

OceanFirst Financial Corp.

2Q 2023 Earnings Release Supplement¹

July 2023

¹ The 2Q 2023 Earnings Release Supplement should be read in conjunction with the Earnings Release furnished as Exhibit 99.1 to Form 8-K filed with the SEC on July 20, 2023.



Legal Disclaimer

FORWARD LOOKING STATEMENTS.

In addition to historical information, this news release 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, inflation, general economic conditions, potential recessionary conditions, levels of unemployment in the Bank’s lending area, real estate market values in the Bank’s lending area, future natural disasters, potential increases to flood insurance premiums, the current or anticipated impact of military conflict, terrorism or other geopolitical events, 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, changes in liquidity, including the size and composition of the Company’s deposit portfolio, including the percentage of uninsured deposits in the portfolio, competition, demand for financial services in the Company’s market area, changes in consumer spending, borrowing and saving habits, changes in accounting principles, a failure in or breach of the Company’s operational or security systems or infrastructure, including cyberattacks, the failure to maintain current technologies, failure to retain or attract employees, the impact of the COVID-19 pandemic or any other pandemic on our operations and financial results and those of our customers 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, 2022, 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.

NON-GAAP FINANCIAL INFORMATION.

This presentation contains certain non-GAAP (generally accepted accounting principles) measures. These non-GAAP measures, as calculated by the Company, are not necessarily comparable to similarly titled measures reported by other companies. Additionally, these non-GAAP measures are not measures of financial performance or liquidity under GAAP and should not be considered alternatives to the Company’s other financial information determined under GAAP. See reconciliations of certain non-GAAP measures included in the Company’s Earnings Release furnished as Exhibit 99.1 to Form 8-K as filed with the SEC on July 20, 2023.

MARKET AND INDUSTRY DATA.

This presentation references certain market, industry and demographic data, forecasts and other statistical information. We have obtained this data, forecasts and information from various independent, third-party industry sources and publications. Nothing in the data, forecasts or information used or derived from third party sources should be construed as advice. Some data and other information are also based on our good faith estimates, which are derived from our review of industry publications and surveys and independent sources. We believe that these sources and estimates are reliable but have not independently verified them. Statements as to our market position are based on market data currently available to us. These estimates involve inherent risks and uncertainties and are based on assumptions that are subject to change.

Q2-23 Financial Highlights

Financial Highlights

\$0.46

Core Diluted EPS ¹

\$92.1 million

Net Interest Income

0.81%

Core ROAA ¹

10.36%

Core ROTCE ¹

\$0.64

Core PTPP Diluted EPS ¹

10.21%

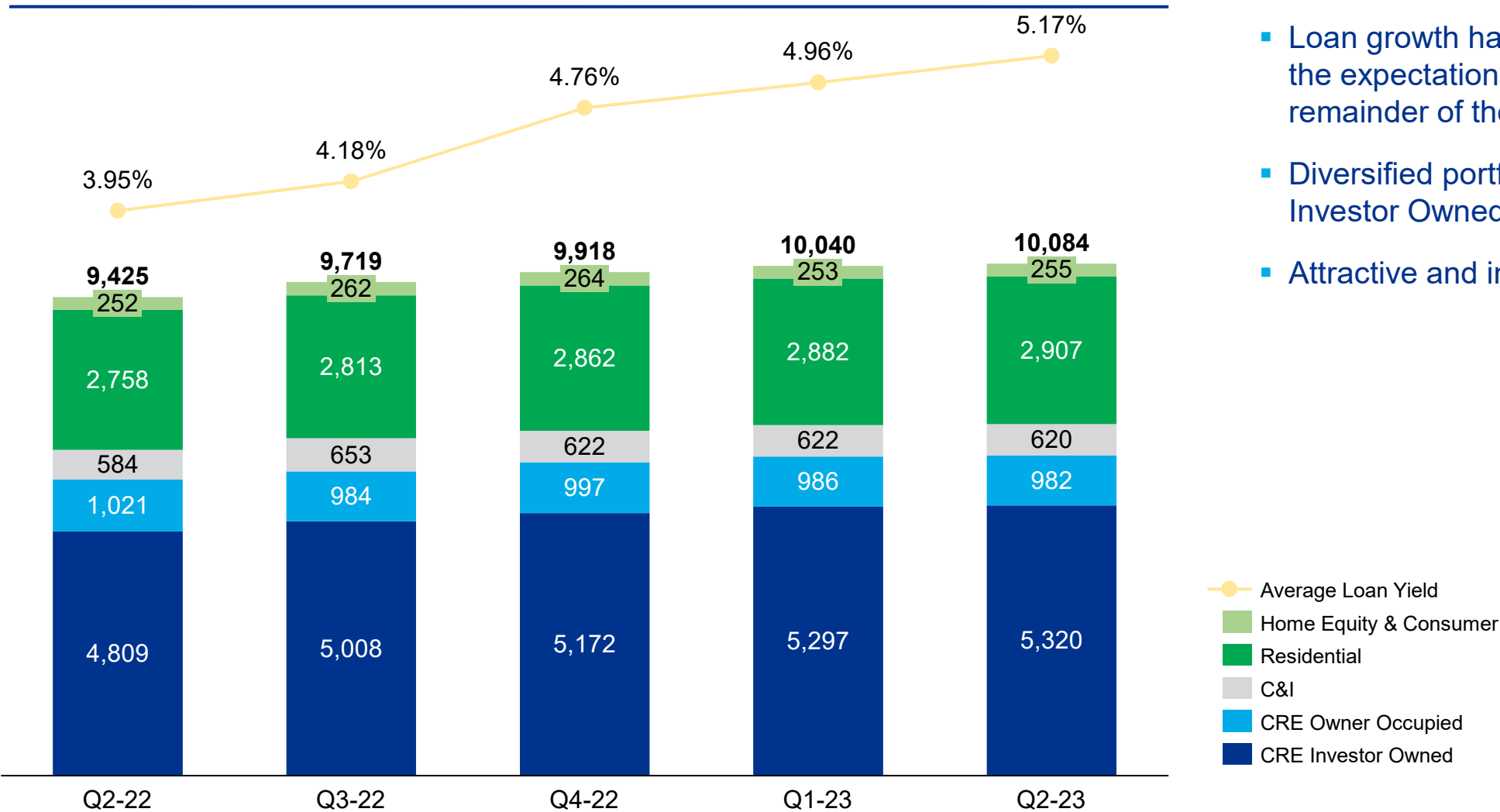
CET1 Ratio

- The Company maintained on-balance sheet liquidity and funding capacity at 260% of our adjusted uninsured deposits and manages a high-quality investment portfolio.
- Capital ratios remain strong. Mark to market would impact capital less than 65 bps.
- Earnings and profitability declined due to the increased beta on deposit costs.
- Loan growth has moderated, reflecting continued price and credit structure discipline.

Quarterly Earnings Update

Loan Portfolio Trends

Moderated Loan Growth in the Portfolio (\$'millions)



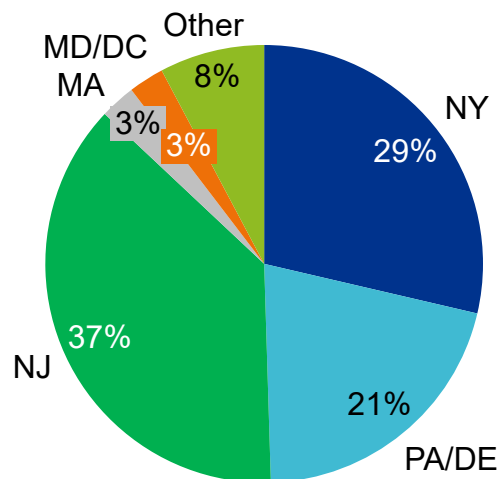
- Loan growth has moderated prudently, with the expectation of single-digit growth for the remainder of the year.
- Diversified portfolio with a focus on CRE Investor Owned and Residential loans.
- Attractive and improving loan yields.

- Average Loan Yield
- Home Equity & Consumer
- Residential
- C&I
- CRE Owner Occupied
- CRE Investor Owned

Credit Quality Historically Top Quartile and Well Positioned

CRE Investor Owned - Collateral Details				
\$'millions	CRE: Investor Owned	% of Total	WA LTV	WA DSCR
Retail	1,091	23.1%	55.5	1.65
Office	1,055	22.4%	55.8	1.81
Multi-Family	903	19.2%	61.3	1.50
Industrial / Warehouse	748	15.9%	49.5	2.00
Hospitality	137	2.9%	50.7	1.28
Other ¹	779	16.5%	45.8	1.67
CRE: Investor Owned	4,713	100.0%	54.0	1.70
Construction	607			
CRE IO and Construction Total	5,320			

CRE Investor Owner Portfolio by Geography



- **Underlying collateral is diversified:** The underlying collateral for the CRE Investor Owned (“Investor”) portfolio is highly diversified and focused in low risk collateral types.
- **Central business district loans comprise 1.1%** of total assets and have a weighted average LTV of 54.5% and weighted average DSCR of 1.5.
- **Criticized and classified office loans comprised of 3.6% of total office loans.**
- **Maturity wall is modest and has a minimal impact:** Our maturity wall, totaling \$463 million (or 4.6% of total loans), is set to mature in 2023 and 2024 with weighted average rates of 6.27% and 5.54%, for each respective cohort.
- Repricing analysis⁽²⁾ was performed on 90% of the maturing 2023 and 2024 CRE Investor and Construction portfolio, increasing interest rates to 7%. **~90% of the population retained a DSCR >= 1.0 when stressed at the originally underwritten rents.**
- The weighted average DSCR of loans subject to the stress test is 1.32.

Maturity Wall Detail					
Maturity Year	Balance (\$'millions)	Weighted Average Rate	LTV	DSCR	% of Loans
2023	119	6.27	50.56	1.17	1.18%
2024	344	5.54	61.00	1.99	3.41%
Total	463	5.72	58.32	1.78	4.59%

Notes:

All data presented represents CRE Investor balances, excluding purchase accounting marks and Construction as of June 30, 2023, unless otherwise noted.

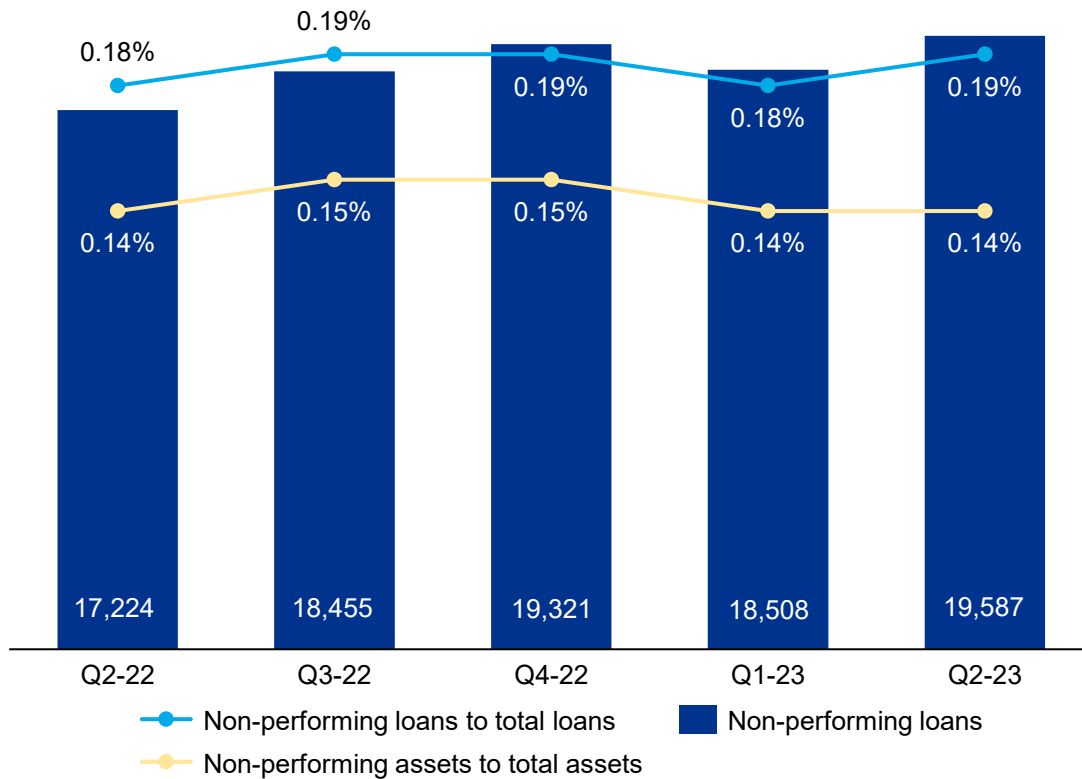
(1) Other includes co-operatives, single purpose, stores and some living units / mixed use, investor owned 1-4 family, land / development, and other.

(2) We are actively tracking CRE loan underlying cash flows and noted no material change from Q1-23. As such, we have deemed the results from the Q1-23 repricing analysis to be relevant for the current quarter.

Quarterly Credit Trends (1 of 2)

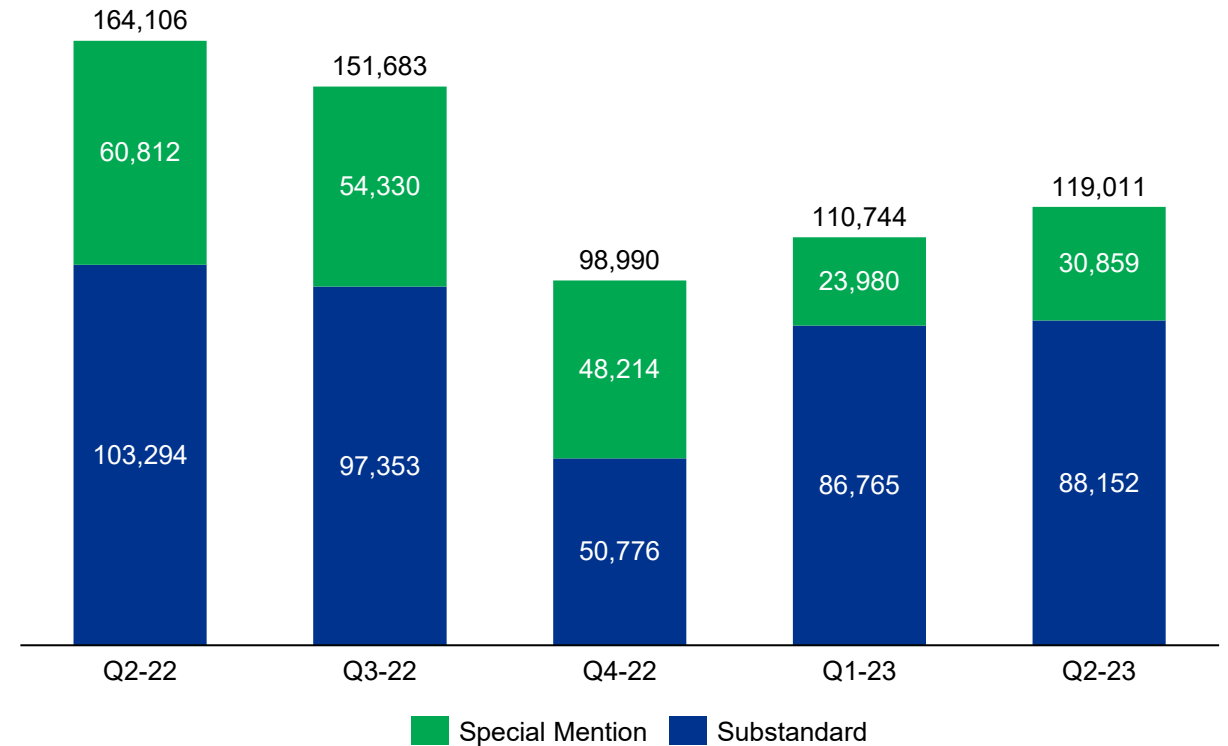
Strong asset quality trends driven by prudent loan growth and credit decisioning.

Non-Performing Loans and Assets (\$'000)¹



(1) PCD loans are not included in these metrics. Refer to Asset Quality section in the Earnings Release for additional information.

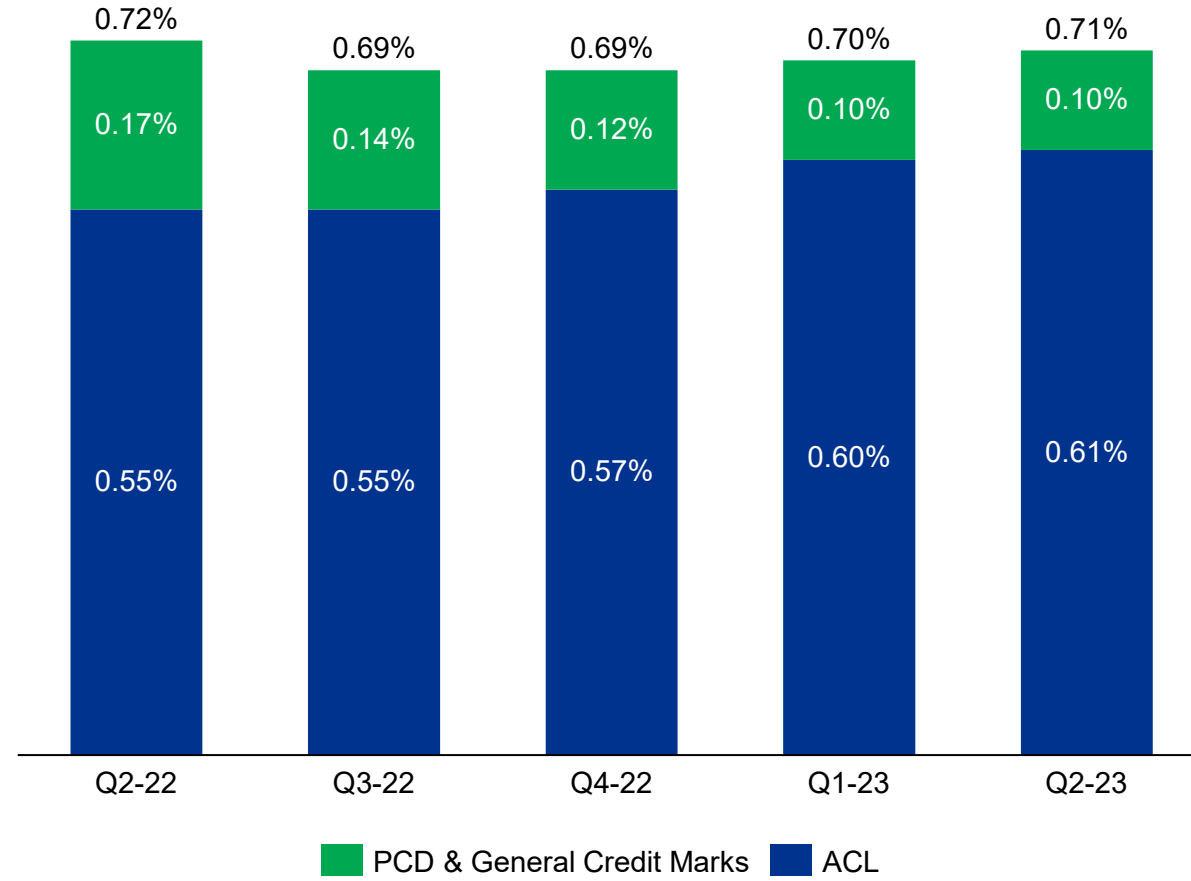
Special Mention and Substandard Loans (\$'000)



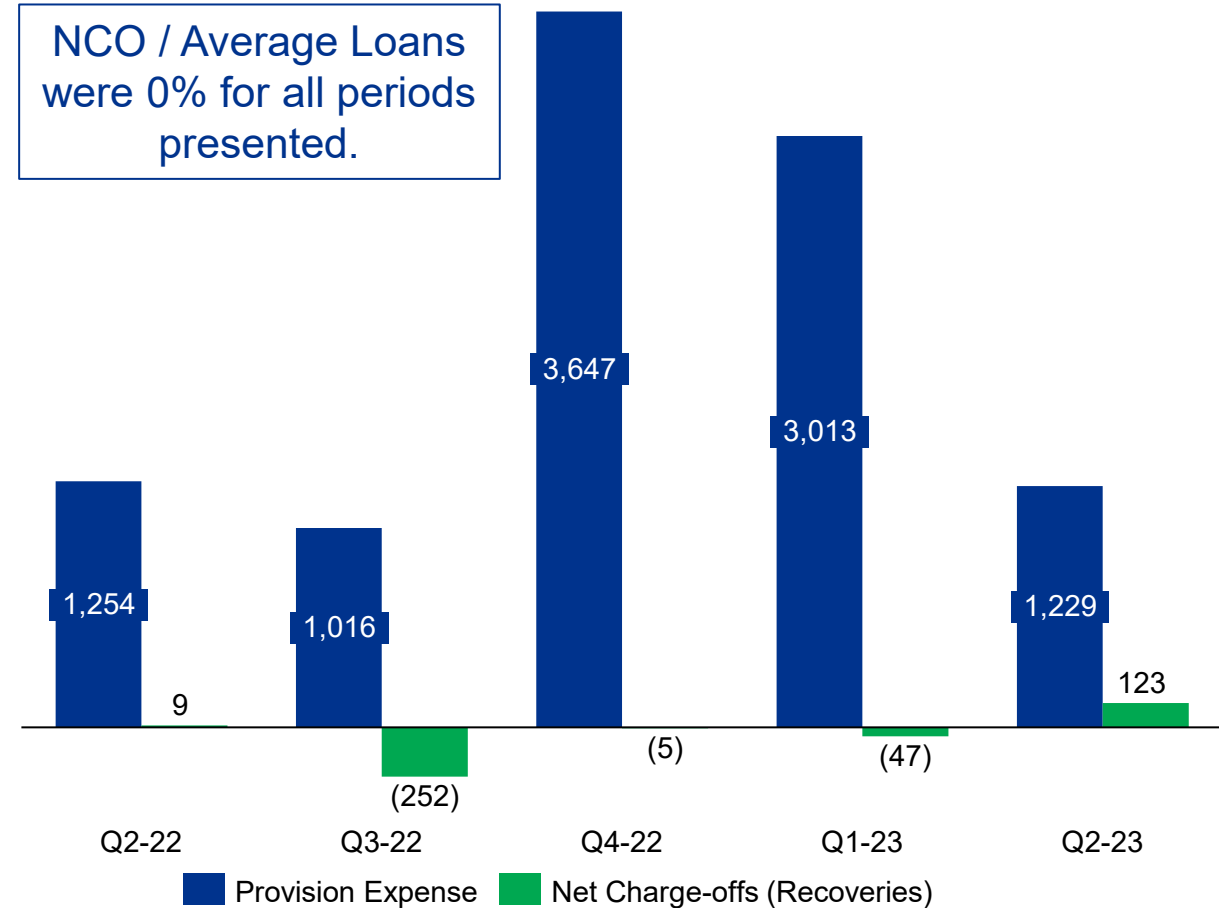
Note: Of the \$30.9 million in Special Mention loans and \$88.2 million of Substandard loans, \$28.7 million (or 93.1%) and \$80.4 million (or 91.2%) are current on payments, respectively.

Quarterly Credit Trends (2 of 2)

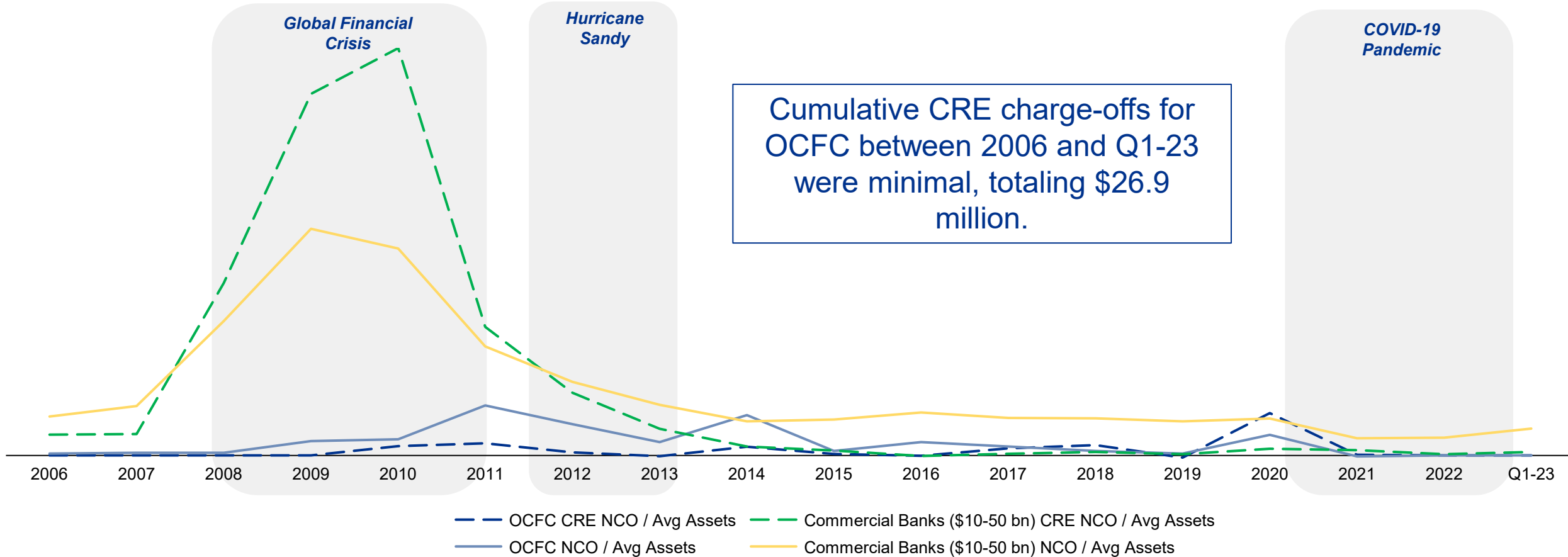
Loan Allowance for Credit Losses (ACL) Plus PCD & General Credit Marks / Total Loans



NCOs / (Recoveries) and Provision for Credit Loss Expense (\$'000)



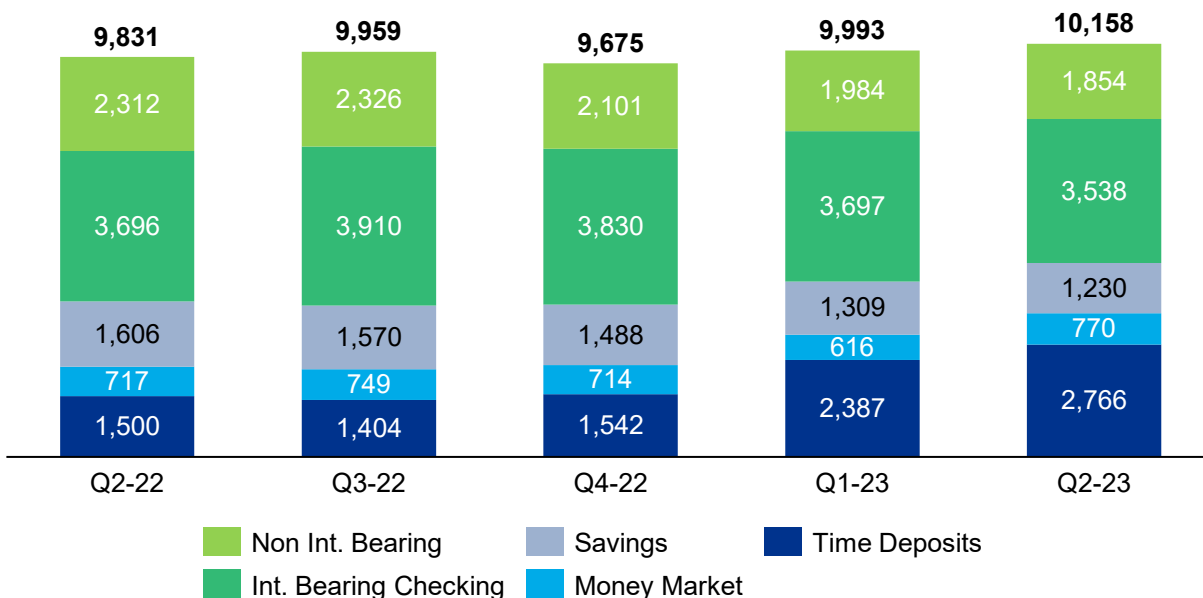
Track Record of Strong Credit Performance



- From 2006 to 2022, inclusive of the Global Financial Crisis, Hurricane Sandy, and the COVID-19 Pandemic, OCFC's CRE NCO to average CRE loans totaled 6 bps per year compared to 81 bps for all commercial banks between \$10 - \$50 billion in assets.
- Peak CRE net charge-offs for OCFC totaled 47 bps in 2020, related to proactively de-risking our balance sheet. Peak CRE charge-offs for commercial banks between \$10-\$50 billion in assets were 455 bps in 2010.

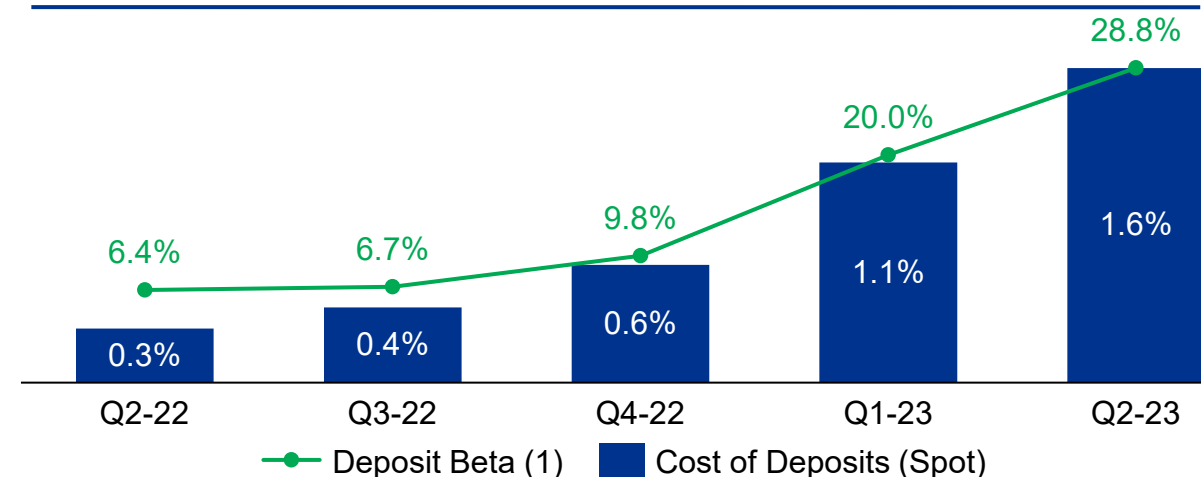
Deposit Trends

Shift in Deposit Mix to Drive Retention (\$'millions)



- Deposits (excl. brokered CD's) remained stable, decreasing by less than 0.2% from the linked quarter.
- Continued mix shift in Q2-23 towards time deposits is driven by an increase in brokered CDs of ~\$180 million, helping to retain existing customers.
- The duration on retail and brokered CD's were 8.0 months and 6.9 months, respectively.
- We maintain prudent price discipline resulting in an overall deposit beta of 29%. Excluding brokered CDs, our deposit beta totaled 21%. We expect deposit betas to continue to rise as the competitive landscape for deposits increases.

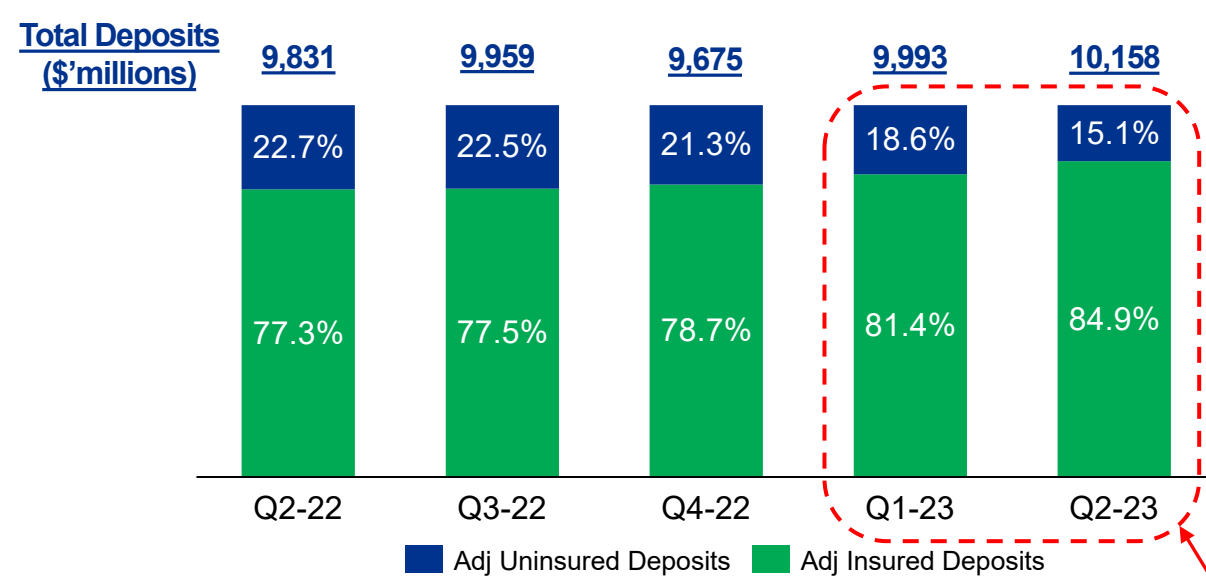
Deposit Beta and Cost Trend



Cost of Deposits

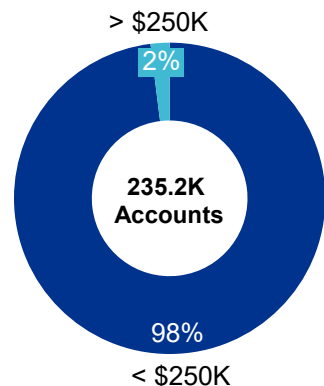
Type of Account	Qtr. Avg.	June 30 Spot
Int. Bearing Checking	1.29%	1.11%
Money Market ⁽²⁾	2.12%	2.52%
Savings	0.12%	0.12%
Time Deposits	3.57%	3.77%
Total (incl. non-int bearing)	1.52%	1.63%

~85% of Total Deposits Are Insured and Population Remains Granular

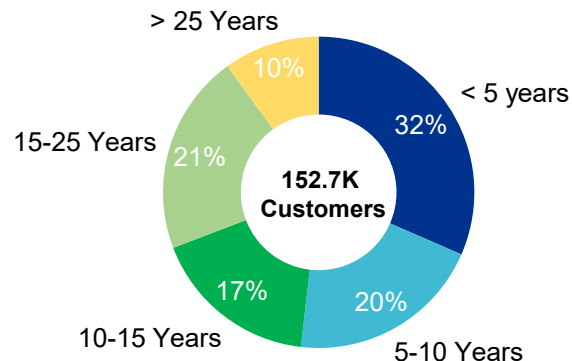


- OCFC's deposit composition is extremely granular with 98% of all deposit accounts having less than \$250K.
- OCFC customers have long tenured relationships with an average age of 9 years. The median age of a deposit relationship is 8 years.
- Average non-government deposit account is well below the FDIC insurance limit.
- Government deposits in New Jersey are protected by the State under the NJ Government Unit Deposit Protection Act and fully collateralized by OCFC.

Deposit Accounts by Size



Length of Customer Relationships



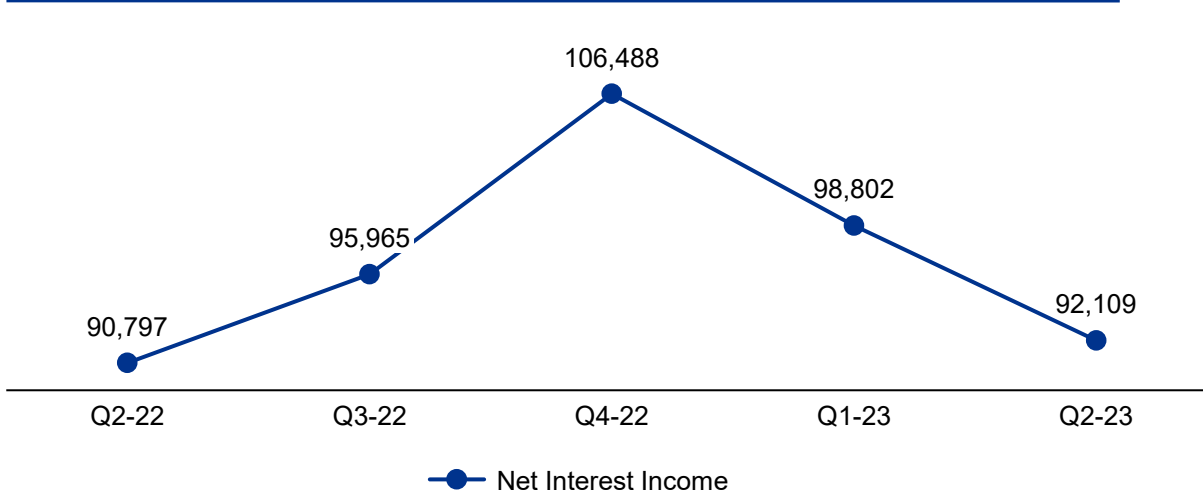
Reduction in uninsured deposits percentage of total deposits in Q2-23 due to methodology change to improve accuracy of estimated adjusted uninsured deposits.

Customer Segment

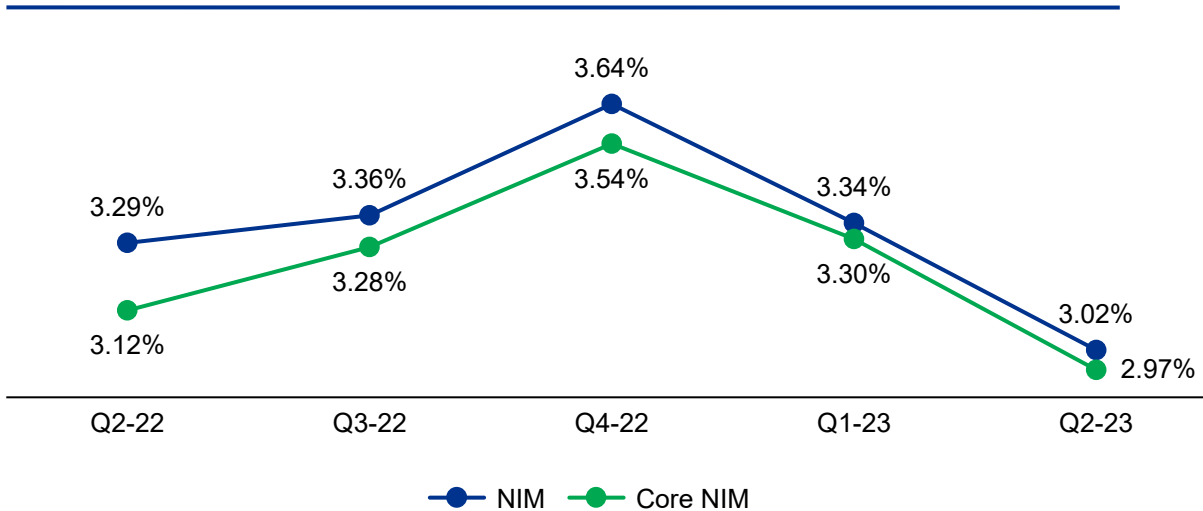
Segment	Average Balance
Personal	\$21K
Business	\$134K
Government ¹	\$903K

Net Interest Income and Net Interest Margin Trends

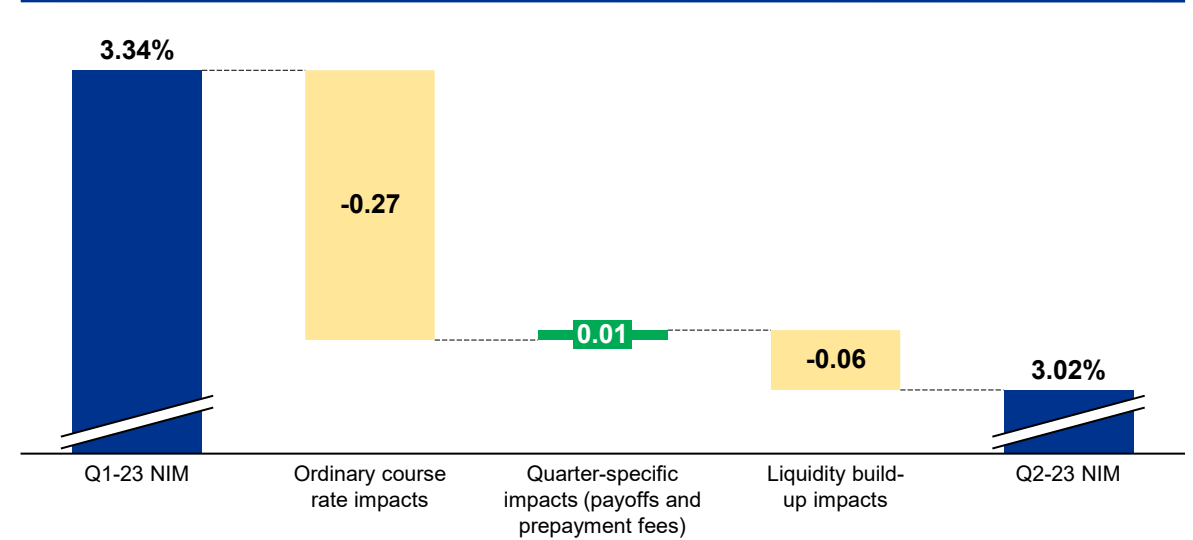
Net Interest Income (\$'000)



Core NIM¹ vs NIM



NIM Bridge

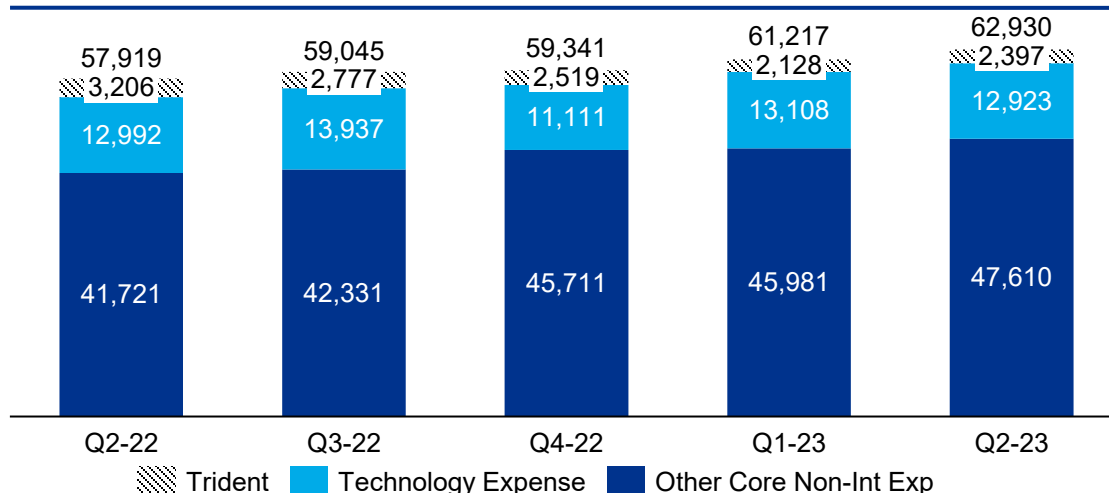


Headwinds

- Competitive market environment as peers compete on rate for quality credit.
- Maintaining a healthy loan-to-deposit ratio while remaining disciplined on deposit pricing and managing funding costs.

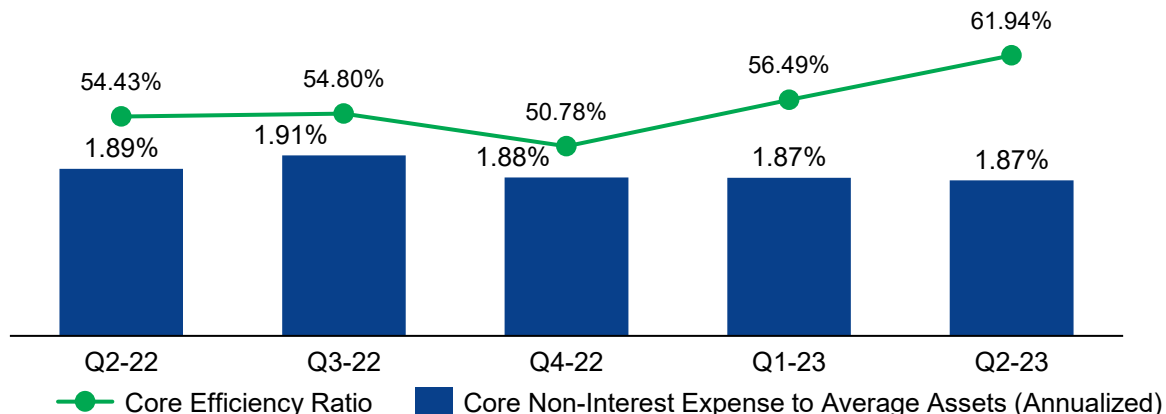
Expense Discipline and Focused Investment

Core Non-Interest Expense¹ (\$'000)



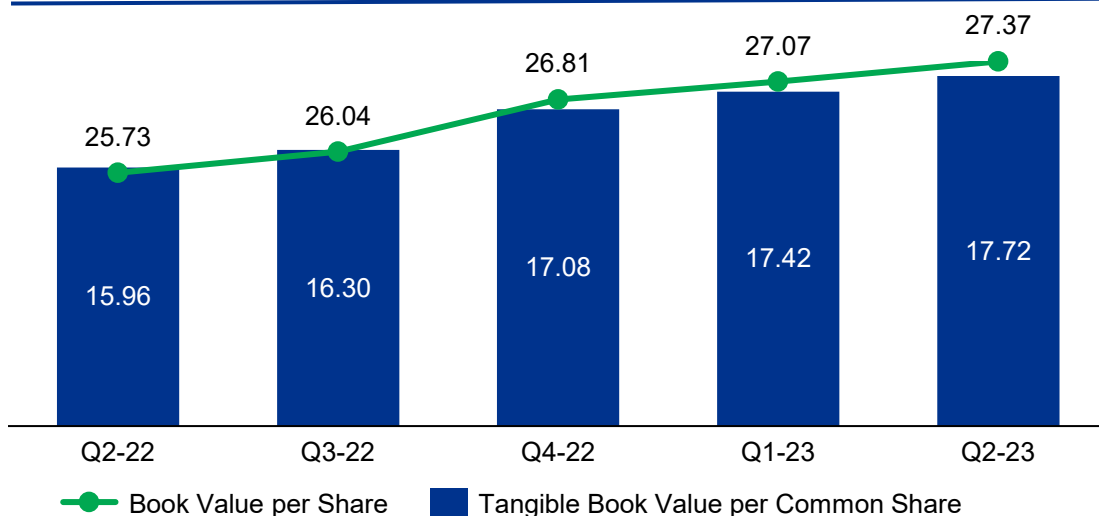
- Q2-23 core operating expenses increased \$1.7 million from the prior linked quarter and totaled \$62.9 million.
- The current quarter included one-time expenses of \$1.0 million that are not expected to be recurring.
- We are implementing a series of operating leverage strategies that will reduce total operating expenses no later than Q4-23 and continue into 2024.

Core Efficiency Ratio¹

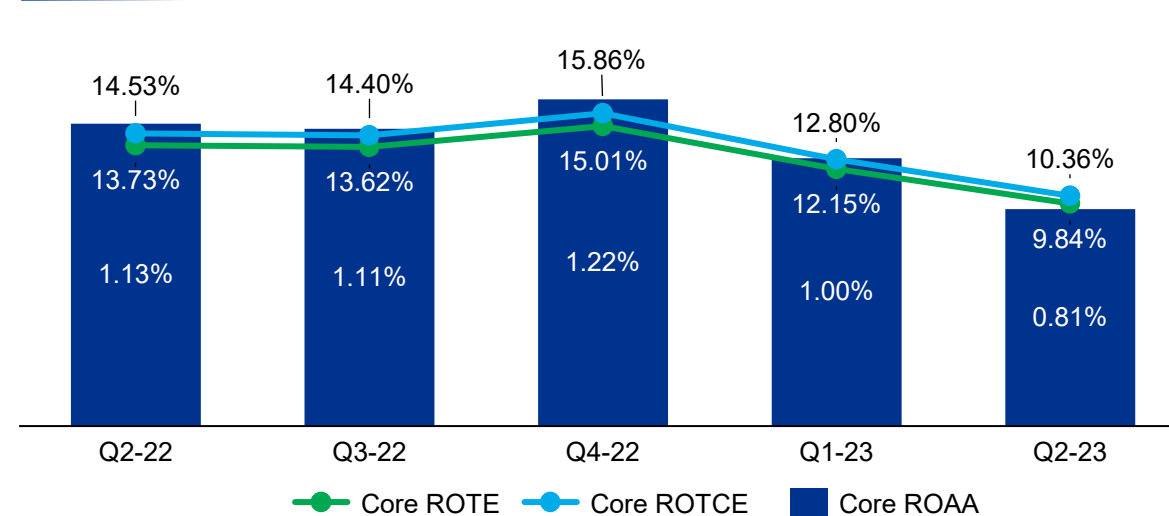


Generating Consistent and Attractive Returns

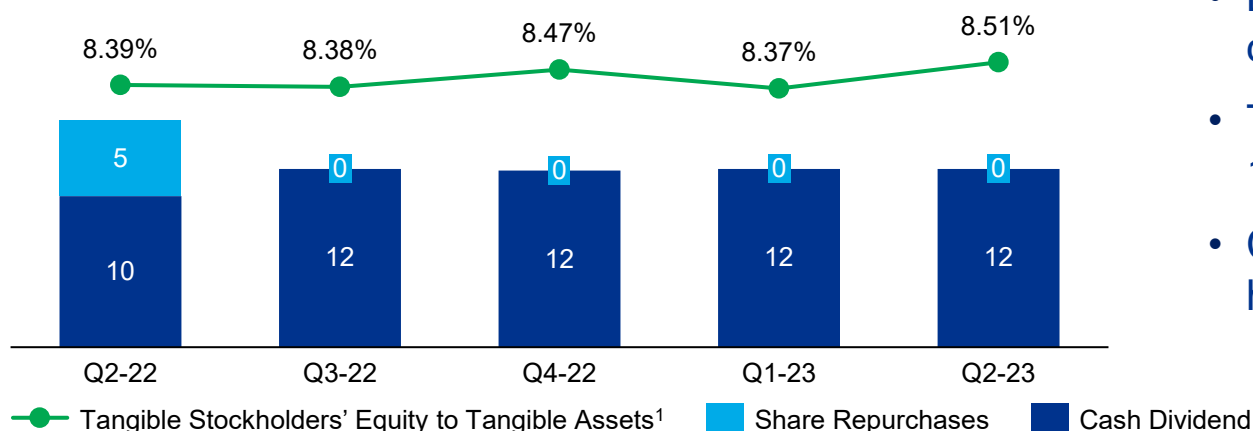
Book Value and Tangible Book Value per Common Share (\$)¹



Core ROAA¹, ROTE¹, and ROTCE¹



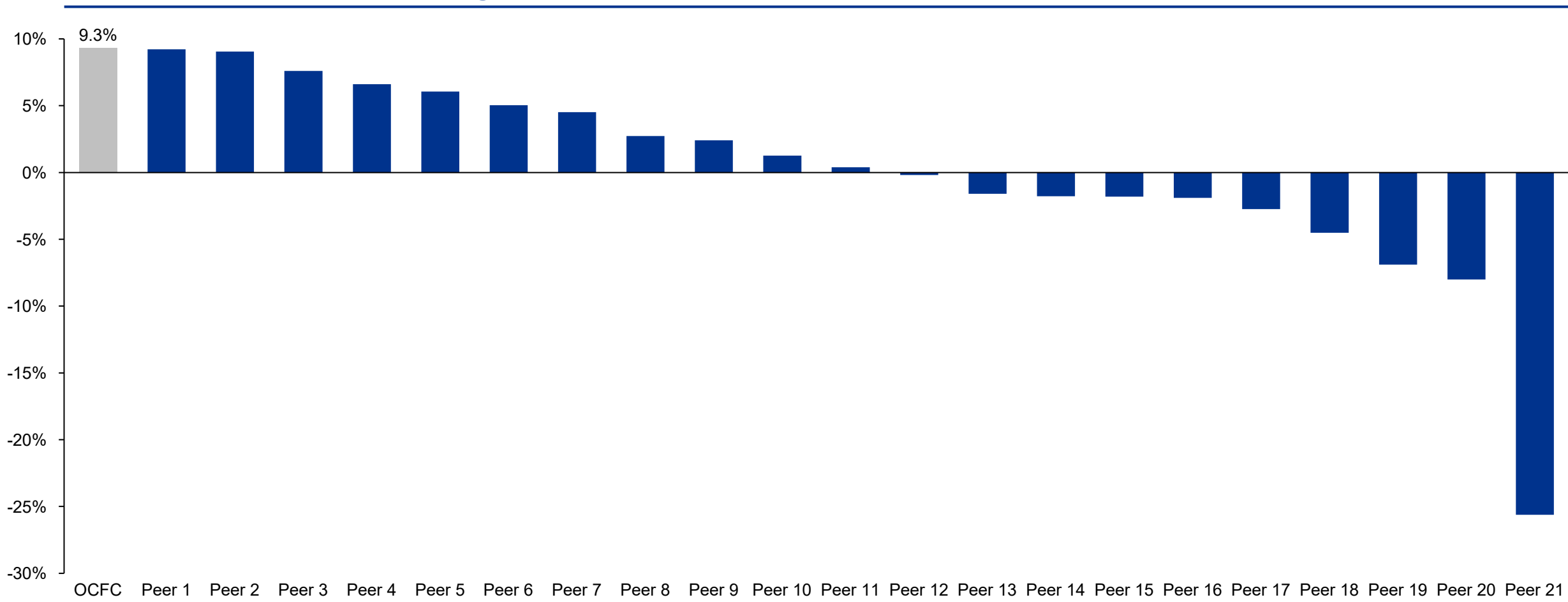
Capital Management (\$'millions)



- Book value per share increased by \$0.30 (or 1.1%) per share compared to the linked quarter.
- Tangible book value per common share increased by \$0.30 (or 1.7%) compared to the linked quarter.
- Capital ratios remain strong when stress tested with hypothetical sale of entire investment portfolio.

Leading TBV Growth Supported by Prudent Liquidity Management

Tangible Book Value per Share Growth (Q1-22 to Q1-23)⁽¹⁾



Management 2023 Outlook – Update

Guidance

Loans

Low single-digit growth for full year

Deposits

Low single-digit growth for full year

Net Interest Margin

Flat to nominal decline in Q3-23

Operating Expenses

Q4-23 expected to stabilize in the \$58-\$59 million range

Capital

Flat CET1 ratio (~10%)

Key Assumptions / Commentary

- Continued focus on credit risk management, anchored by our diversified CRE portfolio that has performed well in market downturns

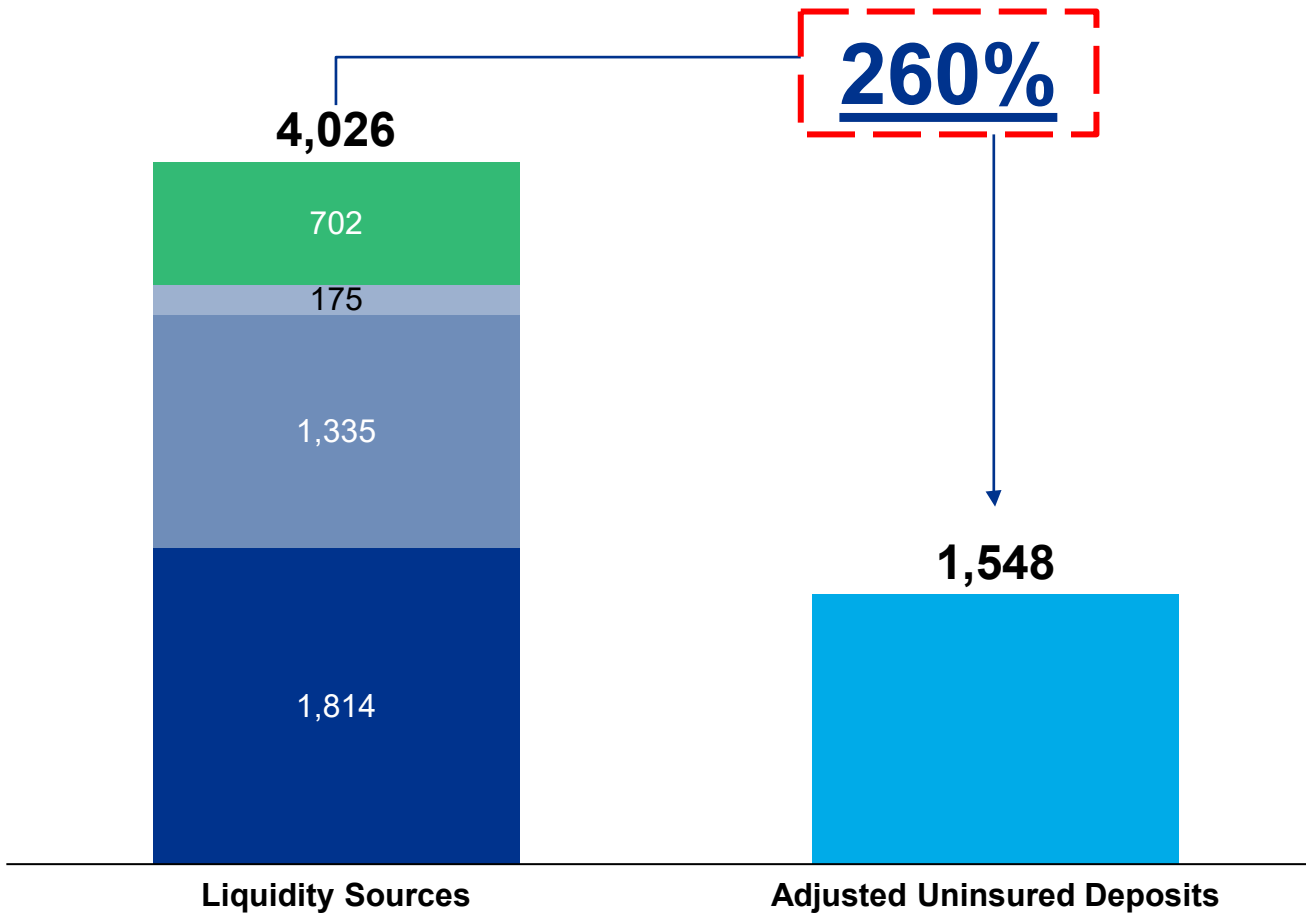
- Maintain loan-to-deposits ratio ~100% for remainder of the year
- Accounts for uncertainty in deposit flows. Our expectation is moderate outflow of non-maturity deposits, offset by an increase in promo CDs

- The current quarter included one-time expenses of \$1.0 million that are not expected to be recurring
- Q3-23 will likely remain elevated due to charges associated with continued expense rationalization
- This does not include the potential one-time proposed FDIC special assessment, which is expected to be \$3.0 million based on initial guidance. This could be lower depending on the final assessment rules
- We are working on incremental opportunities to reduce expenses modestly in 2024

- Accounts for flexibility to sustain increased liquidity levels as needed

Appendix

Liquidity Sources are Robust and Diverse



Liquidity remains robust:

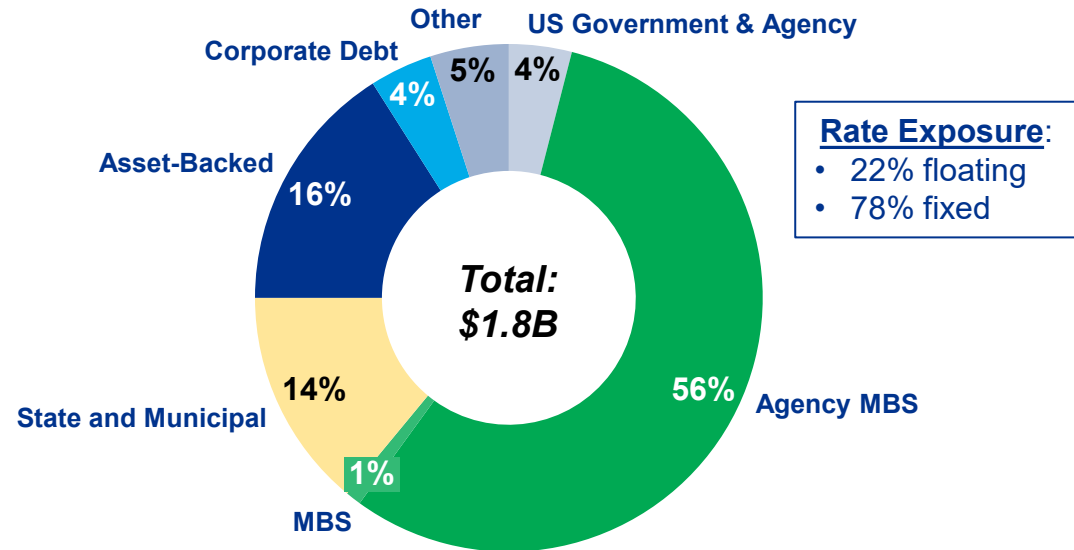
- Adjusted uninsured deposits accounted for 15% of total deposits.
- Cash held on balance sheet totaled \$338 million⁽¹⁾.
- OCFC had no outstanding borrowings from the Federal Reserve Discount Window or Bank Term Funding Program, strong sources of back stop liquidity.
- As the banking environment continues to stabilize, we will evaluate our liquidity position and needs through Q3-23 and Q4-23, with potential reductions in excess liquidity to be redeployed into new loans.

Numbers in the above table are in \$'millions.

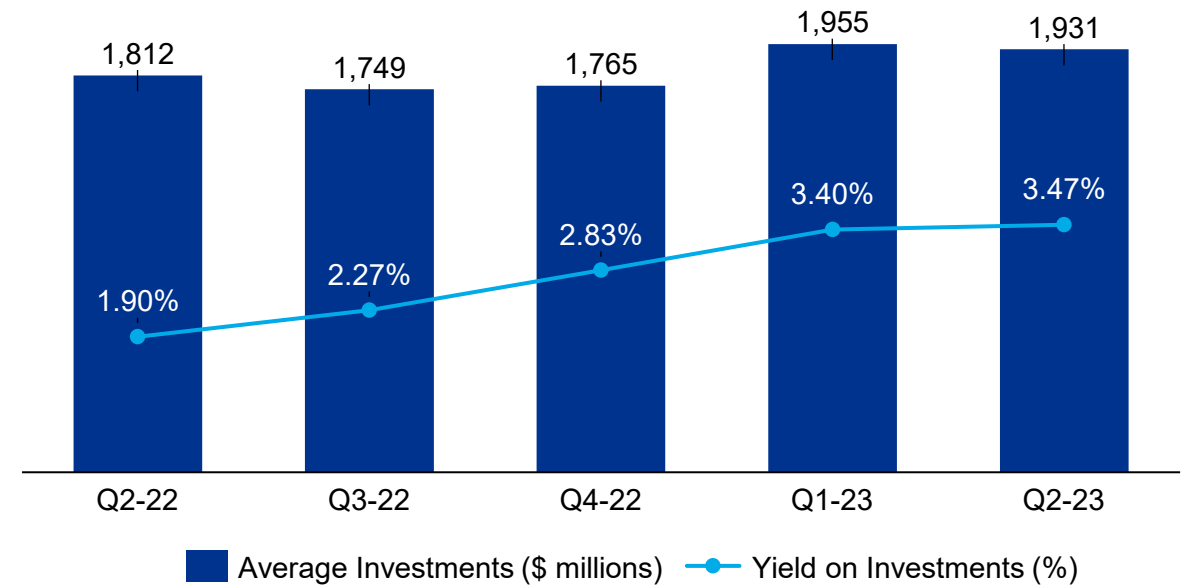


High Quality and Low Risk Investment Portfolio

Investment Portfolio Composition



Portfolio Trends and Yield ⁽¹⁾

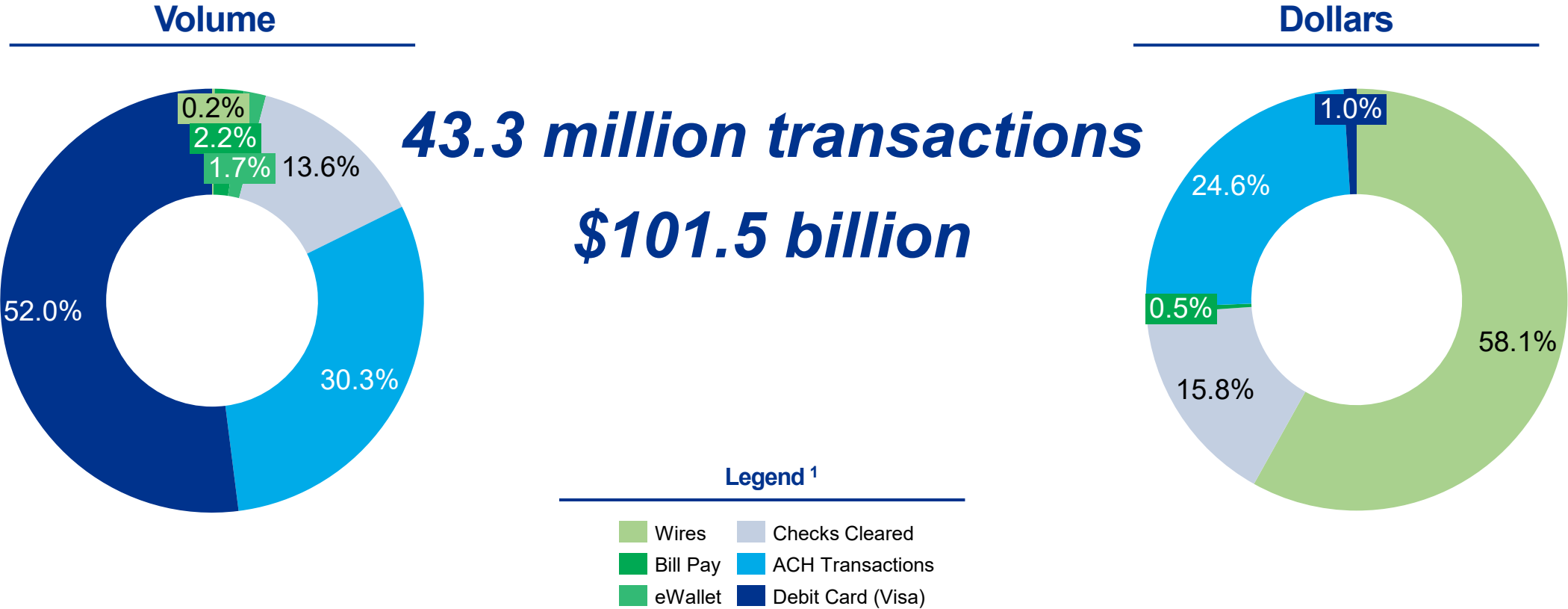


Investment Portfolio Composition						
\$'millions	AFS		HTM		Equities	
	Fair Value	Duration (Yrs)	Amortized Cost	Duration (Yrs)	Fair Value	Duration (Yrs)
Asset-Backed	285	(0)	-	-	-	-
US Gov & Agency	66	4	-	-	-	-
Agency MBS	92	6	896	4	-	-
Corporate Debt	9	2	52	0	-	-
State and Municipal	-	-	249	5	-	-
MBS	-	-	25	2	-	-
Other	-	-	-	-	96	1
Total	452		1,222		96	

- Unrealized gain on AFS debt securities of \$0.3 million in Q2-23 (\$5.8 million in the YTD period).
- Portfolio remains high quality and investment grade with 86% rated AAA or AA.
- Total duration on the investment portfolio totaled 4 years.

OCFC's Customer Base Values Operational Support

OCFC's deposit base is highly operational and values individualized service and support. OCFC customers initiated over 43 million total transactions in 2022 for over \$101 billion, turning over our June 30, 2023 deposit balance more than 10 times per year.



Adjusted Uninsured Deposit Bridge Detail

Adjusted Uninsured Deposit Bridge		
\$'millions	Schedule/Line	June 30, 2023
Estimated Uninsured Deposits	RC-O Line M.2	5,057
Less: Collateralized Municipal Deposits ¹		(2,027)
Less: Gross Exclusion Deposits ²		(1,482)
Estimated Adjusted Uninsured Deposits, net of exclusions		1,548
Total Deposits	RC-O Line 1	11,716
Less: Gross Exclusion Deposits ²		(1,482)
Total Deposits, net of exclusions	RC Line 13.a	10,234
% of Total Deposits, net of exclusions		15.1%

Note #1: Uninsured deposits are reported at the consolidated Bank level per the Call Report.

(1) The State of NJ requires collateralization on municipal deposits and administers a backstop to protect these deposits.

(2) Gross exclusions relate to intercompany deposits.

Non-GAAP Reconciliations (1 of 2)

Non-GAAP Reconciliation					
\$'000	For the Three Months Ended				
	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Core Earnings:					
Net income available to common stockholders (GAAP)	26,793	26,879	52,268	37,607	27,957
Add (less) non-recurring and non-core items:					
Merger related expenses	-	22	276	298	196
Branch consolidation expense (benefit), net	-	70	111	(346)	546
Net loss (gain) on equity investments ⁽¹⁾	559	2,193	(17,187)	(3,362)	8,078
Net loss on sale of investments ⁽¹⁾	-	5,305	-	-	-
Income tax (benefit) expense on items	(162)	(1,797)	4,060	824	(2,132)
Core earnings (Non-GAAP)	27,190	32,672	39,528	35,021	34,645
Income tax expense	8,996	8,654	17,353	12,298	8,940
Provision for credit losses	1,229	3,013	3,647	1,016	1,254
Less: income tax (benefit) expense on non-core items	(162)	(1,797)	4,060	824	(2,132)
Core earnings PTPP (Non-GAAP)	37,577	46,136	56,468	47,511	46,971
Core earnings diluted earnings per share	0.46	0.55	0.67	0.60	0.59
Core earnings PTPP diluted earnings per share	0.64	0.78	0.96	0.81	0.80

⁽¹⁾ The sale of specific positions in two financial institutions impacted both equity investments and debt securities for the three months ended March 31, 2023. On the Consolidated Statements of Income, the losses on sale of equity investments and debt securities are reported within net gain (loss) on equity investments (\$4.6 million) and other (\$697,000), respectively, for the three months ended March 31, 2023.

Non-GAAP Reconciliations (2 of 2)

Non-GAAP Reconciliation					
\$'000	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022	June 30, 2022
Tangible Equity					
Total stockholders' equity	1,626,283	1,610,371	1,585,464	1,540,216	1,521,432
Less:					
Goodwill	506,146	506,146	506,146	506,146	506,146
Core deposit intangible	11,476	12,470	13,497	14,656	15,827
Tangible stockholders' equity	1,108,661	1,091,755	1,065,821	1,019,414	999,459
Less:					
Preferred Stock	55,527	55,527	55,527	55,527	55,527
Tangible common equity	1,053,134	1,036,228	1,010,294	963,887	943,932
Tangible Assets					
Total Assets	13,538,903	13,555,175	13,103,896	12,683,453	12,438,653
Less:					
Goodwill	506,146	506,146	506,146	506,146	506,146
Core deposit intangible	11,476	12,470	13,497	14,656	15,827
Tangible assets	13,021,281	13,036,559	12,584,253	12,162,651	11,916,680