

OCEANFIRST FINANCIAL CORP

Form 10-Q

May 10, 2010

[Table of Contents](#)

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, 2010

.. 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 001-11713

OceanFirst Financial Corp.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of

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

incorporation or organization)

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

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 has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

Smaller Reporting Company

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 5, 2010, there were 18,821,956 shares of the Registrant's Common Stock, par value \$.01 per share, outstanding.

Table of Contents

OceanFirst Financial Corp.

INDEX TO FORM 10-Q

	PAGE
PART I. <u>FINANCIAL INFORMATION</u>	
Item 1. Consolidated Financial Statements (Unaudited)	
<u>Consolidated Statements of Financial Condition as of March 31, 2010 and December 31, 2009</u>	1
<u>Consolidated Statements of Income for the three months ended March 31, 2010 and 2009</u>	2
<u>Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2010 and 2009</u>	3
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and 2009</u>	4
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	18
Item 4. <u>Controls and Procedures</u>	19
PART II. <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	19
Item 1A. <u>Risk Factors</u>	19
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	19
Item 3. <u>Defaults Upon Senior Securities</u>	19
Item 4. <u>Removed and Reserved</u>	20
Item 5. <u>Other Information</u>	20
Item 6. <u>Exhibits</u>	20
<u>Signatures</u>	21

Table of Contents**OceanFirst Financial Corp.****Consolidated Statements of Financial Condition**

(dollars in thousands, except per share amounts)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and due from banks	\$ 20,884	\$ 23,016
Investment securities available for sale	39,177	37,267
Federal Home Loan Bank of New York stock, at cost	27,906	19,434
Mortgage-backed securities available for sale	367,189	213,622
Loans receivable, net	1,640,149	1,629,284
Mortgage loans held for sale	1,668	5,658
Interest and dividends receivable	6,818	6,059
Real estate owned, net	2,864	2,613
Premises and equipment, net	21,862	22,088
Servicing asset	6,147	6,515
Bank Owned Life Insurance	40,166	39,970
Other assets	24,403	24,502
Total assets	\$ 2,199,233	\$ 2,030,028
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	\$ 1,381,108	\$ 1,364,199
Securities sold under agreements to repurchase with retail customers	67,969	64,573
Federal Home Loan Bank advances	521,100	333,000
Other borrowings	27,500	27,500
Due to brokers		40,684
Advances by borrowers for taxes and insurance	8,047	7,453
Other liabilities	6,328	9,083
Total liabilities	2,012,052	1,846,492
Stockholders' equity:		
Preferred stock, \$.01 par value, \$1,000 liquidation preference, 5,000,000 shares authorized, no shares issued at March 31, 2010 and December 31, 2009		
Common stock, \$.01 par value, 55,000,000 shares authorized, 33,566,772 shares issued and 18,821,956, shares outstanding at March 31, 2010 and December 31, 2009	336	336
Additional paid-in capital	259,837	260,130
Retained earnings	165,277	163,063
Accumulated other comprehensive loss	(9,102)	(10,753)
Less: Unallocated common stock held by Employee Stock Ownership Plan	(4,703)	(4,776)
Treasury stock, 14,744,816 shares at March 31, 2010 and December 31, 2009	(224,464)	(224,464)
Common stock acquired by Deferred Compensation Plan	943	986
Deferred Compensation Plan Liability	(943)	(986)
Total stockholders' equity	187,181	183,536

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Total liabilities and stockholders' equity	\$ 2,199,233	\$ 2,030,028
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See accompanying Notes to Unaudited Consolidated Financial Statements.

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

(in thousands, except per share amounts)

	For the three months ended March 31, 2010 2009 (Unaudited)	
Interest income:		
Loans	\$ 21,984	\$ 23,172
Mortgage-backed securities	2,762	768
Investment securities and other	330	450
Total interest income	25,076	24,390
Interest expense:		
Deposits	3,432	5,096
Borrowed funds	2,674	3,632
Total interest expense	6,106	8,728
Net interest income	18,970	15,662
Provision for loan losses	2,200	800
Net interest income after provision for loan losses	16,770	14,862
Other income:		
Loan servicing income (loss)	46	(230)
Fees and service charges	2,557	2,518
Net gain on sales of loans and securities available for sale	503	673
Net loss from other real estate operations	(335)	(1)
Income from Bank Owned Life Insurance	196	231
Other	1	3
Total other income	2,968	3,194
Operating expenses:		
Compensation and employee benefits	6,530	5,828
Occupancy	1,464	1,474
Equipment	476	449
Marketing	304	324
Federal deposit insurance	634	502
Data processing	830	835
Legal	296	577
Check card processing	317	251
Accounting and audit	143	160
General and administrative	1,708	1,384
Total operating expenses	12,702	11,784

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Income before provision for income taxes	7,036	6,272
Provision for income taxes	2,632	2,319
Net income	4,404	3,953
Dividends on preferred stock and warrant accretion		458
Net income available to common stockholders	\$ 4,404	\$ 3,495
Basic earnings per share	\$ 0.24	\$ 0.30
Diluted earnings per share	\$ 0.24	\$ 0.30
Average basic shares outstanding	18,132	11,696
Average diluted shares outstanding	18,180	11,743

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)

	Preferred Stock	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, 2008	\$	\$ 272	\$ 204,298	\$ 160,267	\$ (14,462)	\$ (5,069)	\$ (225,523)	\$ 981	\$ (981)	\$ 119,783
Comprehensive income:										
Net income				3,953						3,953
Other comprehensive loss:										
Unrealized loss on securities (net of tax benefit \$1,068)					(1,547)					(1,547)
Total comprehensive income										2,406
Proceeds from issuance of preferred stock and a warrant										
	36,921		1,342							38,263
Accretion of discount on preferred stock										
	60			(60)						
Stock awards										
			149							149
Allocation of ESOP stock										
						74				74
ESOP adjustment										
			30							30
Cash dividend - \$0.20 per share										
				(2,353)						(2,353)
Cash dividend on preferred stock										
	244			(398)						(154)
Sale of stock for the deferred compensation plan										
								(11)	11	
Balance at March 31, 2009	\$ 37,225	\$ 272	\$ 205,819	\$ 161,409	\$ (16,009)	\$ (4,995)	\$ (225,523)	\$ 970	\$ (970)	\$ 158,198
Balance at December 31, 2009	\$	\$ 336	\$ 260,130	\$ 163,063	\$ (10,753)	\$ (4,776)	\$ (224,464)	\$ 986	\$ (986)	\$ 183,536
Comprehensive income:										
Net income				4,404						4,404
Other comprehensive income:										
Unrealized gain on securities (net of tax benefit \$1,031)					1,651					1,651
Total comprehensive income										6,055

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Expenses of common stock offering	(109)									(109)
Tax expense of stock plans	(23)									(23)
Stock awards	249									249
Redemption of warrants	(431)									(431)
Allocation of ESOP stock					73					73
ESOP adjustment	21									21
Cash dividend - \$0.12 per share				(2,190)						(2,190)
Sale of stock for the deferred compensation plan								(43)	43	
Balance at March 31, 2010	\$	\$ 336	\$ 259,837	\$ 165,277	\$ (9,102)	\$ (4,703)	\$ (224,464)	\$ 943	\$ (943)	\$ 187,181

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, 2010 2009 (Unaudited)	
Cash flows from operating activities:		
Net income	\$ 4,404	\$ 3,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	532	488
Allocation of ESOP stock	73	74
ESOP adjustment	21	30
Stock awards	249	149
Amortization and impairment of servicing asset	537	816
Net premium amortization in excess of discount accretion on securities	291	96
Net amortization of deferred costs and discounts on loans	172	113
Provision for loan losses	2,200	800
Net gain on sale of real estate owned	(6)	(22)
Recovery from reserve for repurchased loans		(34)
Net gain on sales of loans and securities	(503)	(639)
Proceeds from sales of mortgage loans held for sale	29,617	48,794
Mortgage loans originated for sale	(25,293)	(46,357)
Increase in value of Bank Owned Life Insurance	(196)	(231)
Increase in interest and dividends receivable	(759)	(278)
Increase in other assets	(933)	(651)
(Decrease) increase in other liabilities	(2,755)	6,426
Total adjustments	3,247	9,574
Net cash provided by operating activities	7,651	13,527
Cash flows from investing activities:		
Net increase in loans receivable	(13,780)	(3,077)
Proceeds from sale of investment securities available for sale		1,823
Purchases of mortgage-backed securities available for sale	(203,481)	(59,468)
Principal payments on mortgage-backed securities available for sale	9,712	3,899
(Increase) decrease in Federal Home Loan Bank of New York stock	(8,472)	1,879
Proceeds from sales of real estate owned	298	115
Purchases of premises and equipment	(306)	(140)
Net cash used in investing activities	(216,029)	(54,969)

Continued

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

(dollars in thousands)

	For the three months ended March 31, 2010 2009 (Unaudited)	
Cash flows from financing activities:		
Increase in deposits	\$ 16,909	\$ 39,338
Increase (decrease) in short-term borrowings	201,496	(11,268)
Proceeds from Federal Home Loan Bank advances	15,000	12,000
Repayments of Federal Home Loan Bank advances	(25,000)	(30,000)
Increase in advances by borrowers for taxes and insurance	594	910
Expenses of common stock offering	(109)	
Tax expense of stock plans	(23)	
Dividends paid - common stock		