the beginning of the section “Except as noted in Section 4.3,...”

Section 4.3(a)(i) is amended to read as follows:

“(i) Participants with a title of ‘Vice President’ or greater shall receive a Payment equal to one full year’s salary (determined immediately prior to the time the Payment is to be made) regardless of length of service.”

Existing Section 4.3(a)(ii) is made new Section 4.3(a)(iii) and the following language is substituted for new Section 4.3(a)(ii):

“(ii) Participants with a title of ‘Assistant Vice President’ shall receive a Payment equal to one half of their Annual Compensation regardless of length of service. Assistant Vice Presidents shall also receive a Payment equal to one twelfth (1/12) of their Annual Compensation for each full year of service after their sixth anniversary of employment with the Bank up to an additional one half of their Annual Compensation. Total payments under this Section shall not exceed a maximum of 100% of Annual Compensation.”

IN WITNESS WHEREOF, the Bank adopted this Amendment to the Ocean Federal Savings Bank Employee Severance Compensation Plan and caused this instrument to be executed by its duly authorized officers as of the date above.

ATTEST:

OCEANFIRST BANK

Secretary

For the entire Board of Directors

**OCEAN FEDERAL SAVINGS BANK
EMPLOYEE SEVERANCE COMPENSATION PLAN**

PLAN PURPOSE

The purpose of the Ocean Federal Savings Bank Employee Severance Compensation Plan is to assure for Ocean Federal Savings Bank (the “Bank”) the services of Employees of the Bank in the event of a Change in Control (capitalized terms are defined in section 2.1) of Ocean Financial Corp. (the “Holding Company”) or the Bank. The benefits contemplated by the Plan recognize the value to the Bank of the services and contributions of the Employees of the Bank and the effect upon the Bank resulting from the uncertainties of continued employment, reduced Employee benefits, management changes and relocations that may arise in the event of a Change in Control of the Bank or the Holding Company. The Bank’s and the Holding Company’s Boards of Directors believe that it is in the best interests of the Bank and the Holding Company to provide Employees of the Bank who have been with the Bank for a minimum of one year with such benefits in order to defray the costs and changes in Employee status that could follow a Change in Control. The Board of Directors believes that the Plan will also aid the Bank in attracting and retaining highly qualified individuals who are essential to its success and the Plan’s assurance of fair treatment of the Bank’s Employees will reduce the distractions and other adverse effects on Employees’ performance in the event of a Change in Control.

**ARTICLE I
ESTABLISHMENT OF PLAN**

1.1 Establishment of Plan

As of the Effective Date of the Plan as defined herein, the Bank hereby establishes an employee severance compensation plan to be known as the “Ocean Federal Savings Bank Employee Severance Compensation Plan.” The purposes of the Plan are as set forth above.

1.2 Applicability of Plan

The benefits provided by this Plan shall be available to all Employees of the Bank, who, at or after the Effective Date, meet the eligibility requirements of Article III, except for those executive officers who have entered into, or who enter into in the future, and continue to be subject to an employment or change in control agreement with the Employer.

1.3 Contractual Right to Benefits

This Plan establishes in each Participant a contractual right in consideration for meeting the eligibility requirements of the Plan, to the benefits to which each Participant is entitled hereunder, enforceable by the Participant against the Employer, Bank, or both.

**ARTICLE II
DEFINITIONS AND CONSTRUCTION**

2.1 Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below.

(a) “Annual Compensation” of a Participant means and includes only regular wages, and salary during the most recent 12 months ended the date as of which Annual Compensation is to be determined, which are or would be includable in the gross income of the Participant receiving the same for federal income tax purposes.

(b) “Bank” means Ocean Federal Savings Bank or any successor as provided for in Article VII hereof.

(c) “Change in Control” of the Bank or Holding Company shall mean an event of a nature that; (i) would be required to be reported in response to Item 1 of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”); or (ii) results in a Change in Control of the Bank or the Holding Company within the meaning of the Home Owners’ Loan Act of 1933, as amended, and the Rules and Regulations promulgated by the Office of Thrift Supervision (the “OTS”) (or its predecessor agency), as in effect on

the date hereof (provided, that in applying the definition of change in control as set forth under the Rules and Regulations of the OTS, the Board shall substitute its judgment for that of the OTS); or (iii) without limitation such a Change in Control shall be deemed to have occurred at such time as (A) any "person" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Bank or the Holding Company representing 20% or more of the Bank's or the Holding Company's outstanding securities except for any securities of the Bank purchased by the Holding Company in connection with the conversion of the Bank to the stock form and any securities purchased by any tax-qualified employee benefit plan of the Bank; or (B) individuals who constitute the Board on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Holding Company's stockholders was approved by the same Nominating Committee serving under an Incumbent Board, shall be, for purposes of this clause (B), considered as though he were a member of the Incumbent Board; or (C) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or the Company or similar transaction occurs in which the Bank or Holding Company is not the resulting entity; provided, however, that such an event listed above will be deemed to have occurred or to have been effectuated upon the receipt of all required regulatory approvals not including the lapse of any statutory waiting periods; or (D) solicitations of shareholders of the Holding Company, by someone other than the current management of the Holding Company, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Holding Company or Bank or similar transaction with one or more corporations as a result of which the outstanding shares of the class of securities then subject to the plan or transaction are exchanged for or converted into cash or property or securities not issued by the Bank or the Holding Company shall be distributed; or (E) a tender offer is made for 20% or more of the voting securities of the Bank or the Holding Company.

(d) "Disability" as it regards a particular Participant has the same meaning as in any long term disability plan ("LTD Plan") maintained by the Bank by which such Participant is covered, in the absence of such a LTD Plan, "Disability" means the permanent and total inability by reason of mental or physical infirmity, or both, of an employee to perform the work customarily assigned to him. Additionally, a medical doctor selected or approved by the Board of Directors must advise the Board that it is either not possible to determine if or when such Disability will terminate or that it appears probable that such Disability will be permanent during the remainder of said employees lifetime.

(e) "Disqualified Individual" means an individual who is an employee or independent contractor of the corporation and is, with respect to the corporation, (i) a shareholder, (ii) an officer, or (iii) a highly compensated individual, as all of these terms, including Disqualified Individual, are defined under Section 280G or the Code.

(f) "Effective Date" means the date the Plan is approved by the Board of Directors of the Bank, or such other date as the Board shall designate in its resolution approving the Plan.

(g) "Employee" means any Employee of the Bank or any subsidiary thereof who has completed at least one Year of Service with the Bank, or any subsidiary thereof, provided, however, that any Employee who is covered or hereinafter becomes covered by an employment contract or change in control agreement with the Employer shall not be considered to be an Employee for purposes of this Plan.

(h) "Expiration Date" means a date ten (10) years from the Effective Date unless earlier terminated pursuant to Section 8.2 or extended pursuant to Section 8.1.

(i) "Employer" means the Bank or a subsidiary of the Bank or a parent of the Bank which has adopted the Plan pursuant to Article VI hereof.

(j) "Holding Company" means Ocean Financial Corp., the holding company of the Bank.

(k) "Just Cause" shall mean termination because of Participant's personal dishonesty, incompetence, willful misconduct, any breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or other similar offenses) or any final cease-and desist order.

(l) "Leave of Absence" and "LOA" mean (i) the taking of an authorized or approved leave of absence under the provisions of the federal Family and Medical Leave Act ("FMLA"), (ii) any state law providing qualitatively similar benefits as the FMLA, or (iii) a leave of absence authorized under the policies of the Bank. "Leave of Absence" and "LOA" are defined in this paragraph for the exclusive purposes of this Plan.

(m) "Payment" means the payment of severance compensation as provided in Article IV hereof.

(n) "Participant" means an Employee who meets the eligibility requirements of Article III.

(o) "Plan" means the Ocean Federal Savings Bank Employee Severance Compensation Plan.

(p) "Year of Service" means each consecutive 12 month period, beginning with an Employee's date of hire and running without a termination of employment in which an Employee is credited with at least one hour of service in each of the 12 calendar months in such period. The taking of a LOA shall not eliminate a period of time from being a Year of Service if such period of time otherwise qualifies as such. Further if a particular 12 month period of time would not otherwise qualify under the Plan as a Year of Service because one hour of service is not credited during each month of such period due to the taking of a LOA, then such period of time shall be deemed to be a Year of Service for all other sections of this Plan.

2.2 Applicable Law

The laws of the State of New Jersey shall be the controlling law in all matters relating to the Plan to the extent not preempted by Federal law.

2.3 Severability

If a provision of this Plan shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

ARTICLE III ELIGIBILITY

3.1 Participation

The term Participant shall describe those Employees of the Bank who have completed at least one Year of Service with the Bank at the time of any termination pursuant to Section 4.2 herein. Notwithstanding the foregoing, persons who have entered into and continue to be covered by an employment contract or change in control agreement with the Employer shall not be entitled to participate in this Plan.

3.2 Duration of Participation

A Participant shall cease to be a Participant in the Plan when the Participant ceases to be an Employee of the Bank or the Holding Company, unless such Participant is entitled to a Payment as provided in the Plan. A Participant entitled to receipt of a Payment shall remain a Participant in this Plan until the full amount of such Payment has been paid to the Participant.

ARTICLE IV PAYMENTS

4.1 Right to Payment

A Participant shall be entitled to receive from the Bank or the Holding Company, but not both, a Payment in the amount provided in Section 4.3 if there has been a Change in Control of the Bank or the Holding Company and if, within one (1) year thereafter, the Participant's employment by the Bank or the Holding Company shall terminate for any reason specified in Section 4.2, whether the termination is voluntary or involuntary. A Participant shall not be entitled to a Payment if termination occurs by reason of death, voluntary retirement, voluntary termination other than for reasons specified in Section 4.2, Disability, or for Just Cause. Each Participant shall be entitled to only one payment under the provisions of this Plan.

4.2 Reasons for Termination

Following a Change in Control, a Participant shall be entitled to a Payment if employment by the

Bank or the Holding Company is terminated, voluntarily or involuntarily, for any one or more of the following reasons within one (1) year of the consummation of such a Change in Control:

(a) The Employer reduces the Participant's (i) base salary (or regularly scheduled hours are increased without a pro rated increase in Base Salary); (ii) rate of compensation in the case of hourly employees; or (iii) the product of hourly rate of compensation on regularly scheduled hours (without regard to overtime) as in effect immediately prior to the Change in Control, or as the same may have been increased thereafter.

(b) The Employer materially changes Participant's function, duties or responsibilities which would cause Participant's position to be one of lesser responsibility, importance or scope with the Employer than immediately prior to the change in control.

(c) The Employer requires the Participant to change the location of the Participant's job or office, so that such Participant will be based at a location more than thirty (30) miles from the location of the Participant's job or office immediately prior to the Change in Control provided that such new location is not closer to Participant's home.

(d) The Employer materially reduces the benefits and perquisites available to the Participant immediately prior to the Change in Control, provided, however, that a material reduction in benefits and perquisites generally provided to all Employees of the Bank on a nondiscriminatory basis would not trigger a payment pursuant to this Plan.

(e) A successor to the Bank fails or refuses to assume the Bank's obligations under this Plan, as required by Article VII.

(f) The Bank or any successor to the Bank breaches any other provisions of this Plan.

(g) The Employer terminates the employment of a Participant at or after a Change in Control other than for Just Cause.

4.3 Amount of Payment

(a) Participants entitled to a Payment under this Plan shall receive from the Bank a lump sum cash payment in an amount determined as follows:

(i) Participants with a title of "Vice President" or greater shall receive a Payment equal to one full year's salary (determined immediately prior to the time the Payment is to be made), and

(ii) All other Participants shall receive a Payment equal to one-twelfth (1/12) of their Annual Compensation for each Year of Service, up to a maximum of 100% of such Annual Compensation.

(b) Notwithstanding the provision of (a) above, if a Payment to a Participant who is a Disqualified Individual shall be in an amount which includes an Excess Parachute Payment, the Payment hereunder to that Participant shall be reduced to the maximum amount which does not include an Excess Parachute Payment. The terms "Disqualified Individual" and "Excess Parachute Payment" shall have the same meaning as defined in Section 280G of the Internal Revenue Code of 1986, as amended, or any successor section of similar import.

The Participant shall not be required to mitigate damages on the amount of the Payment by seeking other employment or otherwise, nor shall the amount of such Payment be reduced by any compensation earned by the Participant as a result of employment after termination of employment hereunder.

4.4 Time of Payment

The Payment to which a Participant is entitled shall be paid to the Participant by the Bank or the Holding Company or its successor, in cash and in full, not later than twenty (20) business days after the termination of the Participant's employment. If any Participant should die after termination of the employment but before all amounts have been paid, such unpaid amounts shall be paid to the Participant's named beneficiary, if living, otherwise to the personal representative on behalf of or for the benefit of the Participant's estate.

4.5 Suspension of Payment

Notwithstanding the foregoing, no payments or portions thereof shall be made under this Plan, if such payment or portion would result in the Bank failing to meet its minimum regulatory capital requirements as required by 12 C.F.R. § 567.2 of the Office of Thrift Supervision Regulations. Any payments or portions thereof not paid shall be suspended until such time as their payment would not result in a failure to meet the Bank's minimum regulatory capital requirements. Any portion of benefit payments which have not been suspended will be paid on an equitable basis, pro rata based upon amounts due each Participant, among all eligible Participants.

ARTICLE V OTHER RIGHTS AND BENEFITS NOT AFFECTED

5.1 Other Benefits

Neither the provisions of this Plan nor the Payment provided for hereunder shall reduce any amounts otherwise payable, or in any way diminish the Participant's rights as an Employee of the Bank or the Holding Company, whether existing now or hereafter, under any benefit, incentive, retirement, stock option, stock bonus, stock ownership or any employment agreement or other plan or arrangement.

5.2 Employment Status

This Plan does not constitute a contract of employment or impose on the Participant or the Participant's Employer any obligation to retain the Participant as an employee or Officer, to change the status of the Participant's employment, or to change the Employer's policies regarding termination of employment.

ARTICLE VI PARTICIPATING EMPLOYERS

6.1 Upon approval by the Board of Directors of the Bank, this Plan may be adopted by any Subsidiary or Parent of the Bank. Upon such adoption, the Subsidiary or Parent shall become an Employer hereunder and the provisions of the Plan shall be fully applicable to the Employees of that Subsidiary or Parent. The term "Subsidiary" means any corporation in which the Bank, directly or indirectly, holds a majority of the voting power of its outstanding shares of capital stock. The term "Parent" means any corporation which holds a majority of the voting power of the Bank's outstanding shares of capital stock.

ARTICLE VII SUCCESSOR TO THE BANK

7.1 The Bank shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the Bank, expressly and unconditionally to assume and agree to perform the Bank's obligations under this plan, in the same manner and to the same extent that the Bank would be required to perform if no such succession or assignment had taken place.

ARTICLE VIII DURATION, AMENDMENT AND TERMINATION

8.1 Duration

If a Change in Control has not occurred, this Plan shall expire as of the Expiration Date, unless sooner terminated as provided in Section 8.2, or unless extended for an additional period or periods by resolution adopted by the Board of Directors of the Bank.

Notwithstanding the foregoing, if a Change in Control occurs this Plan shall continue in full force and effect, and shall not terminate or expire until such date as all Participants who become entitled to Payments hereunder shall have received such Payments in full.

8.2 Amendment and Termination

The Plan may be terminated or amended in any respect by resolution adopted by a majority of the Board of Directors of the Bank, unless a Change in Control has previously occurred. If a Change in Control occurs, the Plan no longer shall be subject to amendment, change, substitution, deletion, revocation or termination in any respect whatsoever.

8.3 Form of Amendment

The form of any proper amendment or termination of the Plan shall be a written instrument signed by a duly authorized officer or officers of the Bank, certifying that the amendment or termination has been approved by the Board of Directors. A proper amendment of the Plan automatically shall effect a corresponding amendment to each Participant's rights hereunder. A proper termination of the Plan automatically shall effect a termination of all Participants' rights and benefits hereunder.

8.4 No Attachment

(a) Except as required by law, no right to receive payments under this Plan shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect such action shall be null, void, and of no effect.

(b) This Plan shall be binding upon, and inure to the benefit of, Employee and the Bank and their respective successors and assigns.

ARTICLE IX LEGAL FEES AND EXPENSES

9.1 All reasonable legal fees and other expenses paid or incurred by a party hereto pursuant to any dispute or question of interpretation relating to this Plan shall be paid or reimbursed by the Bank or the Holding Company if a Participant is found to have made a claim which is not without merit pursuant to any legal judgment, arbitration or settlement.

ARTICLE X REQUIRED PROVISIONS

10.1 The Bank may terminate the Employee's employment at any time, but any termination by the Bank, other than Termination for Cause, shall not prejudice Employee's right to compensation or other benefits under this Agreement. Employee shall not have the right to receive compensation or other benefits for any period after termination for Just Cause as defined in Section 2.1 hereinabove.

10.2 If the Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(3) or (g)(1), the Bank's obligations under this contract shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank may in its discretion (i) pay the Employee all or part of the compensation withheld while their contract obligations were suspended and (ii) reinstate (in whole or in part) any of the obligations which were suspended.

10.3 If the Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this contract shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

10.4 If the Bank is in default as defined in Section 3(x)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1813(x)(1), all obligations of the Bank under this contract shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the contracting parties.

10.5 All obligations of the Bank under this contract shall be terminated, except to the extent determined that continuation of the contract is necessary for the continued operation of the institution, (i) by the Director of the OTS (or his designee), the Federal Deposit Insurance Corporation ("FDIC") or the Resolution Trust Corporation ("RTC"), at the time FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) of the Federal Deposit Insurance Act, 12 U.S.C. §1823(c); or (ii) by the Director of the OTS (or his designee) at the time the Director (or his designee) approves a supervisory merger to resolve problems related to the operations of the Bank or when the Bank is determined by the Director to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.

10.6 Any payments made to a Participant pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. §1828(k) and any rules and regulations promulgated thereunder.

ARTICLE XI ADMINISTRATIVE PROVISIONS

11.1 Plan Administrator. The administrator of the Plan shall be under the supervision of the Board of Directors of the Bank or a Committee appointed by the Board (the “Board”). It shall be a principal duty of the Board to see that the Plan is carried out in accordance with its terms, for the exclusive benefit of persons entitled to participate in the Plan without discrimination among them. The Board will have full power to administer the Plan in all of its details subject, however, to the requirements of ERISA. For this purpose, the Board’s powers will include, but will not be limited to, the following authority, in addition to all other powers provided by this Plan: (a) to make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan; (b) to interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan; (c) to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan; (d) to compute the amount of Payment that will be payable to any Participant or other person in accordance with the provisions of the Plan, and to determine the person or persons to whom such benefits will be paid; (e) to authorize Payments; (f) to appoint such agents, counsel, accountants, consultants and actuaries as may be required to assist in administering the Plan; and (g) to allocate and delegate its responsibilities under the Plan and to designate other persons to carry out any of its responsibilities under the Plan, any such allocation, delegation or designation to be by written instrument and in accordance with Section 405 of ERISA.

11.2 Named fiduciary. The Board will be a “named fiduciary” for purposes of Section 402(a)(1) of ERISA with authority to control and manage the operation and administration of the Plan, and will be responsible for complying with all of the reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA.

11.3 Claims and review procedures.

(a) Claims procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Board. If any such claim is wholly or partially denied, the Board will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary and (iv) information as to the steps to be taken if the person wishes to submit a request for review. Such notification will be given within 90 days after the claim is received by the Board (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90 day period). If such notification is not given within such period, the claim will be considered denied as of the last day of such period and such person may request a review of his claim.

(b) Review procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred) such person (or his duly authorized representative) may (i) file a written request with the Board for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Board. The Board will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Board (or within 120 days, if special circumstances require an extension of time for processing the requests such as an election by the Board to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60 day period). If the decision on review is not made within such period, the claim will be considered denied.

11.4 Nondiscriminatory exercise of authority. Whenever, in the administration of the Plan, any discretionary action by the Board is required, the Board shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

11.5 Indemnification of Board. The Bank will indemnify and defend to the fullest extent permitted by law any person serving on the Board or as a member of a committee designated as Board (including any person who formerly served as a Board member or as a member of such committee)

against all liabilities, damages, costs and expenses (including attorneys fees and amounts paid in settlement of any claims approved by the Bank) occasioned by any act or omission to act in connection with the Plan, if such act or omission is in good faith.

11.6 “Plan Year” means the period beginning on the Effective Date and ending on July 2, 1997 and the 12 consecutive-month period ending each year thereafter.

11.7 Benefits solely from general assets. The benefits provided hereunder will be paid solely from the general assets of the Bank. Nothing herein will be construed to require the Bank or the Board to maintain any fund or segregate any amount for the benefit of any Participant, and no Participant or other person shall have any claim against, right to, or security or other interest in, any fund, account or asset of the Bank from which any payment under the Plan may be made.

Having been adopted by its Board of Directors on July 17, 1996, this Plan is executed by its duly authorized officers this 17th day of July, 1996.

Attest

OCEAN FEDERAL SAVINGS BANK

By: _____

Secretary

Having been adopted by its Board of Directors on July 17, 1996, this Plan is executed by its duly authorized officers this 17th day of July, 1996.

Attest

OCEAN FINANCIAL CORP.

Secretary

Exhibit 31.1

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John R. Garbarino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OceanFirst Financial Corp.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ John R. Garbarino

John R. Garbarino
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Fitzpatrick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OceanFirst Financial Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures or caused such disclosure controls to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2005

/s/ Michael Fitzpatrick

Michael Fitzpatrick
Chief Financial Officer
(principal financial officer)

Exhibit 32.0

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADDED BY 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, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify, pursuant to 18 U.S.C. §1350, as added by §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. To my knowledge 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 9, 2005

/s/ Michael Fitzpatrick

Michael Fitzpatrick
Chief Financial Officer
August 9, 2005

