



# OceanFirst Financial Corp.

Investor Presentation

November 2018



# Forward Looking Statements

In addition to historical information, this presentation contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 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,” “will,” “should,” “may,” “view,” “opportunity,” “potential,” or similar expressions or expressions of confidence. 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 its subsidiaries include, but are not limited to: changes in interest rates, general economic conditions, levels of unemployment in the Bank’s lending area, real estate market values in the Bank’s lending area, future natural disasters and increases to flood insurance premiums, the level of prepayments on loans and mortgage-backed securities, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government including policies of the U.S. Treasury and the Board of Governors of the Federal Reserve System, 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, accounting principles and guidelines and the Bank’s ability to successfully integrate acquired operations. These risks and uncertainties are further discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, under Item 1A - Risk Factors and elsewhere, and subsequent securities filings and should be considered in evaluating forward-looking statements and undue reliance should not be placed on such 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. Annualized, pro forma, projected and estimated numbers are used for illustrative purpose only, are not forecasts and may not reflect actual results.



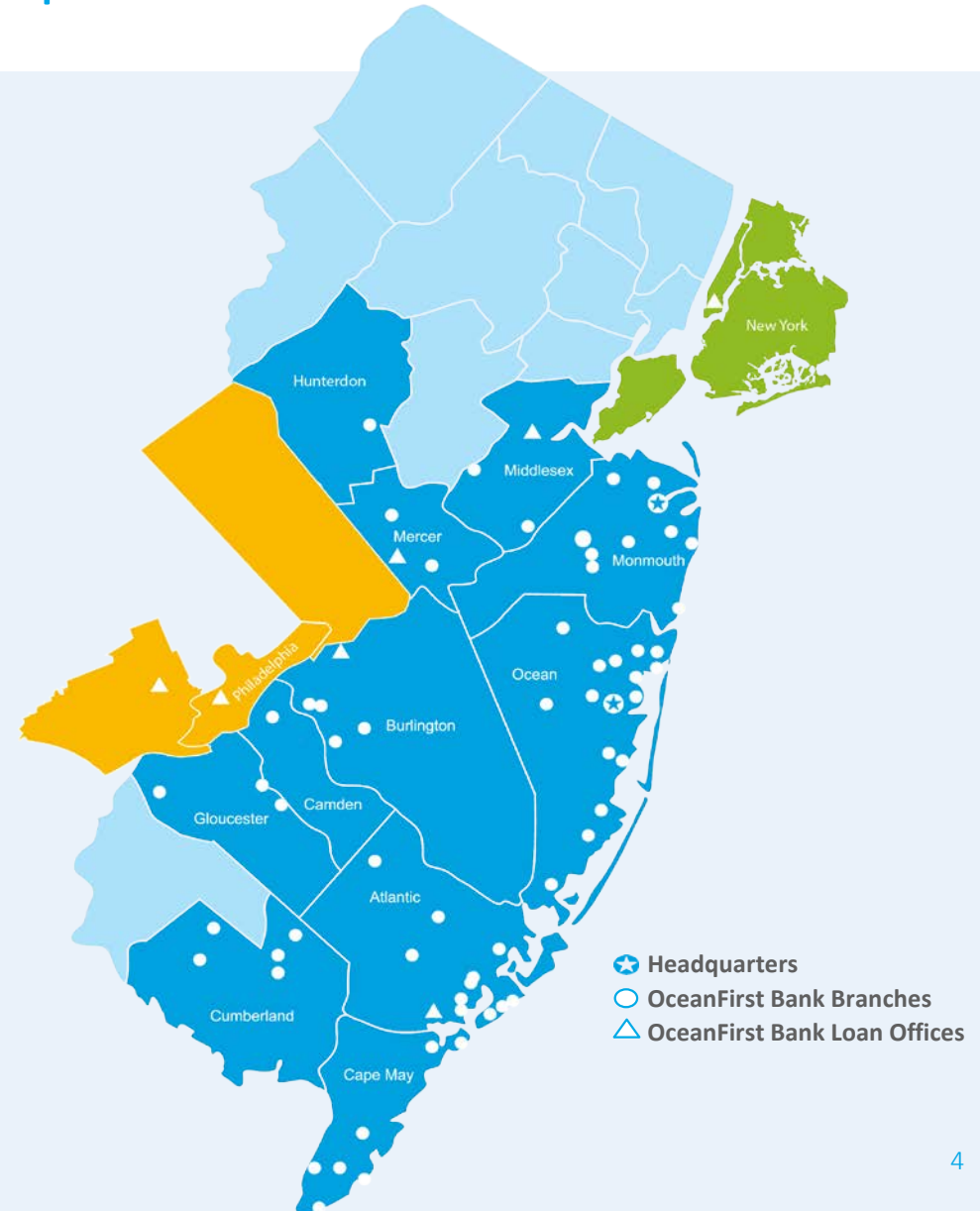
# About OceanFirst Financial Corp.





# OceanFirst Financial Corp.

- NASDAQ: OCFC
- Market Cap: \$1.2 billion<sup>1</sup>
- Bank Holding Company with National Bank Subsidiary
- Founded in 1902
- Asset Value of \$7.6 billion
- 59 Full-Service Branches in Central and Southern New Jersey



<sup>1</sup> As of October 26, 2018



# Investment Thesis

- **Low-Cost and Durable Deposit Base**
  - Cost of deposits is one of the lowest in the state of New Jersey at 39 basis points, increasing slowly in response to rising rate environment
- **Strength of Assets**
  - Strong and diversified balance sheet underpins flexibility to grow the business
- **Digital Innovation**
  - Investing in direct banking and cyber security initiatives to stay current with leading industry practices
- **Disciplined and Strategic M&A**
  - Acquired attractive and underappreciated assets in exurban markets at favorable prices
- **Bench Strength**
  - Deep banking, regulatory, M&A, and integration experience
- **Conservative Risk Culture**
  - Commitment to management of credit, interest rate and regulatory / compliance risk
- **Insider Ownership**
  - Substantial insider ownership aligned with shareholder interest



# Commitment to Execution

## Our Recent Accomplishments...

- Four Acquisitions Closed in Three Years
- Capital Bank of New Jersey Acquisition Announced October 2018; Expected Closing Q1 2019
- Consolidated 33 Branches in the Last Two Years with Nominal Deposit Losses, while Realizing Substantial Cost Savings
- Building a “Digital Culture” Throughout the Bank
- Strong Total Shareholder Return

## ...Lead to Our Path Forward

- Local to Regional Scale
- Increased Investment in Direct Banking & Digital Engagement
- Maximizing Real Estate to Anticipate the Evolving Needs of our Employees and Customers
- Further Loan Portfolio Diversification: Sector, Industry, Geography and Vintage

...



# Our Business





# Third Quarter 2018 Highlights

## Financial Highlights

- Core Net Income of \$25.7 million
  - Up 72% y/y
- Core Diluted EPS of \$0.53
  - Up 18% y/y
- Net Interest Margin of 3.64%
  - Up 14 basis points y/y
- Strong Core ROA of 1.35% and Core ROTE of 15.35%
- On October 25, 2018, announced planned acquisition of Capital Bank of New Jersey. Refer to page 32.

## Operational Highlights

- Acquisition of Sun Bancorp, Inc. completed on January 31, 2018 with full integration completed in Q2 2018
- Branch consolidation
  - 17 completed in Q2 2018
- Core deposits<sup>1</sup> represent 85% of total deposits, an effective hedge against rising interest rates, with cost of deposits rising only 4 bps from Q2 2018

<sup>1</sup> All deposits except certificates of deposit



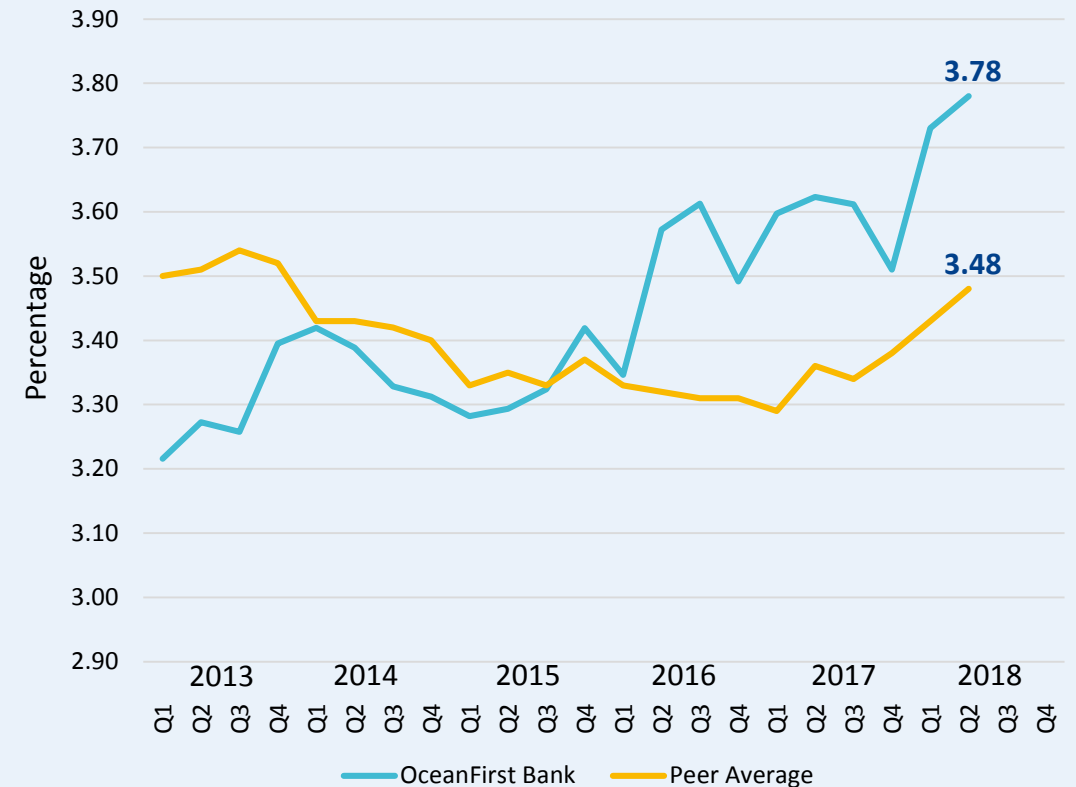
# Net Interest Margin

## Operational Highlights

- Cost of deposits increased only 4 bps from 2Q18 to 3Q18
- Non-interest bearing deposits are 21% of average balance of total deposits<sup>(1)</sup>
- Balanced interest rate risk position



## Net Interest Margin<sup>(2)</sup>

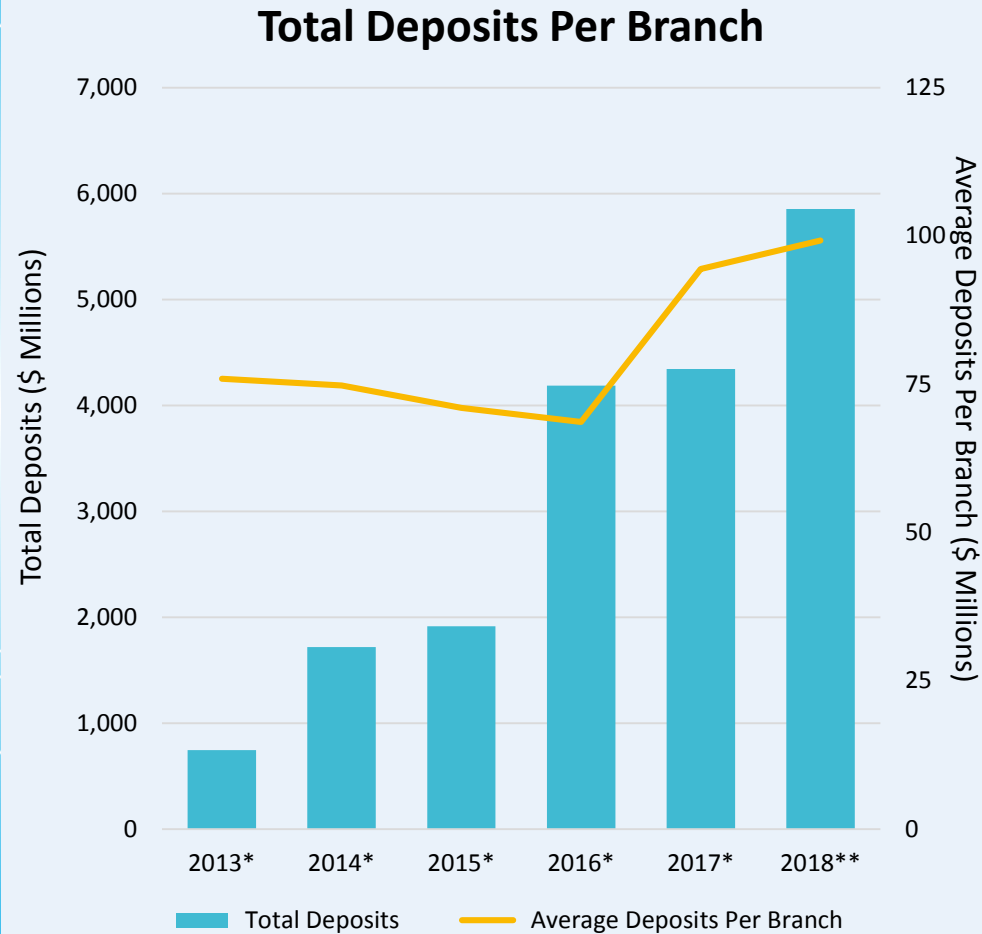


(1) Based on average balances for the three months ended September 30, 2018

(2) Source: Bank Reg Data



# Deposit Growth with Branch Consolidation

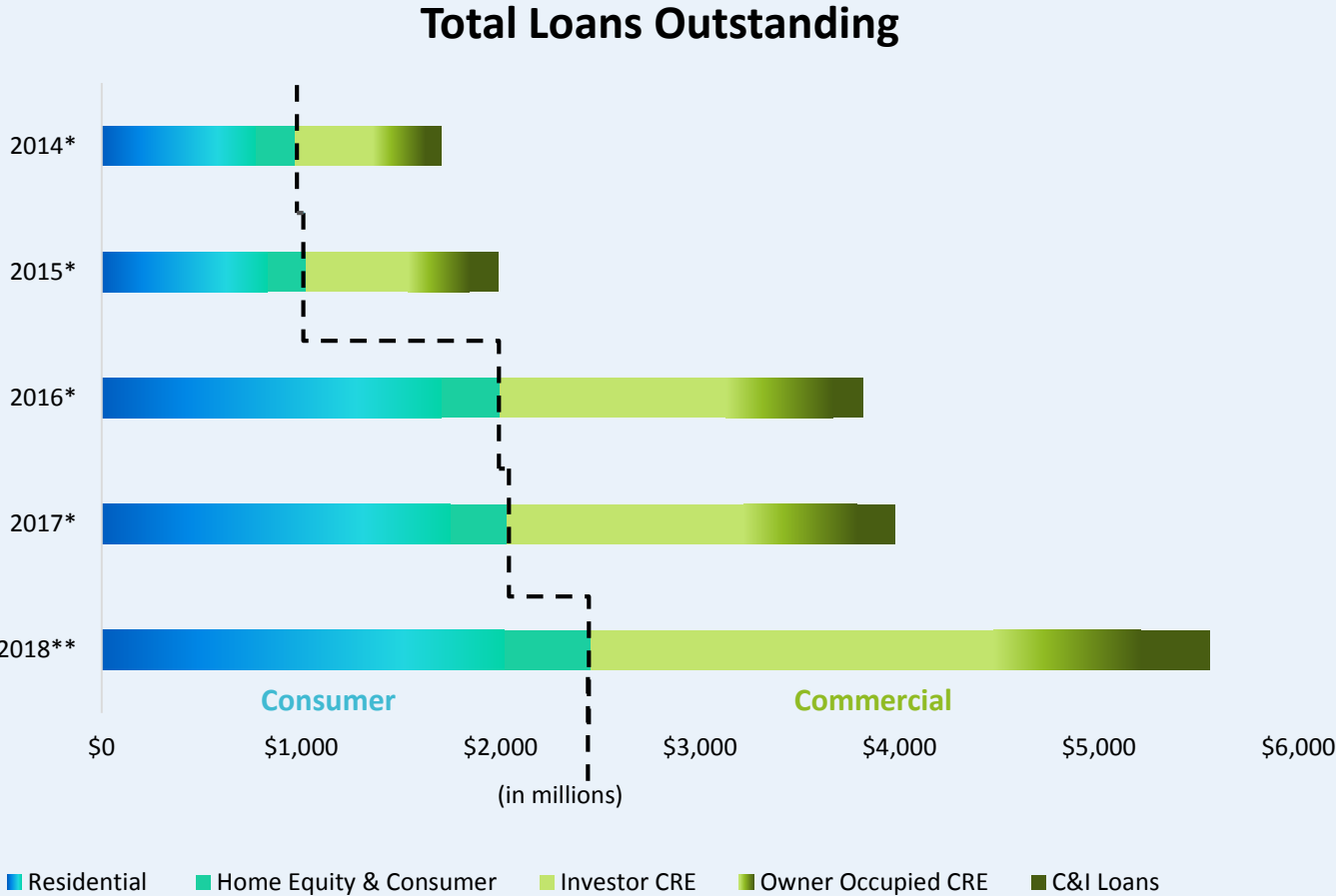


## Strength and Durability of Low-Cost Deposit Position

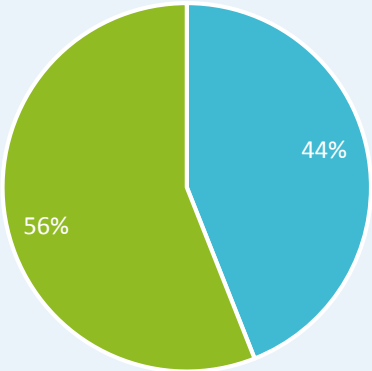
- Target average branch size above \$100 million
- Deploying Video Teller Machines across footprint
- Cost of deposits increased 10 bps in 3Q 2018 as compared to the prior year quarter, a deposit beta of 10% in relation to the change in the Federal Funds rate from September 2017 to September 2018

\*As of December 31,  
\*\* As of September 30,

# Loan Composition Emphasizes Commercial



**Loans by Customer Segment - 2018**

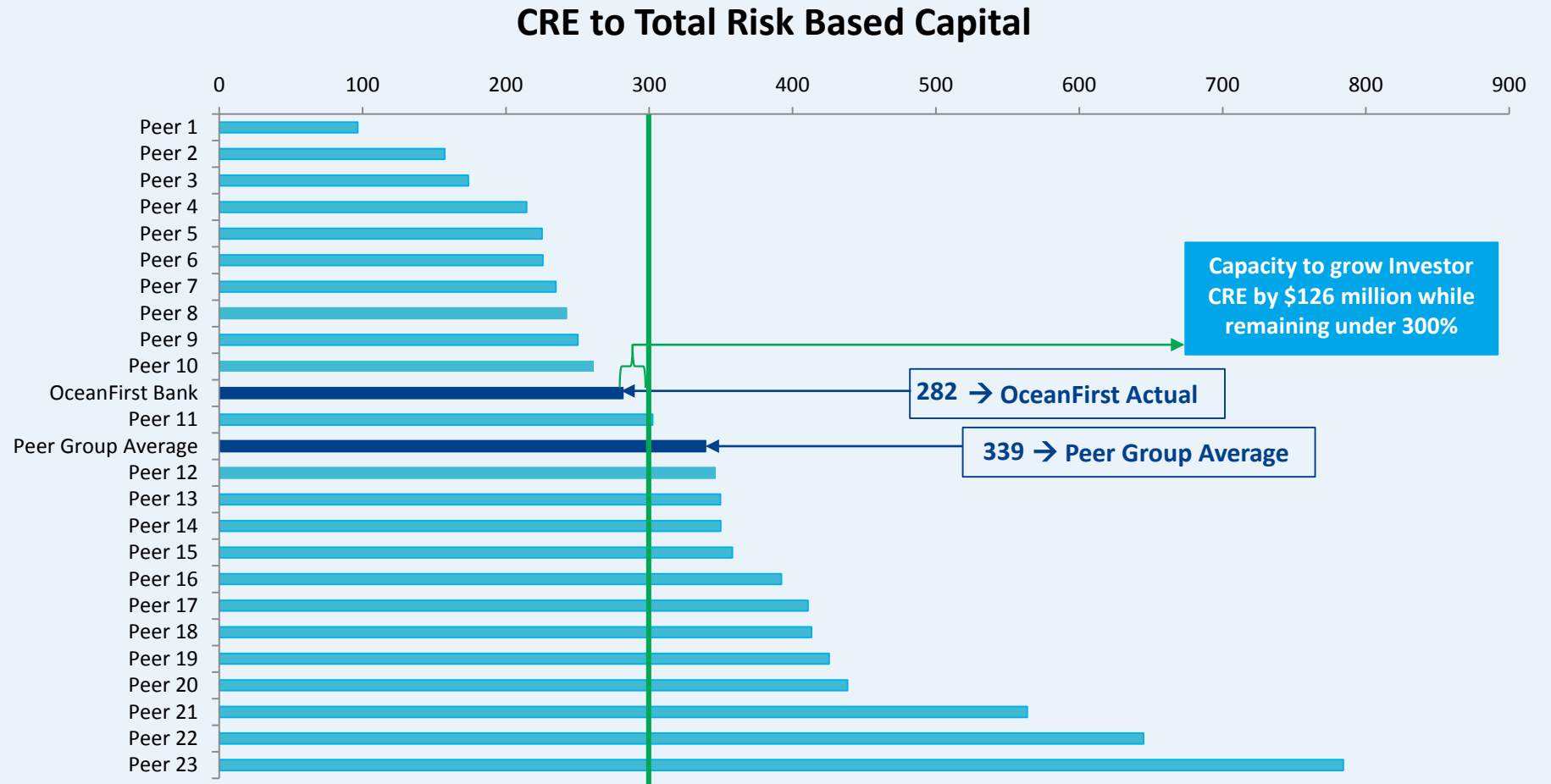


■ Commercial ■ Consumer

\*As of December 31,  
\*\* As of September 30,



# Conservative CRE Portfolio Reflects Strategic Execution



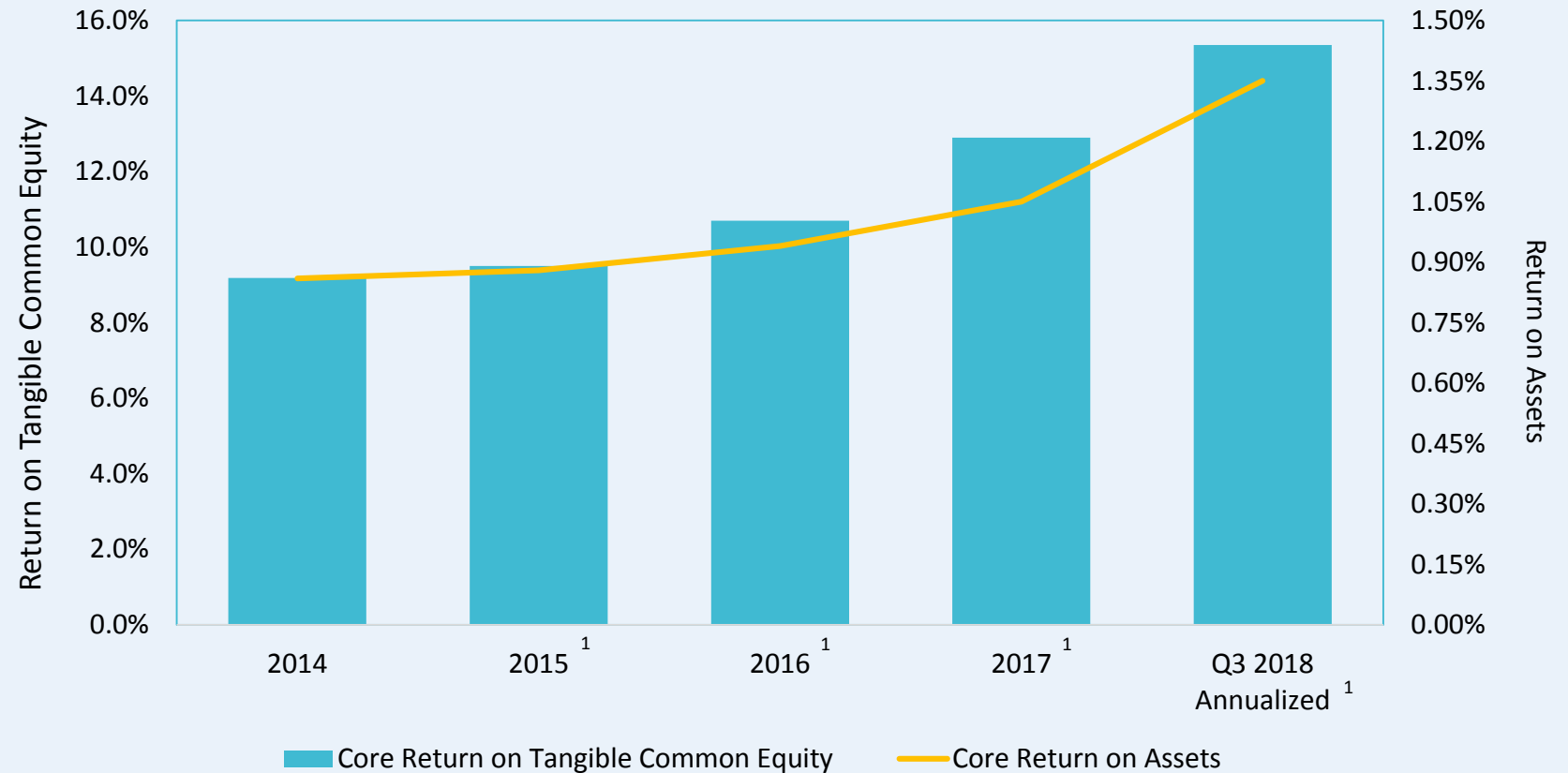
Domestic CRE Loans (Construction, Multifamily & Other Nonfarm Non-residential) to Total Risk Based Capital. Supervisory guideline is 300% of TRBC. Peers include: BHLB, BMTB, CBU, CUBI, DCOM, EGBN, FCF, FFIC, INDB, LBAI, NBTB, NFBK, NWBI, ORIT, PFS, PGC, SASR, STBA, TMP, TOWN, UVSP, WSBC and WSFS.

Source: BankRegData.com

As of June 30, 2018



# Generating Consistent & Attractive Returns



- Continued focus on improving efficiencies through acquisition synergies and branch consolidations

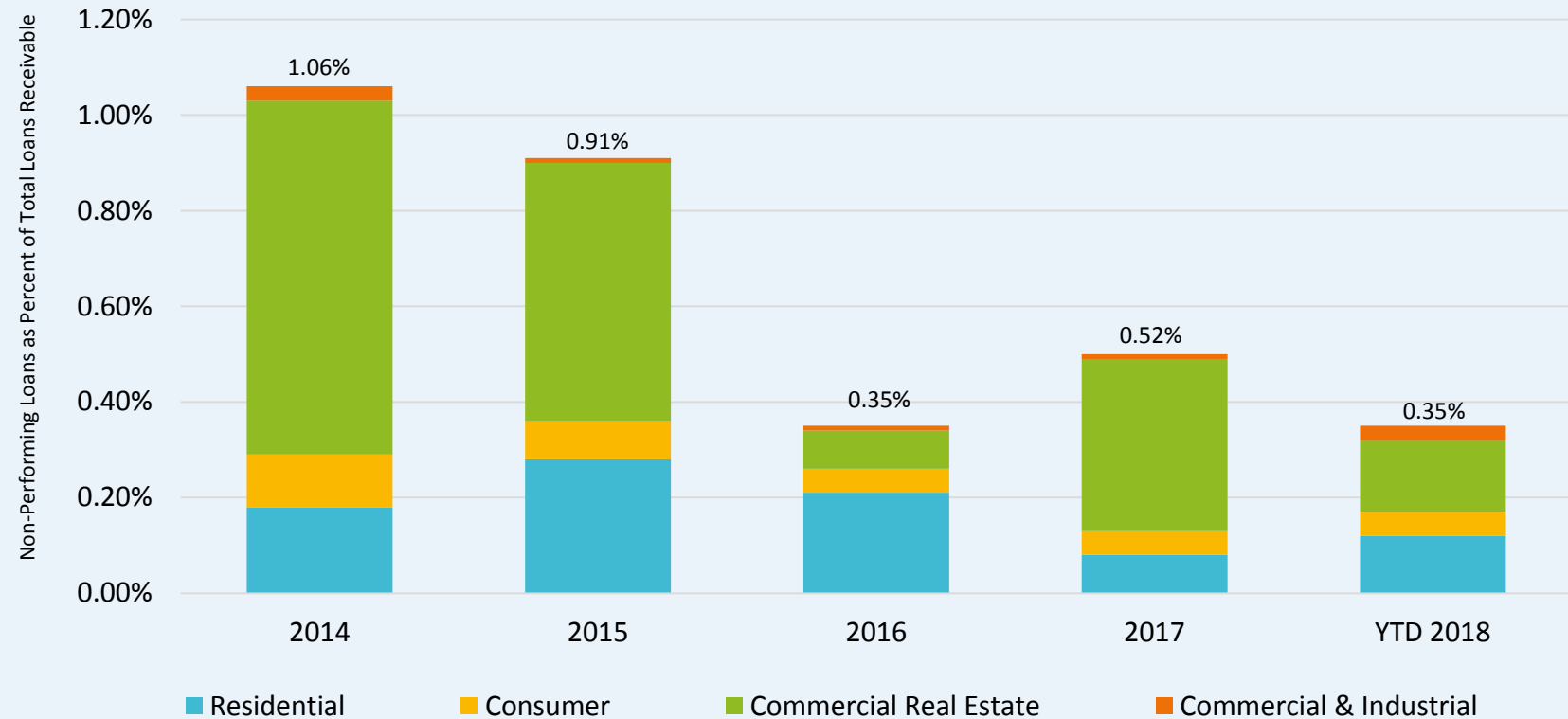
<sup>1</sup> For 2015, 2016, 2017 and 2018, excludes merger related expenses. For 2016, also excludes Federal Home Loan Bank prepayment fee and loss on sale of investment securities. For 2017, also excludes the effect of accelerated stock award expense, branch consolidation expense, and the additional income tax expense related to the Tax Cuts and Jobs Act. For 2018, also excludes effect of branch consolidation expense.



# Credit Metrics Reflect Conservative Culture

## Non-Performing Loans by Source *(Percent of Loans Receivable)*

NET CHARGE-OFFS      0.15%<sup>(1)</sup>      0.07%      0.15%      0.10%      0.05% (Annualized)



<sup>(1)</sup> Net charge-off ratio for 2014 excludes charge-off related to bulk sale of non-performing residential and consumer mortgage loans. Including this charge-off, the ratio is 0.45%.



# Our Strategy





# Asset Growth Supplemented by Strategic M&A

## Opportunistic Acquisitions of Local Community Banks

Target	Closing Date	Transaction Value	Total Assets
Colonial American Bank	July 31, 2015	\$ 12 million	\$ 142 million
Cape Bancorp	May 2, 2016	\$196 million	\$1,518 million
Ocean Shore Holding Co.	November 30, 2016	\$146 million	\$1,097 million
Sun Bancorp, Inc.	January 31, 2018	\$475 million	\$2,043 million
Capital Bank of New Jersey	Expected Q1 2019	\$80 million	\$495 million
Weighted average <sup>(1)</sup> : Price/Tangible Book Value 156%; Core Deposit Premium 9.1%			

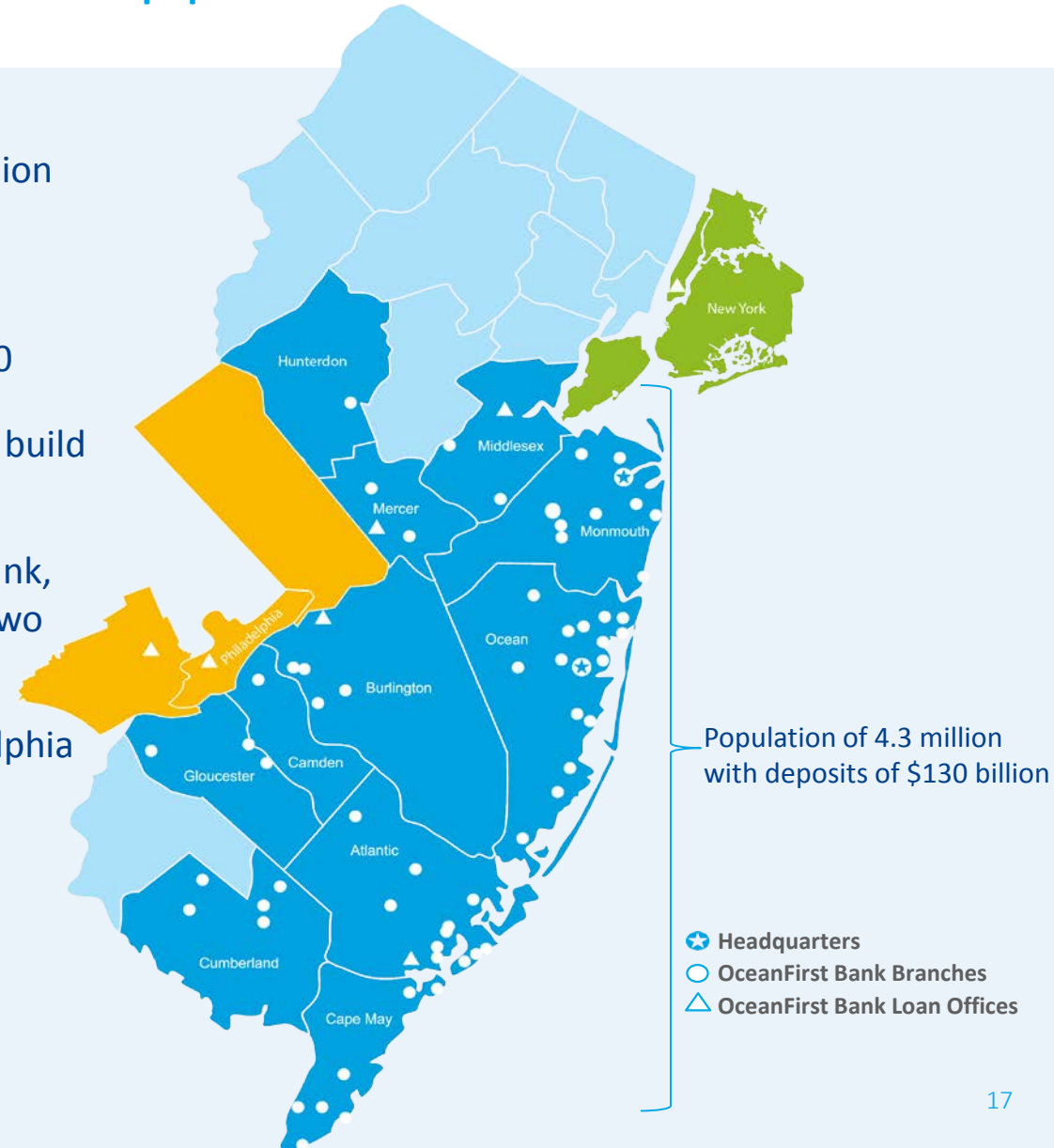
<sup>1</sup> At time of announcement





# New Jersey Expansion Opportunities

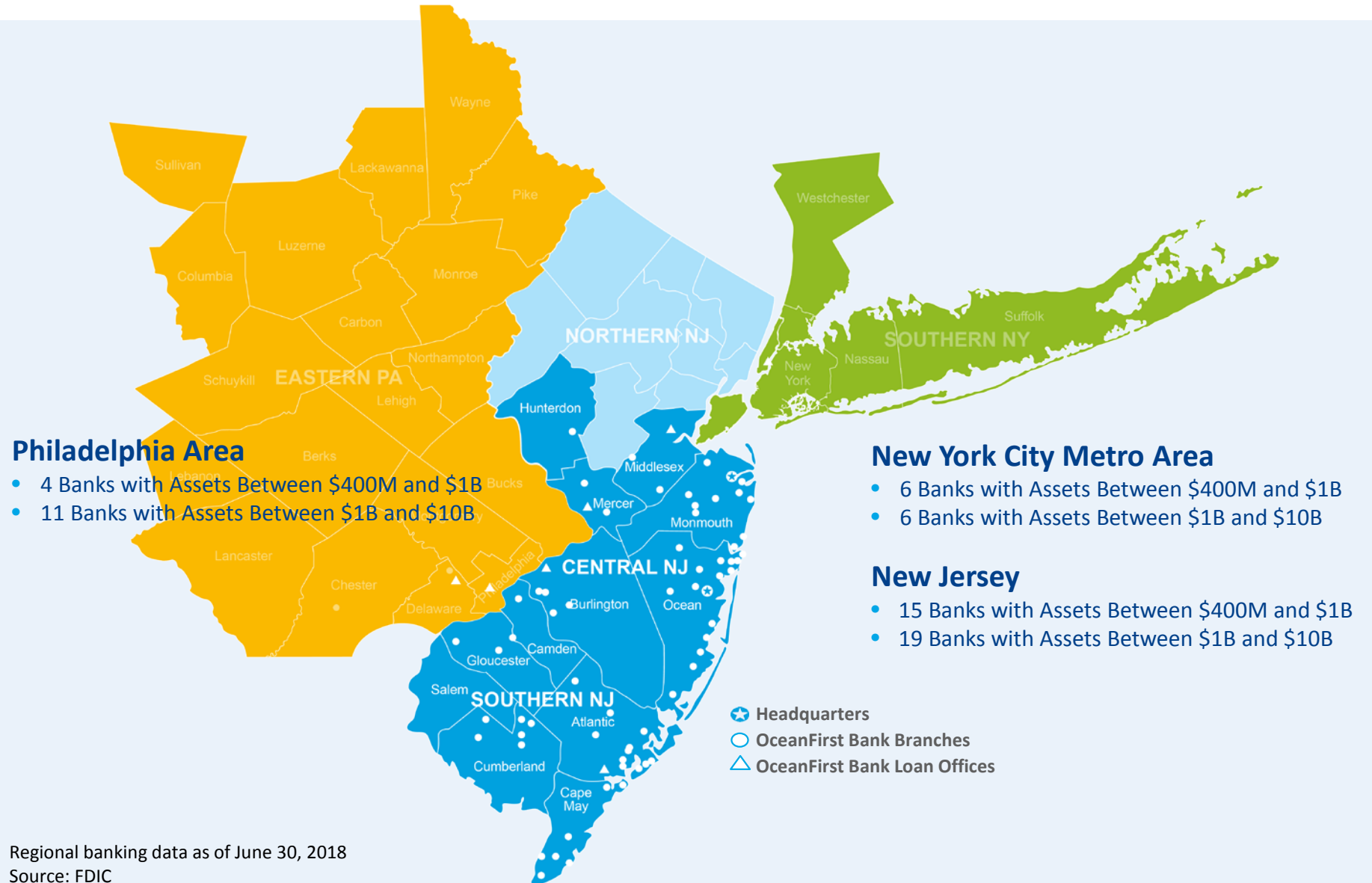
- New Jersey is a strong market <sup>(1)</sup>
  - Statewide Total Population of 8.9 million
  - Most densely populated state
  - 11<sup>th</sup> most populous state
  - Median household income of \$72,000
- Significant opportunities for acquisitions to build customer base
- Administrative offices established in Red Bank, NJ, consolidating 19 operating facilities to two locations
- Support expansion in Metropolitan Philadelphia and Metropolitan New York



<sup>1</sup> US Census Bureau



# Regional Opportunities for M&A





# Data Driven Digital Strategy

Mobile Apps  
90-Day Active  
Up 57% y/y

Online Banking 90-  
Day Active Up 44%  
y/y

Mobile Deposits  
Up 70% y/y

Monthly Bills  
Paid Digitally  
Up 23% y/y

423 Certified Digital Bankers

Branch staff trained to support our customers' use  
and adoption of digital services.

## Digital Services

- Online Banking, Mobile & Tablet Apps
- Biometric ID verification
- Remote Check Deposit
- Bill Pay
- Pop Money (P2P)
- Money Management (PFM)
- Online Account Opening
- eWallets: Apple, Samsung & Google
- Digital Loyalty Programs
- Card Valet Fraud Mitigation
- Extended Hours Video Banking

- **Delivering results that are measurable, repeatable, and scalable, which:**
  - Increase customer retention
  - Reduce cost to serve
  - Increase share of wallet
  - Anticipate and support evolving customer needs



# Organic Digital Banking Initiatives



- Hybrid robo-advisor product offered by our partner RIA, NestEgg
- Replacing prior third-party broker/dealer investment sales program
- Launched in September, 2018
- Branch training complete, hardware installed, sales commencing
- Conversion of existing broker/dealer accounts scheduled for 1Q19



- Spending (checking) account designed for digitally focused customers
- Features aligned with Best-In-Class, like Finn by Chase
- Branded with fun, timely, and hip advertising campaign
- GeoTargeting inside/contiguous to OceanFirst footprint
- Digital marketing campaign to launch in 4Q18



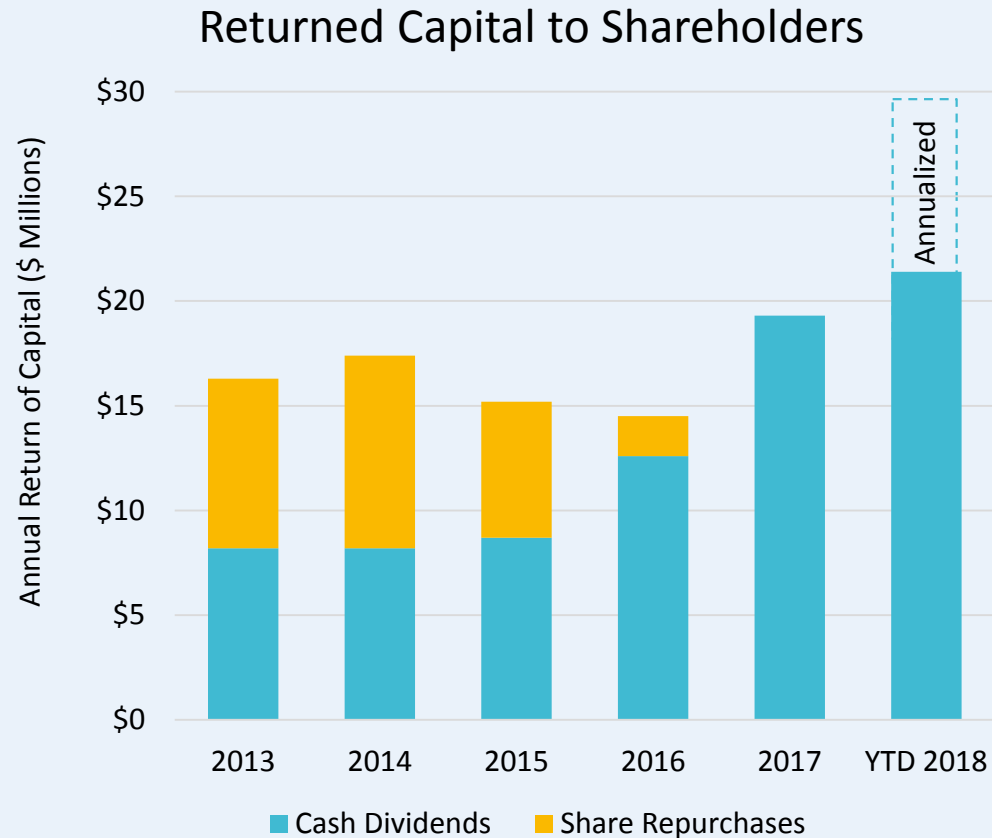
# Protecting Our Clients with Cyber Security



- Remains current with evolving industry-wide standards
- Real-time analytical tools in place for fraud protection and firewall security
- Use of top tier, neural-based, real-time debit card fraud analytics
- Qualified, certified senior InfoSec personnel, backed up by:
  - Ongoing significant investments in technology, education and training
  - Board of Directors with cyber security focus and expertise



# Strategic Capital Allocation Generates Shareholder Returns



**Total Cash Returned to Shareholders:**  
\$112.4 million

- Stable & competitive dividend
  - 87<sup>th</sup> consecutive quarter
  - Historical Payout Ratio of 30% to 40%
- Increased quarterly cash dividend by \$0.02, or 13%, to \$0.17 per share
- 1.8 million shares available for repurchase
- Strategic acquisitions in critical new markets
- Total Shareholder Return December 31, 2012 to September 30, 2018 of 131%; CAGR 16%



# An Experienced Management Team

Executive	Title	Years at OceanFirst	Selected Experience
Christopher D. Maher	Chairman, President, Chief Executive Officer	5	Patriot National Bancorp Dime Community Bancshares
Michael J. Fitzpatrick	Executive Vice President, Chief Financial Officer	26	KPMG
Joseph R. Iantosca	Executive Vice President, Chief Administrative Officer	14	BISYS Banking Solutions Newtrend LLC
Joseph J. Lebel III	Executive Vice President, Chief Banking Officer	12	Wachovia Bank N.A. First Fidelity
Steven J. Tsimbinos	Executive Vice President, General Counsel	8	Thacher Proffit & Wood Lowenstein Sandler PC
Grace M. Vallacchi	Executive Vice President, Chief Risk Officer	1	Office of the Comptroller of the Currency First Union
Gary S. Hett	Executive Vice President, Chief Human Resources Officer	5	Patriot National Bancorp Dime Community Bancshares

- Substantial insider ownership of 9.5%, including Directors and Executive Officers, ESOP and OceanFirst Foundation.





# OceanFirst Foundation: Serving Our Communities



- Over \$36 million has been granted to organizations serving OceanFirst's market
- Provided \$500,000 in grants dedicated to assisting our neighbors after Superstorm Sandy devastated the Jersey Shore in 2012
- First foundation established in the country during a mutual conversion to IPO (July 1996)
- Completed merger of Cape Foundation into OceanFirst Foundation in 2016 and merger of Ocean City Home Foundation in 2017
- OceanFirst Foundation has assets of \$35 million





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- **Strength of Assets**
  - Strong and diversified balance sheet underpins flexibility to grow the business
- **Digital Innovation**
  - Investing in direct banking and cyber security initiatives to stay current with leading industry practices
- **Disciplined and Strategic M&A**
  - Acquired attractive and underappreciated assets in exurban markets at favorable prices
- **Bench Strength**
  - Deep banking, regulatory, M&A, and integration experience
- **Conservative Risk Culture**
  - Commitment to management of credit, interest rate and regulatory / compliance risk
- **Insider Ownership**
  - Substantial insider ownership aligned with shareholder interest



# Investor Relations Inquiries

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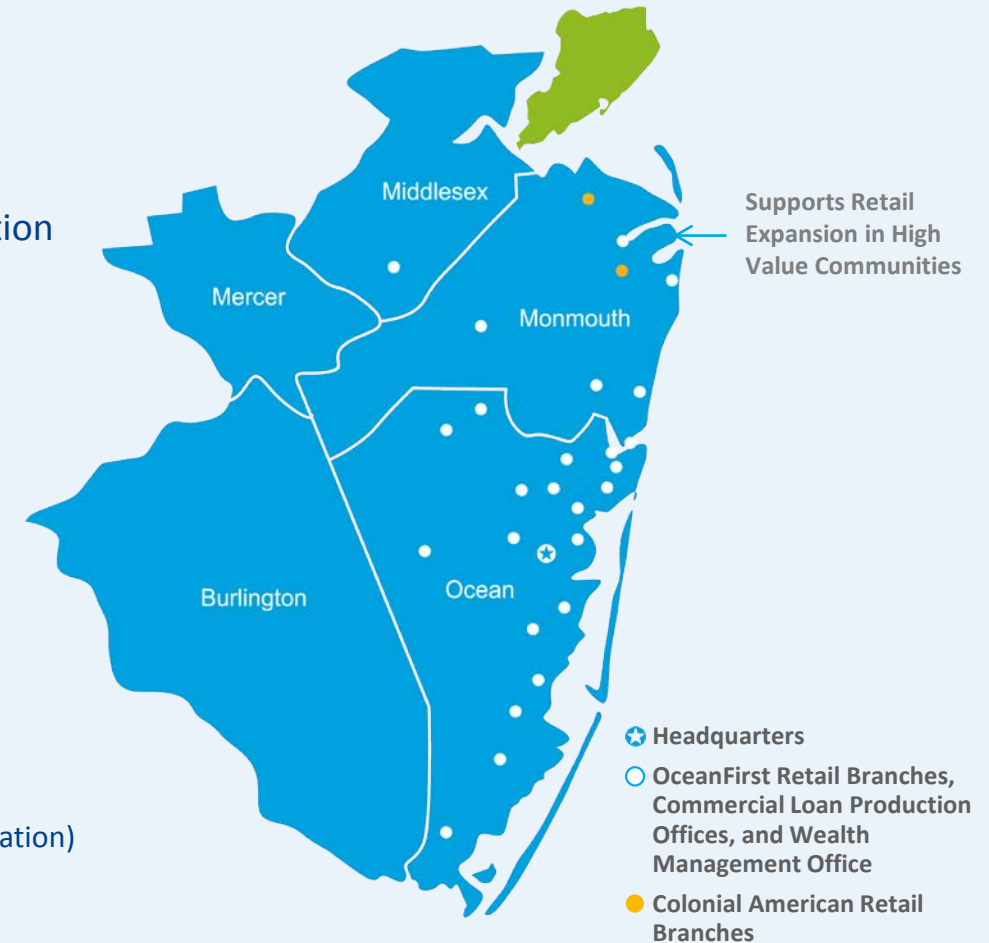
# Appendix





# Colonial American Bank Acquisition

- 100% Stock deal, valued at \$11.9 million
- In-Market acquisition supports growth objective in towns of Middletown and Shrewsbury, NJ
- Favorable financial terms (adjusted for DTA realization of \$2.3 million)<sup>(1)</sup>
  - Price/Tangible Book Value of 104%
    - Transaction neutral to OCFC book value
  - Price/Core Deposit Premium of 0.4%
- Modest execution risk with conservative assumptions
  - Expected cost saves of 35%, fully realized in 2016
  - Gross credit mark of \$2.9 million, 2.4% of loans
- Effective execution (2015)
  - Announcement – February 25
  - Regulatory Approvals - June 17 (68 days following application)
  - Shareholder Approval - July 9
  - Closing – July 31
  - Systems Integration – October 17 (72 days following legal closing)

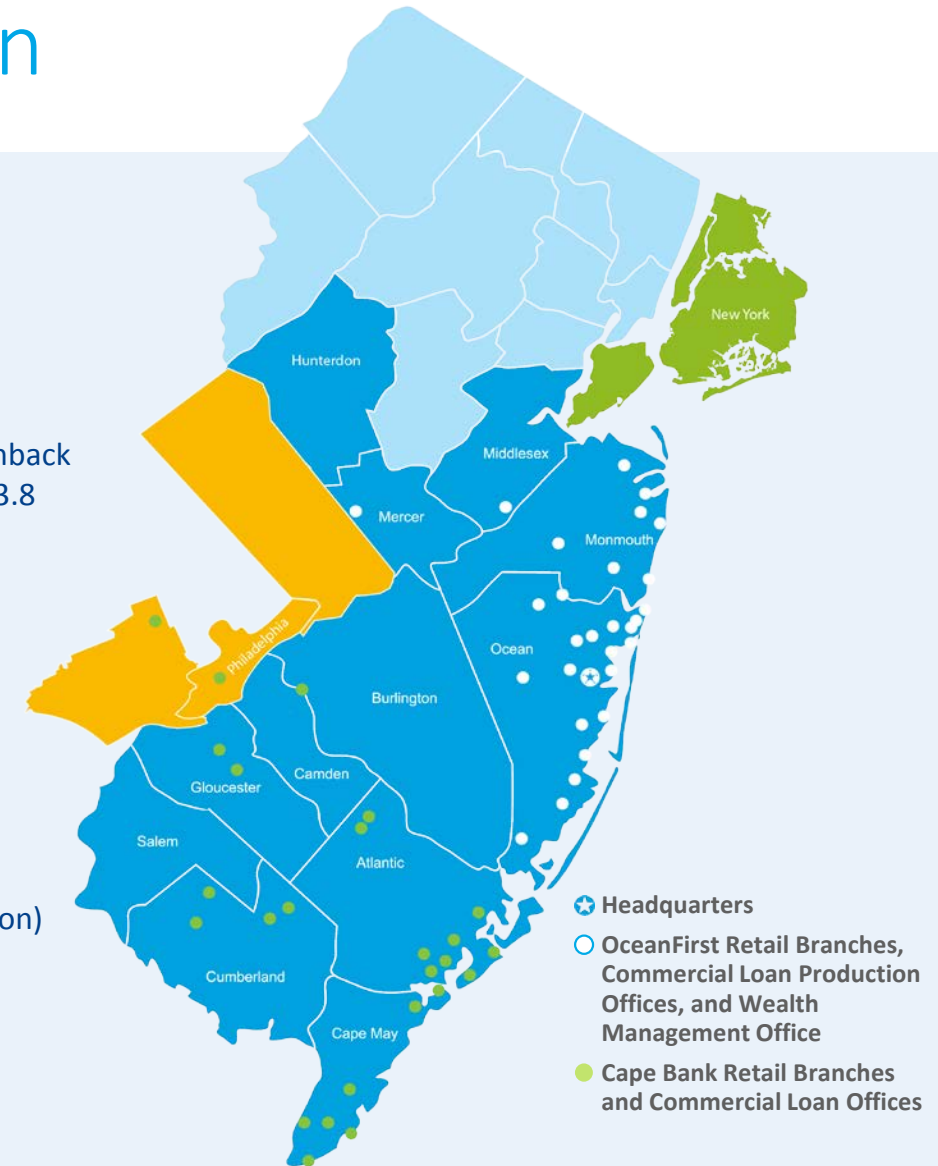


(1) At time of announcement.



# Cape Bancorp Acquisition

- 85% stock and 15% cash, valued at \$196 million
- Favorable financial terms <sup>(1)</sup>
  - Price/Tangible Book Value of 139%
  - Price/Core Deposit Premium of 4.4%
  - Expected accretion to GAAP EPS of 17% in 2017
  - Expected tangible book value dilution of 7.2%, projected earnback of approximately 3.3 years using the cross-over method and 3.8 years on a simple tangible book value earnback calculation
- Modest execution risk with conservative assumptions
  - Expected cost saves of 33%, fully realized by end of 2016
  - Expected one-time, pre-tax transaction expenses of \$15.5 million
  - Gross credit mark of \$25.5 million, 2.3% of loans
- Effective execution (2016)
  - Announcement – January 5
  - Regulatory Approvals – March 28 (52 days following application)
  - Shareholder Approvals – April 25
  - Closing – May 2
  - Systems Integration – completed October 15



(1) At time of announcement.



# Ocean Shore Holding Co. Acquisition

- Reinforces OceanFirst as the preeminent New Jersey based community banking franchise operating throughout central and southern New Jersey
- 80% stock and 20% cash, valued at \$181 million
- Favorable financial terms<sup>(1)</sup>
  - Price/Tangible Book Value of 132%
  - Price/Core Deposit Premium of 4.9%
  - Expected accretion to GAAP EPS of over 5% in 2018
  - Expected tangible book value dilution of 3.1%, projected earnback of approximately 3.7 years using the cross-over method and 4.1 years on a simple tangible book value earnback calculation
- Modest execution risk with conservative assumptions
  - Expected cost saves of 53%, fully realized by end of 2017
  - Expected one-time, pre-tax transaction expenses of \$19 million
  - Gross credit mark of \$10.0 million, 1.25% of loans
- Effective execution (2016)
  - Announcement – July 13, 2016
  - Regulatory Approvals – October 27, 2016 (72 days following application)
  - Shareholder Approvals – November 22, 2016
  - Closing – November 30, 2016
  - Systems Integration – completed May 19, 2017

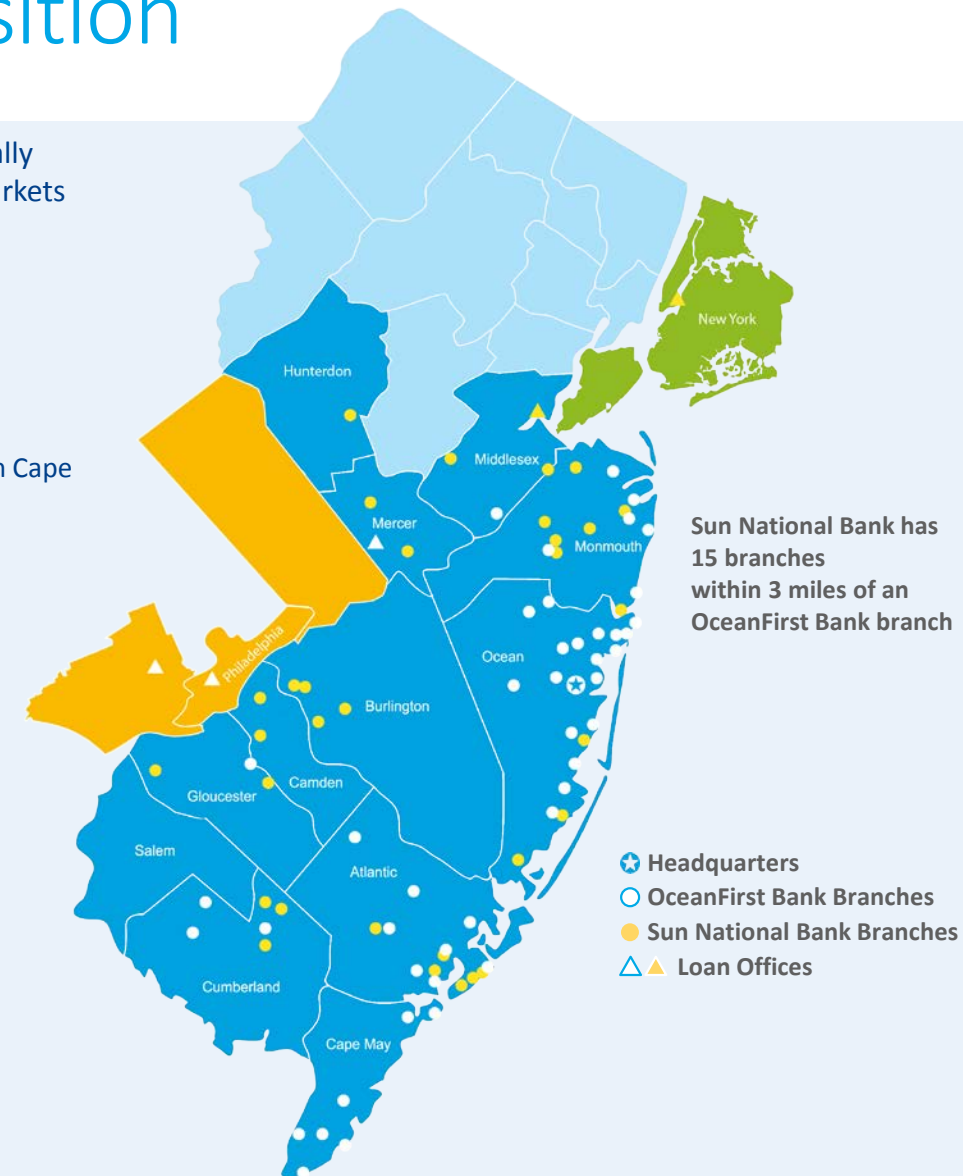


(1) At time of announcement.



# Sun Bancorp, Inc. Acquisition

- Strengthens and expands OceanFirst franchise into more demographically attractive Central New Jersey, Philadelphia and New York city metro markets
- 85% stock and 15% cash, valued at \$475 million
- Favorable financial terms<sup>(1)</sup>
  - Price/Tangible Book Value of 169%
  - Price/Core deposit premium of 12.7%
  - 2019E EPS accretion of 3.6% in addition to double digit accretion from Cape and Ocean Shore acquisitions
  - Earnback of approximately 3.5 years
- Effective Execution
  - Announcement – June 30, 2017
  - Regulatory Approvals
    - Federal Reserve Bank – October 17, 2017 (48-days following application)
    - Office of Comptroller – December 4, 2017 (96-days following application)
  - Shareholder Approvals – October 25, 2017
  - Closing – January 31, 2018
  - System Integration – completed June 9, 2018



(1) At time of announcement.



# Capital Bank of New Jersey Pending Acquisition

- Deepens OceanFirst's market position in Southern NJ and the greater metro Philadelphia area
- 100% stock, valued at \$80 million
- Favorable financial terms (1)
  - Price/Tangible Book Value of 172%
  - Price/Core Deposit Premium of 8.1%
  - 2020E EPS accretion of 2.0%
- Earn back of approximately 3 years

## Capital Bank Financial Highlights<sup>2</sup>

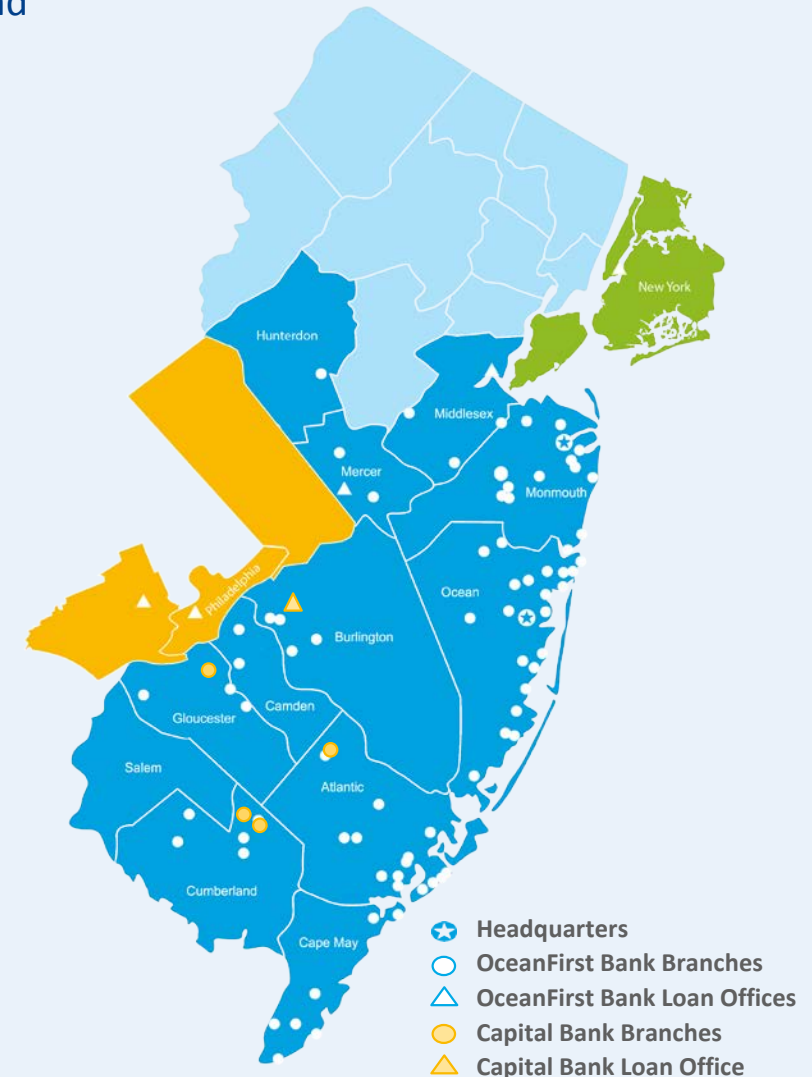
Market Cap (\$M)	\$62.1	Shares	2,533,779
Total Assets (\$M)	\$495.3	ROAA	1.32%
Gross Loans (\$M)	\$313.4	ROAE	14.3%
Total Deposits (\$M)	\$446.2	Reported NIM	3.45%
TCE / TA	9.23%	Yield on Loans	4.96%
NPAs / Assets <sup>3</sup>	0.08%	Cost of Deposits	0.46%
CRE Concentration	162%	Loans / Deposits	70.2%

Source: SNL Financial.

<sup>1</sup> At time of announcement.

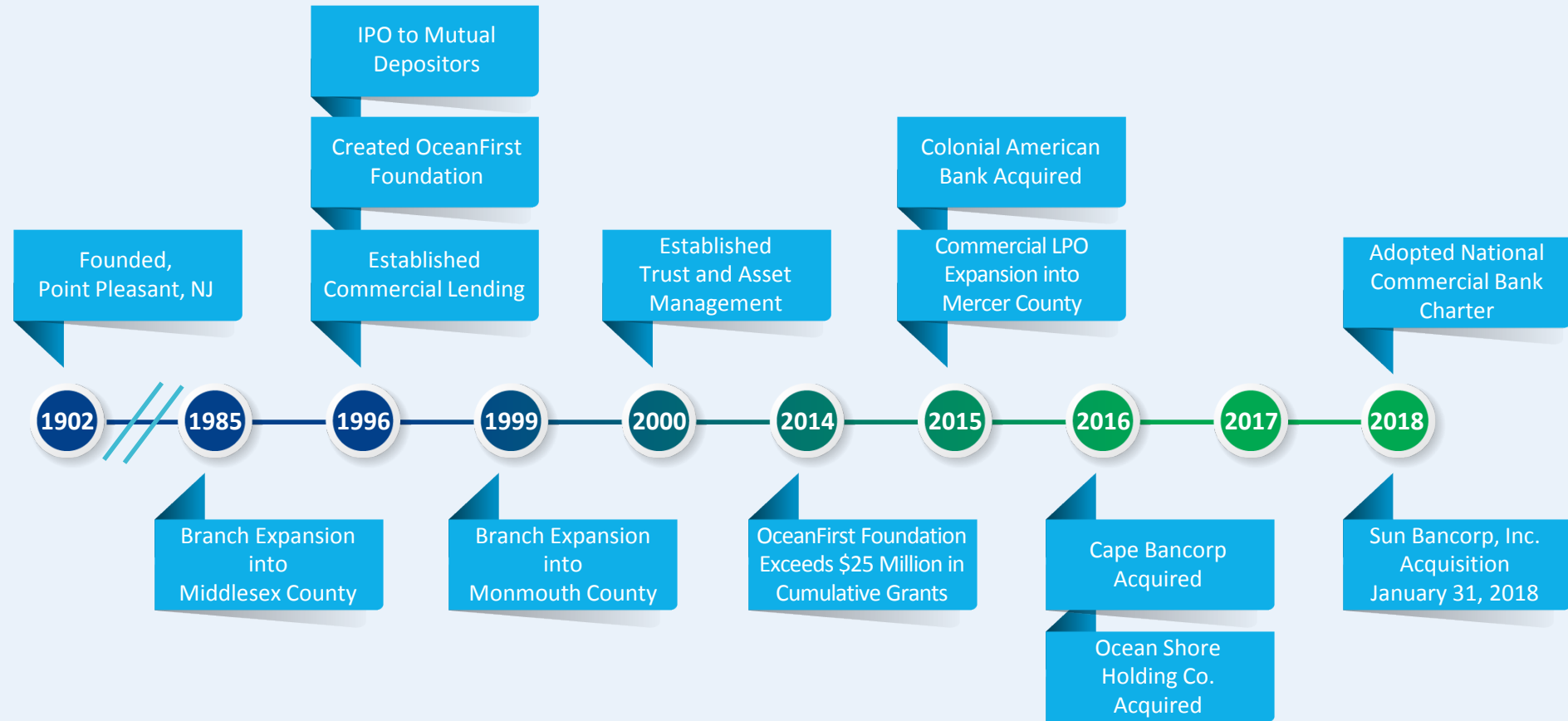
<sup>2</sup> As of or for the quarter ended September 30, 2018.

<sup>3</sup> As of or for the quarter ended June 30, 2018.





# OceanFirst Milestones – 116 Years of Growth





# Favorable Competitive Position

## Mega Banks

Institution	# of Branches	Dep. In Mkt. (\$000)
TD Bank (Canada)	126	21,553,420
PNC Bank (PA)	147	18,784,246
Bank of America (NC)	116	16,288,713
Wells Fargo (CA)	139	15,738,724
Santander Bank (Spain)	78	6,858,039

## OceanFirst Bank

# of Branches	Dep. In Mkt. (\$000)
59	5,852,183

## OceanFirst Competitive Position

- Responsive
- Flexible
- Capable
  - Lending Limit
  - Technology
  - Trust
  - Cash Management
  - Consumer & Commercial

## Community Banks serving Central & Southern NJ

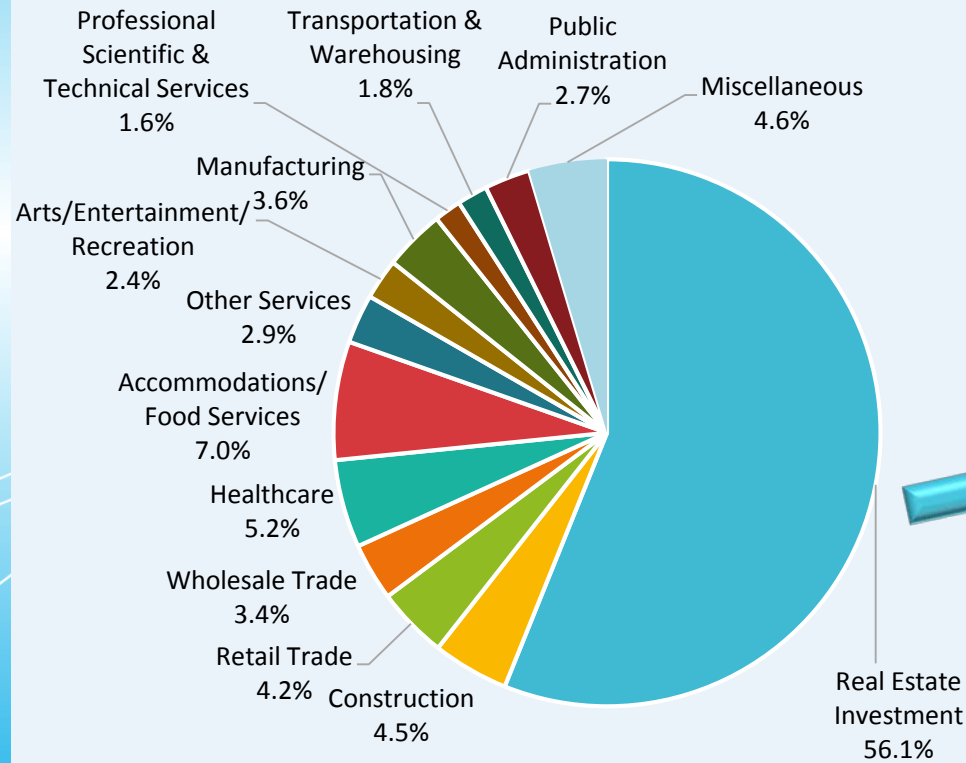
Institution	# of Branches	Dep. In Mkt. (\$000)
Manasquan	10	1,124,236
Republic First	12	1,099,644
Bank of Princeton	9	842,366
1 <sup>ST</sup> Constitution	17	759,993
Sturdy Savings	14	730,612
Two River	12	723,017

- Competing Favorably Against Banking Behemoths and Local Community Banks

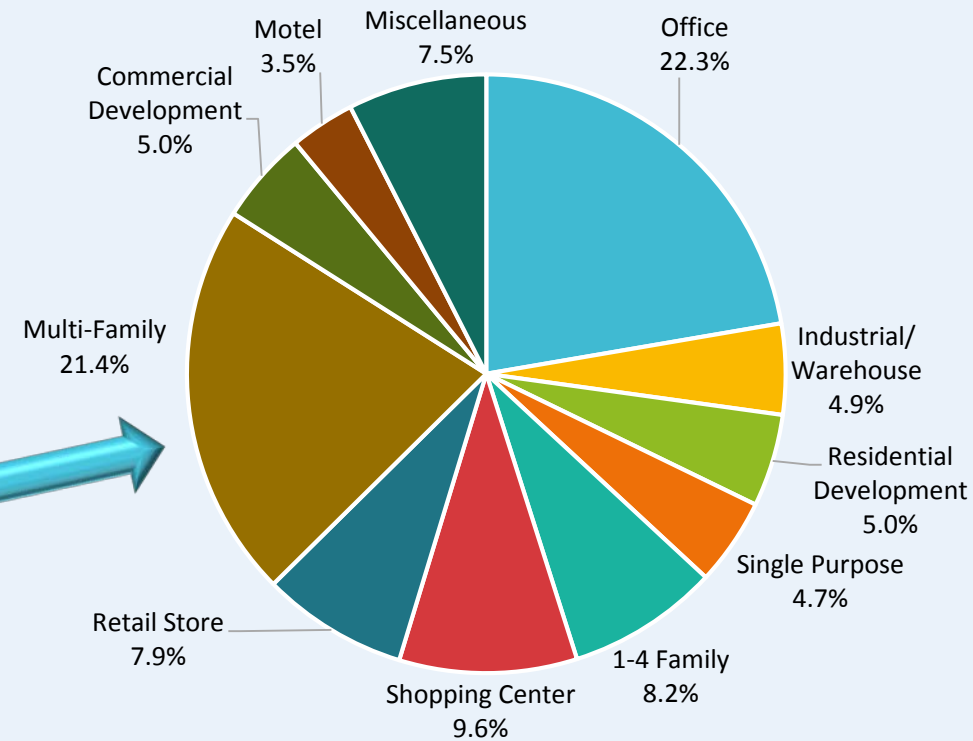
# Commercial Portfolio Segmentation



## Total Commercial Loan Exposure by Industry Classification



## Real Estate Investment by Property Classification



- Diversified portfolio provides protection against industry-specific credit events