

OCEANFIRST FINANCIAL CORP
Form 10-Q
May 10, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2007

.. 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

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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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO .

As of May 7, 2007, there were 12,318,370 shares of the Registrant's Common Stock, par value \$.01 per share, outstanding.

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OceanFirst Financial Corp.

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Table of Contents**OceanFirst Financial Corp.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

(dollars in thousands, except per share amounts)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Cash and due from banks	\$ 34,955	\$ 32,204
Investment securities available for sale	72,005	82,384
Federal Home Loan Bank of New York stock, at cost	25,319	25,346
Mortgage-backed securities available for sale	64,936	68,369
Loans receivable, net	1,705,425	1,701,425
Mortgage loans held for sale	60,972	82,943
Interest and dividends receivable	8,329	8,083
Real estate owned, net	709	288
Premises and equipment, net	17,899	18,196
Servicing asset	9,873	9,787
Bank Owned Life Insurance	37,450	37,145
Intangible Assets	74	1,114
Other assets	10,339	9,718
Total assets	\$ 2,048,285	\$ 2,077,002
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 1,352,931	\$ 1,372,328
Securities sold under agreements to repurchase with retail customers	61,784	50,982
Securities sold under agreements to repurchase with the Federal Home Loan Bank	19,000	34,000
Federal Home Loan Bank advances	443,200	430,500
Other borrowings	17,500	17,500
Advances by borrowers for taxes and insurance	9,007	7,743
Other liabilities	19,570	31,629
Total liabilities	1,922,992	1,944,682
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 12,318,370 and 12,262,307 shares outstanding at March 31, 2007 and December 31, 2006, respectively	272	272
Additional paid-in capital	202,438	201,936
Retained earnings	155,574	164,121
Accumulated other comprehensive loss	(503)	(470)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(6,117)	(6,369)
Treasury stock, 14,859,002 and 14,915,065, shares at March 31, 2007 and December 31, 2006, respectively	(226,371)	(227,170)
Common stock acquired by Deferred Compensation Plan	1,414	1,457
Deferred Compensation Plan Liability	(1,414)	(1,457)
Total stockholders' equity	125,293	132,320
Total liabilities and stockholders' equity	\$ 2,048,285	\$ 2,077,002

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See accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**OceanFirst Financial Corp.****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

	For the three months ended March 31, 2007 2006 (Unaudited)	
Interest income:		
Loans	\$ 27,344	\$ 25,019
Mortgage-backed securities	724	874
Investment securities and other	2,304	1,893
Total interest income	30,372	27,786
Interest expense:		
Deposits	9,329	7,080
Borrowed funds	6,635	5,289
Total interest expense	15,964	12,369
Net interest income	14,408	15,417
Provision for loan losses	340	50
Net interest income after provision for loan losses	14,068	15,367
Other (loss) income:		
Loan servicing income	122	126
Fees and service charges	2,798	2,347
Net (loss) gain and lower of cost or market adjustment on sales of loans and securities available for sale	(9,583)	1,680
Net (loss) income from other real estate operations	(19)	
Income from Bank Owned Life Insurance	305	268
Other	5	6
Total other (loss) income	(6,372)	4,427
Operating expenses:		
Compensation and employee benefits	7,859	7,378
Occupancy	1,206	1,184
Equipment	553	626
Marketing	316	307
Federal deposit insurance	136	134
Data processing	907	906
General and administrative	3,099	2,641
Goodwill impairment	1,014	
Total operating expenses	15,090	13,176
(Loss) income before (benefit) provision for income taxes	(7,394)	6,618
(Benefit) provision for income taxes	(1,972)	2,304

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Net (loss) income	\$ (5,422)	\$ 4,314
Basic (loss) earnings per share	\$ (0.47)	\$ 0.37
Diluted (loss) earnings per share	\$ (0.47)	\$ 0.36
Average basic shares outstanding	11,486	11,721
Average diluted shares outstanding	11,486	12,107

See accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**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	Common Stock Acquired by Deferred Compensation Plan	Deferred Compensation Plan Liability	Total
Balance at December 31, 2005	\$ 272	\$ 197,621	\$ 164,613	\$ (1,223)	\$ (7,472)	\$ (215,027)	\$ 1,383	\$ (1,383)	\$ 138,784
Comprehensive income:									
Net income			4,314						4,314
Other comprehensive income:									
Unrealized loss on securities (net of tax benefit \$174)				(253)					(253)
Total comprehensive income									4,061
Stock award		29							29
Tax benefit of stock plans		293							293
Purchase 276,298 shares of common stock						(6,515)			(6,515)
Allocation of ESOP stock					276				276
ESOP adjustment		496							496
Cash dividend - \$.20 per share			(2,338)						(2,338)
Exercise of stock options			(450)			1,200			750
Purchase of stock for the deferred compensation plan							112	(112)	
Balance at March 31, 2006	\$ 272	\$ 198,439	\$ 166,139	\$ (1,476)	\$ (7,196)	\$ (220,342)	\$ 1,495	\$ (1,495)	\$ 135,836
Balance at December 31, 2006	\$ 272	\$ 201,936	\$ 164,121	\$ (470)	\$ (6,369)	\$ (227,170)	\$ 1,457	\$ (1,457)	\$ 132,320
Comprehensive loss:									
Net loss			(5,422)						(5,422)
Other comprehensive loss:									
Unrealized loss on securities (net of tax benefit \$23)				(33)					(33)
Total comprehensive loss									(5,455)
Stock awards		96							96
Treasury stock allocated to restricted stock plan		(295)	(3)			298			320
Tax benefit of stock plans		320							320
						(1,112)			(1,112)

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Purchase 49,701 shares of common stock										
Allocation of ESOP stock					252					252
ESOP adjustment	381									381
Cash dividend \$.20 per share				(2,259)						(2,259)
Exercise of stock options				(863)		1,613				750
Sale of stock for the deferred compensation plan							(43)		43	
Balance at March 31, 2007	\$ 272	\$ 202,438	\$ 155,574	\$ (503)	\$ (6,117)	\$ (226,371)	\$ 1,414	\$ (1,414)	\$ 125,293	

See accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**OceanFirst Financial Corp.****Consolidated Statements of Cash Flows**

(dollars in thousands)

	For the three months ended March 31, 2007 2006 (Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (5,422)	\$ 4,314
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	533	510
Amortization of ESOP	252	276
ESOP adjustment	381	496
Stock award	96	29
Amortization of servicing asset	562	516
Amortization and impairment of intangible assets	1,040	26
Net premium amortization in excess of discount accretion on securities	42	78
Net amortization of deferred costs and discounts on loans	215	98
Provision for loan losses	340	50
Lower of cost or market write-down on loans held for sale	7,078	
Provision for repurchased loans	3,960	
Net gain on sales of loans and securities	(1,455)	(1,680)
Proceeds from sales of mortgage loans held for sale	162,701	97,710
Mortgage loans originated for sale	(139,924)	(95,388)
Increase in value of Bank Owned Life Insurance	(305)	(268)
Increase in interest and dividends receivable	(246)	(285)
Increase in other assets	(598)	(614)
(Decrease) increase in other liabilities	(12,242)	1,008
Total adjustments	22,430	2,562
Net cash provided by operating activities	17,008	6,876
Cash flows from investing activities:		
Net increase in loans receivable	(1,856)	(34,129)
Loans repurchased	(13,934)	
Proceeds from maturities or calls of investment securities available for sale	10,780	200
Purchase of investment securities available for sale	(681)	(748)
Proceeds from sale of investment securities available for sale		437
Proceeds from sale of mortgage-backed securities available for sale		6,242
Purchase of mortgage-backed securities available for sale		(6,439)
Principal payments on mortgage-backed securities available for sale	3,616	4,385
Decrease (increase) in Federal Home Loan Bank of New York stock	27	(487)
Real estate owned acquired	(41)	
Purchases of premises and equipment	(236)	(737)
Net cash used in investing activities	(2,325)	(31,276)

Continued

Table of Contents**OceanFirst Financial Corp.****Consolidated Statements of Cash Flows (Continued)**

(dollars in thousands)

	For the three months ended March 31, 2007 2006 (Unaudited)	
Cash flows from financing activities:		
(Decrease) increase in deposits	\$ (19,397)	\$ 16,360
Increase in short-term borrowings	15,502	10,783
Repayments from securities sold under agreements to repurchase with the Federal Home Loan Bank	(15,000)	
Proceeds from Federal Home Loan Bank advances	30,000	25,000
Repayments of Federal Home Loan Bank advances	(22,000)	(29,000)
Proceeds from other borrowings		800
Increase in advances by borrowers for taxes and insurance	1,264	1,169
Exercise of stock options	750	750
Dividends paid	(2,259)	(2,338)
Purchase of treasury stock	(1,112)	(6,515)
Tax benefit of stock plans	320	293
Net cash (used in) provided by financing activities	(11,932)	17,302
Net increase (decrease) in cash and due from banks	2,751	(7,098)
Cash and due from banks at beginning of period	32,204	31,108
Cash and due from banks at end of period	\$ 34,955	\$ 24,010
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 16,253	\$ 12,606
Income taxes	79	62
Non cash activities:		
Transfer of loans receivable to real estate owned	380	

See accompanying Notes to Unaudited Consolidated Financial Statements.

Table of Contents**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, LLC, and OceanFirst Services, LLC.

The interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations that may be expected for all of 2007.

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, 2006.

Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three months ended March 31, 2007 and 2006 (in thousands):

	Three months ended	
	March 31,	
	2007	2006
Weighted average shares issued net of Treasury shares	12,304	12,669
Less: Unallocated ESOP shares	(740)	(870)
Unallocated incentive award shares and shares held by deferred compensation plan	(78)	(78)
Average basic shares outstanding	11,486	11,721
Add: Effect of dilutive securities:		
Stock options		311
Incentive awards and shares held by deferred compensation plan		75
Average diluted shares outstanding	11,486	12,107

For the three months ended March 31, 2007 and 2006, 1,005,000 and 134,000, respectively, antidilutive stock options were excluded from earnings per share calculations. In addition, for the quarter ended March 31, 2007, 133,000 antidilutive potential shares of common stock have been excluded from the calculation of average diluted shares outstanding, as the Company incurred a net loss for the period.

Comprehensive (Loss) Income

For the three month periods ended March 31, 2007 and 2006, total comprehensive (loss) income, representing net income plus or minus the change in unrealized gains or losses on securities available for sale amounted to \$(5,455,000) and \$4,061,000, respectively.

Table of Contents**Note 2. Loans Receivable, Net**

Loans receivable, net at March 31, 2007 and December 31, 2006 consisted of the following (in thousands):

	March 31, 2007	December 31, 2006
Real estate:		
One- to-four family	\$ 1,207,982	\$ 1,231,716
Commercial real estate, multi-family and land	319,444	306,288
Construction	9,098	13,475
Consumer	193,886	190,029
Commercial	43,258	49,693
Total loans	1,773,668	1,791,201
Loans in process	(2,168)	(2,318)
Deferred origination costs, net	5,474	5,723
Allowance for loan losses	(10,577)	