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DELTA REPORT

10-Q

OCFCP - OCEANFIRST FINANCIAL CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1100
CHANGES	254
DELETIONS	447
ADDITIONS	399

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 September 30, 2023 March 31, 2024

☐ **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)

Delaware	**22-3412577**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
110 West Front Street, Red Bank, NJ	**07701**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (732) 240-4500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	**OCFC**	**NASDAQ**
Depositary Shares (each representing a 1/40th interest in a share of 7.0% Series A Non-Cumulative, perpetual preferred stock)	**OCFCP**	**NASDAQ**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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 November 3, 2023 April 29, 2024, there were 59,423,069 58,713,469 shares of the Registrant's Common Stock, par value $0.01 per share, outstanding.

OceanFirst Financial Corp.

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

FINANCIAL SUMMARY[1]	FINANCIAL SUMMARY[1]	At or for the Quarters Ended			FINANCIAL SUMMARY[1]	At or for the Quarters Ended			
(dollars in thousands, except per share amounts)	(dollars in thousands, except per share amounts)	September 30, 2023	June 30, 2023	September 30, 2022	(dollars in thousands, except per share amounts)	March 31, 2024	December 31, 2023		March 31, 2023
SELECTED FINANCIAL CONDITION DATA:	SELECTED FINANCIAL CONDITION DATA:								
Total assets	Total assets	$13,498,183	$13,538,903	$12,683,453					
Total assets									
Total assets									

Loans receivable, net of allowance for loan credit losses	Loans receivable, net of allowance for loan credit losses	10,068,156	10,030,106	9,672,488				
Deposits	Deposits	10,533,929	10,158,337	9,959,469				
Total stockholders' equity	Total stockholders' equity	1,637,604	1,626,283	1,540,216				
SELECTED OPERATING DATA:	**SELECTED OPERATING DATA:**							
Net interest income								
Net interest income								
Net interest income	Net interest income	90,996	92,109	95,965				
Provision for credit losses	Provision for credit losses	10,283	1,229	1,016				
Other income	Other income	10,762	8,928	15,150				
Operating expenses	Operating expenses	64,484	62,930	58,997				
Net income	Net income	20,532	27,882	38,804				
Net income attributable to OceanFirst Financial Corp.	Net income attributable to OceanFirst Financial Corp.	20,667	27,797	38,611				
Net income available to common stockholders	Net income available to common stockholders	19,663	26,793	37,607				
Diluted earnings per share	Diluted earnings per share	0.33	0.45	0.64				
SELECTED FINANCIAL RATIOS:	**SELECTED FINANCIAL RATIOS:**							
Book value per common share at end of period								
Book value per common share at end of period								
Book value per common share at end of period	Book value per common share at end of period	27.56	27.37	26.04				
Cash dividend per share	Cash dividend per share	0.20	0.20	0.20				
Dividend payout ratio per common share	Dividend payout ratio per common share	60.61 %	44.44 %	31.25 %	Dividend payout ratio per common share	42.55 %	43.48 %	43.48 %
Stockholders' equity to total assets	Stockholders' equity to total assets	12.13	12.01	12.14				

Return on average assets (2) (3) (4)	Return on average assets (2) (3) (4)		0.57		0.80		1.19						
Return on average stockholders' equity (2) (3) (4)	Return on average stockholders' equity (2) (3) (4)		4.75		6.61		9.68						
Net interest rate spread (5)	Net interest rate spread (5)		2.37		2.52		3.19						
Net interest margin (2) (6)	Net interest margin (2) (6)		2.91		3.02		3.36						
Operating expenses to average assets (2) (4)	Operating expenses to average assets (2) (4)		1.88		1.87		1.87						
Efficiency ratio (4) (7)	Efficiency ratio (4) (7)		63.37		62.28		53.10						
Loan-to-deposit ratio (8)	Loan-to-deposit ratio (8)		96.10		99.30		97.60						
ASSET QUALITY (9):	**ASSET QUALITY (9):**												
Non-performing loans (10)	Non-performing loans (10)	$	30,098	$	22,758	$	21,498						
Non-performing loans (10)													
Non-performing loans (10)													
Allowance for loan credit losses as a percent of total loans receivable (8) (11)													
Allowance for loan credit losses as a percent of total loans receivable (8) (11)													
Allowance for loan credit losses as a percent of total loans receivable (8) (11)	Allowance for loan credit losses as a percent of total loans receivable (8) (11)		0.63 %		0.61 %		0.55 %	0.66	%	0.66	%	0.60	%
Allowance for loan credit losses as a percent of total non-performing loans (10) (11)	Allowance for loan credit losses as a percent of total non-performing loans (10) (11)		212.23		271.51		248.96						
Non-performing loans as a percent of total loans receivable (8) (10)	Non-performing loans as a percent of total loans receivable (8) (10)		0.30		0.23		0.22						

Non-performing assets as a percent of total assets (10)	Non-performing assets as a percent of total assets (10)	0.22	0.17	0.17

(1) With the exception of end of quarter ratios, all ratios are based on average daily balances.
(2) Ratios are annualized.
(3) Ratios for each period are based on net income available to common stockholders.
(4) Performance ratios for the three months quarter ended September 30, 2023 March 31, 2024 included a net benefit related to a net gain on equity investments, a net gain on sale of $1.5 million trust business and the Federal Deposit Insurance Corporation ("FDIC") special assessment of $2.7 million, or $1.1 million $2.0 million, net of tax expense. Performance ratios for the three months quarter ended June 30, 2023 December 31, 2023 included a net loss benefit related to a net gain on equity investments and the FDIC special assessment of $559,000, $513,000, or $397,000, $384,000, net of tax benefit. expense. Performance ratios ratios for the three months quarter ended September 30, 2022 March 31, 2023 included a net benefit expense related to merger related expenses, net branch consolidation (benefit) expense, and gain net loss on equity investments, and net loss on sale of $3.4 million investments of $7.6 million, or $2.6 million $5.8 million, net of tax expense. benefit.
(5) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.
(6) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(7) Efficiency ratio represents the ratio of operating expenses to the aggregate of other income and net interest income.
(8) Total loans receivable excludes loans held-for-sale.
(9) At September 30, 2023, March 31, 2024 and December 31, 2023, non-performing loans included the remaining exposure of $8.8 million $8.8 million on a single commercial real estate relationship that was partially charged-off of $8.4 million during the three months year ended September 30, 2023 December 31, 2023.
(10) Non-performing loans and assets generally consist of all loans 90 days or more past due and other loans in the process of foreclosure. It is the Company's policy to cease accruing interest on all such loans and to reverse previously accrued interest.
(11) Loans acquired from prior bank acquisitions were recorded at fair value. The net unamortized credit and purchased with credit deterioration ("PCD") marks on these loans, not reflected in the allowance for loan credit losses, was $8.8 million $7.0 million, $9.8 million $7.5 million, and $13.6 million $10.5 million at September 30, 2023 March 31, 2024, June 30, 2023 December 31, 2023 and September 30, 2022 March 31, 2023, respectively.

Summary

OceanFirst Financial Corp. is the holding company for OceanFirst Bank N.A. (the "Bank"), a regional bank serving business and retail customers throughout New Jersey and the major metropolitan areas of Philadelphia, New York, Baltimore, and Boston. The term "Company" refers to OceanFirst Financial Corp., the Bank and all of their subsidiaries on a consolidated basis. The Company's results of operations are primarily dependent on net interest income, which is the difference between the interest income earned on 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 bankcard services, trust and asset management products and services, deposit account services, bank owned life insurance, and commercial loan swap income, gain on sale of loans, securities and equity investments, title-related fees and service charges and other fees. income. The Company's operating expenses primarily consist of compensation and employee benefits, occupancy and equipment, marketing, federal deposit insurance and regulatory assessments, data processing, check card processing, professional fees and other general and administrative expenses. The Company's results of operations are also significantly affected by competition, general economic conditions, including levels of unemployment and real estate values, as well as changes in market interest rates, inflation, government policies and actions of regulatory agencies.

Key developments relating to the Company's financial results and corporate activities for the three months quarter ended September 30, 2023 March 31, 2024 were as follows:

- **Deposit Growth: Net Interest Margin:** Total deposits Net interest margin of 2.81%, reflecting a level of stabilization.
- **Capital Accretion:** The Company continued to build capital, while also resuming share repurchases. The Company's common equity tier 1 capital ratio and book value per share were 11.01% and $28.32, respectively, and increased $375.6 million, or 4%, as compared to 15 basis points and $0.36 from the prior linked quarter. The current quarter includes Company repurchased 957,827 shares totaling $15.1 million.
- **Expense Management:** The Company continued to exercise disciplined expense control. Non-interest expense was $58.7 million, which included a reduction in brokered time deposits FDIC special assessment charge of $425.7 million and a loan-to-deposit ratio of 96.10% at September 30, 2023. The Company's non-interest-bearing deposits declined modestly and represented 17% of the total deposits. $418,000.
- **Asset Quality:** Asset quality metrics remain strong despite the impact of a charge-off related to a single credit relationship. Criticized as criticized and classified assets, non-performing loans, and non-performing loans both 30 to 89 days past due as a percent percentage of total loans receivable were 1.30% 1.65%, 0.35%, and 0.20% 0.17%, respectively, at September 30, 2023.
- **Strong Capital:** The Company's common equity tier 1 capital ratio remained above "well-capitalized" levels, at 10.36% at September 30, 2023. respectively. These metrics continue to reflect strong credit performance and remain low compared to pre-pandemic levels.

The current quarter results were impacted by the following matters. Net interest income and margin were adversely modestly impacted by a continued mix-shift to and repricing to higher cost deposits of higher-cost funding that outpaced offset the repricing and increase in yields on interest-earning assets. Deposit betas, beta, which is the change in rates paid to customers relative to the change in federal funds target rate, increased modestly to 35% 40%, from 29%. 38% in the prior linked quarter. Additionally, the current quarter results were impacted by an increase included several non-recurring matters, which included a $1.2 million gain on sale of a portion of the Company's trust business, a $1.2 million write-off in non-performing loans due to a single commercial real estate credit relationship totaling $17 million, which was written down to an estimated realizable value of $8.8 million. The credit was originated income tax expense, $418,000 in June 2019 FDIC special assessments, and is secured by an office building $345,000 in Midtown Manhattan, New York City. The credit was also included in total delinquent loans 30 to 89 days at September 30, 2023. Lastly, the Company recognized one-time compensation and benefits expenses of $2.4 million attributable to severance and other program costs relating to performance improvement initiatives. bank owned life insurance death benefits.

Net income available to common stockholders for the three and nine months quarter ended September 30, 2023 decreased March 31, 2024 increased to $19.7 million and $73.3 million $27.7 million, respectively, or $0.33 and $1.24 $0.47 per diluted share, as compared to $37.6 million and $90.3 million $26.9 million, or $0.64 and $1.53 $0.46 per diluted share, for the corresponding prior year periods. period. The dividends paid to preferred stockholders were $1.0 million and $3.0 million for each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

On October 19, 2023 April 18, 2024, the Company's Board of Directors declared a quarterly cash dividend on common stock of $0.20 per share. The dividend, related to the quarter ended September 30, 2023 March 31, 2024, will be paid on November 17, 2023 May 17, 2024 to common stockholders of record on November 6, 2023 May 6, 2024. The Board also declared a quarterly cash dividend on preferred stock of $0.4375 per depositary share, representing a 1/40th interest in the Series A Preferred Stock. This dividend will be paid on November 15, 2023 May 15, 2024 to preferred stockholders of record on October 31, 2023 April 30, 2024.

Recent Developments

The banking industry continued to experience volatility through the third quarter of 2023, which began earlier in the year with several bank failures coupled with related industry-wide concerns including liquidity, funding, and unrealized losses on securities brought on by a rapid increasing rate environment. These developments, among other industry concerns, have created volatility in stock prices across the banking industry, including the Company's own stock price. Despite these industry-concerns, the Company has continued to maintain and strengthen its liquidity and capital position, and serve its customers and communities.

The Company will continue to monitor these industry-wide matters and the impact they may have in future periods, and will respond accordingly as economic and industry conditions change. Refer to the "Liquidity and Capital Resources" section for further information regarding liquidity.

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 depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them. For the three and nine months ended September 30, 2023 March 31, 2024, interest income included net loan fees of $621,000 and $2.6 million, respectively, $737,000, as compared to $832,000 and $5.0 million $598,000 for the same prior year periods, respectively. period.

The following tables set table sets forth certain information relating to the Company for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. The yields and costs, which are annualized, are derived by dividing the income or expense by the average balance of the related 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 and costs which are considered adjustments to yields.

		For the Three Months Ended September 30,							For the Three Months Ended March 31,			
		2023			2022				2024			2023
(dollars in thousands)	(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost (1)	Average Balance	Interest	Average Yield/ Cost (1)	(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost (1)	Average Balance
Assets:	Assets:											
Assets:												
Assets:												
Interest-earning assets:	Interest-earning assets:											
Interest-earning assets:												
Interest-earning assets:												
Interest-earning deposits and short-term investments												
Interest-earning deposits and short-term investments												
Interest-earning deposits and short-term investments	Interest-earning deposits and short-term investments	$ 470,825	$ 6,440	5.43 %	$ 65,648	$ 336	2.03 %	$ 163,192	$	$ 2,226	5.49 5.49 %	$ 129,740
Securities (2)	Securities (2)	1,873,450	18,039	3.82	1,748,687	10,022	2.27					
Loans receivable, net (3)	Loans receivable, net (3)											
Commercial												
Commercial												
Commercial	Commercial	6,923,743	103,069	5.91	6,509,515	74,309	4.53					

Residential real estate	Residential real estate	2,918,612	26,765	3.67	2,791,067	22,818	3.27							
Home equity loans and lines and other consumer (“other consumer”)	Home equity loans and lines and other consumer (“other consumer”)	252,126	4,097	6.45	256,638	3,014	4.66							
Allowance for loan credit losses, net of deferred loan costs and fees	Allowance for loan credit losses, net of deferred loan costs and fees	(53,959)	—	—	(44,773)	—	—							
Allowance for loan credit losses, net of deferred loan costs and fees														
Allowance for loan credit losses, net of deferred loan costs and fees														
Loans receivable, net	Loans receivable, net	10,040,522	133,931	5.30	9,512,447	100,141	4.18							
Total interest-earning assets	Total interest-earning assets	12,384,797	158,410	5.08	11,326,782	110,499	3.88							
Non-interest-earning assets	Non-interest-earning assets	1,252,416			1,191,173									
Total assets	Total assets	$ 13,637,213			$ 12,517,955									
Total assets														
Total assets														
Liabilities and Stockholders’ Equity:														
Liabilities and Stockholders’ Equity:														
Liabilities and Stockholders’ Equity:	**Liabilities and Stockholders’ Equity:**													
Interest-bearing liabilities:	Interest-bearing liabilities:													
Interest-bearing liabilities:														
Interest-bearing liabilities:														
Interest-bearing checking														
Interest-bearing checking														
Interest-bearing checking	Interest-bearing checking	$ 3,692,500	14,938	1.61 %	$ 3,873,968	2,671	0.27 %	$ 3,925,965	20,795	20,795	2.13	2.13 %	$	3,863,338
Money market	Money market	832,729	5,698	2.71	793,230	721	0.36							
Savings	Savings	1,391,811	3,311	0.94	1,603,147	187	0.05							
Time deposits	Time deposits	2,867,921	29,340	4.06	1,467,297	5,659	1.53							
Total	Total	8,784,961	53,287	2.41	7,737,642	9,238	0.47							
Federal Home Loan Bank (“FHLB”) advances	Federal Home Loan Bank (“FHLB”) advances	701,343	8,707	4.93	352,392	2,208	2.49							

Securities sold under agreements to repurchase	Securities sold under agreements to repurchase	76,620	261	1.35	96,147	35	0.14		
Other borrowings (4)	Other borrowings (4)	317,210	5,159	6.45	194,755	3,053	6.22		
Total borrowings	Total borrowings	1,095,173	14,127	5.12	643,294	5,296	3.27		
Total interest-bearing liabilities	Total interest-bearing liabilities	9,880,134	67,414	2.71	8,380,936	14,534	0.69		
Non-interest-bearing deposits	Non-interest-bearing deposits	1,841,198			2,328,700				
Non-interest-bearing liabilities (4)	Non-interest-bearing liabilities (4)	272,982			266,564				
Non-interest-bearing liabilities (4)									
Non-interest-bearing liabilities (4)									
Total liabilities									
Total liabilities									
Total liabilities	Total liabilities	11,994,314			10,976,200				
Stockholders' equity	Stockholders' equity	1,642,899			1,541,755				
Stockholders' equity									
Stockholders' equity									
Total liabilities and equity									
Total liabilities and equity									
Total liabilities and equity	Total liabilities and equity	$ 13,637,213			$ 12,517,955				
Net interest income	Net interest income		$ 90,996			$ 95,965			
Net interest income									
Net interest income									
Net interest rate spread (5)									
Net interest rate spread (5)									
Net interest rate spread (5)	Net interest rate spread (5)			2.37 %			3.19 %		2.23 %
Net interest margin (6)	Net interest margin (6)			2.91 %			3.36 %	Net interest margin (6)	2.81 %
Total cost of deposits (including non-interest-bearing deposits)	Total cost of deposits (including non-interest-bearing deposits)			1.99 %			0.36 %	Total cost of deposits (including non-interest-bearing deposits)	2.31 %

	For the Nine Months Ended September 30,	
	2023	2022

(dollars in thousands)	Average Balance	Interest	Average Yield/ Cost (1)	Average Balance	Interest	Average Yield/ Cost (1)
Assets:						
Interest-earning assets:						
Interest-earning deposits and short-term investments	$ 304,184	$ 11,661	5.13 %	$ 73,886	$ 472	0.85 %
Securities (2)	1,919,660	51,124	3.56	1,801,978	27,086	2.01
Loans receivable, net (3)						
Commercial	6,892,456	295,199	5.73	6,275,836	198,054	4.22
Residential real estate	2,895,601	77,862	3.59	2,685,080	66,899	3.32
Other consumer	257,063	11,694	6.08	254,891	8,387	4.40
Allowance for loan credit losses, net of deferred loan costs and fees	(52,626)	—	—	(42,987)	—	—
Loans receivable, net	9,992,494	384,755	5.15	9,172,820	273,340	3.98
Total interest-earning assets	12,216,338	447,540	4.90	11,048,684	300,898	3.64
Non-interest-earning assets	1,234,942			1,191,358		
Total assets	$ 13,451,280			$ 12,240,042		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing checking	$ 3,757,417	33,171	1.18 %	$ 4,088,759	6,433	0.21 %
Money market	744,689	11,136	2.00	773,666	1,317	0.23
Savings	1,336,497	4,034	0.40	1,617,354	473	0.04
Time deposits	2,388,299	64,210	3.59	1,060,027	9,373	1.18
Total	8,226,902	112,551	1.83	7,539,806	17,596	0.31
FHLB Advances	1,055,106	38,530	4.88	308,043	3,890	1.69
Securities sold under agreements to repurchase	73,441	544	0.99	105,821	117	0.15
Other borrowings (4)	302,649	14,008	6.19	205,796	8,306	5.40
Total borrowings	1,431,196	53,082	4.96	619,660	12,313	2.66
Total interest-bearing liabilities	9,658,098	165,633	2.29	8,159,466	29,909	0.49
Non-interest-bearing deposits	1,913,624			2,352,606		
Non-interest-bearing liabilities (4)	253,014			193,147		
Total liabilities	11,824,736			10,705,219		
Stockholders' equity	1,626,544			1,534,823		
Total liabilities and equity	$ 13,451,280			$ 12,240,042		
Net interest income		$ 281,907			$ 270,989	
Net interest rate spread (5)			2.61 %			3.15 %
Net interest margin (6)			3.09 %			3.28 %
Total cost of deposits (including non-interest-bearing deposits)			1.48 %			0.24 %

(1) Average yields and costs are annualized.

(2) Amounts represent debt and equity securities, including FHLB and Federal Reserve Bank ("FRB") stock, and are recorded at average amortized cost, net of allowance for securities credit losses.

(3) Amount is net of deferred loan costs and fees, undisbursed loan funds, discounts and premiums and allowance for loan credit losses, and includes loans held for sale and non-performing loans.

(4) For the 2023, includes reclassifications to conform with current period the average balances of derivative cash collateral have been reclassified from non-interest bearing liabilities to other borrowings. presentation.

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

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

Comparison of Financial Condition at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023

Total assets increased decreased by $394.3 million $119.3 million to $13.50 billion $13.42 billion, from $13.10 billion $13.54 billion, primarily due to higher cash balances decreases in loans and loan growth. Cash and due from banks increased $240.9 million debt securities. Total loans decreased by $68.9 million to $408.9 million $10.13 billion, from $167.9 million as the Company maintained elevated levels of on-balance sheet cash from net deposit inflows. Total loans increased by $205.5 million to $10.12 billion, from $9.92 billion $10.19 billion, due to loan payoffs and lower loan originations. For more information on the composition of the loan portfolio, see "Lending Activities." Held-to-maturity debt securities decreased by $31.1 million to $1.13 billion, from $1.16 billion, primarily due to principal repayments. Other assets increased by $20.3 million to $200.0 million, from $179.7 million, primarily due to an increase in market values associated with customer interest rate swap programs.

Total liabilities increased decreased by $342.1 million $123.2 million to $11.86 billion $11.75 billion, from $11.52 billion. $11.88 billion primarily related to lower deposits and a funding mix shift. Deposits increased decreased by $858.7 million $198.1 million to $10.53 billion $10.24 billion, from $9.68 billion $10.43 billion. Time deposits increased decreased to $2.65 billion $2.32 billion, from $1.54 billion $2.45 billion, or 25.2% 22.7% and 15.9% 23.4% of total deposits, respectively. Brokered respectively, which was primarily related to planned runoff of brokered time deposits, increased $122.1 million and retail time deposits increased $988.0 which decreased by $88.1 million. The loan-to-deposit ratio was 96.10% 98.9%, as compared to 102.50% 97.7%. FHLB advances decreased by $605.1 million $190.2 million to $606.1 million $658.4 million, from $1.21 billion $848.6 million due to a change mix shift in funding mix. sources to other borrowings, which increased by $229.3 million to $425.7 million, from $196.5 million, as a result of lower cost funding availability.

Other liabilities increased by $65.6 million $36.4 million to $411.7 million $337.1 million, from $346.2 million $300.7 million, primarily due to an increase in the market values associated with customer interest rate swaps and related collateral received from counterparties.

Capital levels remain strong and in excess of “well-capitalized” regulatory levels at March 31, 2024, including the Company’s common equity tier one capital ratio which increased to 11.01%, up 15 basis points from December 31, 2023.

Total stockholders’ equity increased to $1.64 billion $1.67 billion, as compared to $1.59 billion $1.66 billion, primarily reflecting net income, net partially offset by capital returns comprising of dividends share repurchases and dividends. For the quarter ended March 31, 2024, the Company repurchased 957,827 shares totaling $15.1 million representing a weighted average cost per share of $15.64. The Company had 1,976,611 shares available for repurchase under the nine months ended September 30, 2023. authorized repurchase program. Additionally, accumulated other comprehensive loss decreased by $7.2 million $1.4 million primarily due to increases in fair market value of available-for-sale debt securities, net of tax.

For the nine months ended September 30, 2023 The Company’s stockholders’ equity to assets ratio was 12.41%, the Company did not repurchase shares under its stock repurchase program. There were 2,934,438 shares available for repurchase at September 30, 2023 under the existing repurchase program. Book as compared to 12.28% and book value per share increased to $27.56, $28.32, as compared to $26.81. $27.96.

Comparison of Operating Results for the Three and Nine Months Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

General

Net income available to common stockholders for the three and nine months ended September 30, 2023 decreased increased to $19.7 million and $73.3 million $27.7 million, respectively, or $0.33 and $1.24 $0.47 per diluted share, as compared to $37.6 million and $90.3 million $26.9 million, or $0.64 and $1.53 $0.46 per diluted share, for the corresponding prior year periods. share. Net income for the three and nine months quarter ended September 30, 2023 March 31, 2024 included net gain gains on equity investments of $1.5 million $1.9 million, a net gain on sale of a portion of its trust business of $1.2 million, and the special FDIC assessment of $418,000. These items increased net loss on equity investments income by $2.0 million, net of $1.3 million, respectively. tax, for the quarter ended March 31, 2024. Net income for the nine months quarter ended September 30, 2023 also March 31, 2023 included merger related expenses of $22,000, net branch consolidation expense of $70,000, net loss on equity investments of $2.2 million and net loss on sale of investments of $5.3 million. These items increased net income by $1.1 million and decreased net income by $5.1 million $5.8 million, net of tax, for the three and nine months quarter ended September 30, 2023, respectively.

Net income for the three and nine months ended September 30, 2022 included merger related expenses of $298,000 and $2.5 million, respectively, net branch consolidation benefit of $346,000 and net branch consolidation expense of $602,000, and net gain on equity investments of $3.4 million and net loss on equity investments of $7.5 million March 31, 2023. These items increased net income by $2.6 million and decreased net income by $8.1 million, net of tax, for the three and nine months ended September 30, 2022, respectively.

Interest Income

Interest income for the three and nine months ended September 30, 2023 increased to $158.4 million $161.6 million, from $139.0 million and $447.5 million, respectively, from $110.5 million and $300.9 million for the corresponding prior year periods. For the three and nine months ended September 30, 2023, the yield on average interest-earning assets increased to 5.08% and 4.90% 5.26%, respectively, from 3.88% and 3.64% for the corresponding prior year periods, due to the impact 4.68%. The average balance of rising rates on interest-earning assets. Average interest-earning assets increased by $1.06 billion and $1.17 billion for the three and nine months ended September 30, 2023 $340.3 million, respectively, primarily driven by commercial loan growth of $163.9 million in total loans and increases $143.0 million in deposits and short-term investments.

securities.

Interest Expense

Interest expense for the three and nine months ended September 30, 2023 increased to $67.4 million and $165.6 million $75.4 million, respectively, from $14.5 million and $29.9 million $40.2 million, primarily due to a $1.02 billion increase in the corresponding prior year periods, reflecting rising rates on costs, deposit mix shift to higher cost time average balance of deposits and increased a $194.7 million increase in the average balance of other borrowings, partly offset by a $578.0 million decrease in the average balance of FHLB advances, and repricing of government deposits. For the three and nine months ended September 30, 2023, the which reflect a shift in funding sources. The cost of average interest-bearing liabilities increased to 2.71% and 2.29% 3.03%, respectively, from 0.69% and 0.49% for the corresponding prior year periods, 1.74%, primarily due to mix shift to higher cost of deposits and higher costs of FHLB advances. deposits. The total cost of deposits (including non-interest-bearing deposits) increased to 1.99% and 1.48% for the three and nine months ended September 30, 2023 2.31%, respectively, from 0.36% and 0.24% for the same prior year periods. 0.88%.

Net Interest Income and Margin

Net interest income for the three and nine months ended September 30, 2023 decreased to $91.0 million and increased to $281.9 million $86.2 million, respectively, from $96.0 million and $271.0 million in the corresponding prior year periods, $98.8 million, primarily reflecting the net impact of the higher interest rate environment. Net The net interest margin for the three and nine months ended September 30, 2023 decreased to 2.91% and 3.09% 2.81%, respectively, from 3.36% and 3.28% for the same prior year periods. Net interest margin decreased 3.34%, primarily due to the increase in cost of funds outpacing the increase in yield on average interest earnings assets in the current interest rate environment and elevated levels of on-balance sheet cash. interest-earning assets.

Provision for Credit Losses

Provision for credit losses for the three and nine months ended September 30, 2023 was $10.3 million and $14.5 million, respectively, $591,000, as compared to $1.0 million and $4.1 million for the corresponding prior year periods. $3.0 million. The current quarter provision included was driven by the net impact effect of continued uncertainty impacting the $8.4 million charge-off noted above banking industry and to a lesser extent, elevated risks and uncertainty improvements in macro-economic conditions in a downside forecast scenario. forecasts. Net loan charge-offs were $8.3 million for both the three and nine months ended September 30, 2023, respectively, $349,000 primarily related to a single consumer borrower, as compared to net loan recoveries of $252,000 and $335,000 for the three and nine months ended September 30, 2022, respectively. $47,000.

Non-interest Income

Three months ended September 30, 2023 vs. September 30, 2022

Other income decreased increased to $10.8 million $12.3 million, as compared to $15.2 million $2.1 million. Other income was favorably impacted by net gains on equity investments of $1.5 million $1.9 million and $3.4 million, for the respective quarters. a net gain on sale of a portion of its trust business of $1.2 million. The prior year period's other income was adversely impacted by a net loss equity investments of $2.2 million and net loss on sale of investment of $5.3 million. The remaining decrease of $2.5 million $370,000 was driven by decreases a decrease in commercial loan swap income of $1.5 million and fees and service charges of $1.1 million, which were adversely impacted by the current interest rate environment resulting in $686,000 on lower swap volume retail deposit fees and mortgage title activity.

Nine months ended September 30, 2023 vs. September 30, 2022 Non-interest Expense

Other income Operating expenses decreased to $21.8 million $58.7 million, as compared to $31.5 million. Other income was adversely impacted by net losses on equity investments of $6.6 million, which included $5.3 million of losses related to the sale of investments in the first quarter of 2023, and $7.5 million, for the respective periods. The remaining decrease of $10.7 million was driven by decreases in commercial loan swap income on lower volume of $5.8 million, fees and service charges of $1.1 million on lower title activity, and income from bank owned life insurance of $1.0 million on non-recurring death benefits recognized in the prior year. Additionally, bankcard services revenue decreased $3.4 million, due to the Durbin Amendment which became effective for the Company on July 1, 2022.

Non-interest Expense

Three months ended September 30, 2023 vs. September 30, 2022

Operating expenses increased to $64.5 million, as compared to $59.0 million. The increase of $5.4 million was due to increases in professional fees of $2.8 million and $2.4 million in compensation and employee benefits expenses related to the Company's ongoing investments to improve profitability and operational efficiencies, and one-time related severance and other program costs. The increase in compensation and benefits expense were partly offset by decreased employee medical benefit claims. The current quarter also included increases to federal deposit insurance and regulatory assessments of $800,000 primarily due to new assessment rates that went into effect on January 1, 2023.

Nine months ended September 30, 2023 vs. September 30, 2022

Operating expenses increased to $188.7 million, as compared to $175.2 million $61.3 million. Operating expenses were adversely impacted by an FDIC special assessment of $418,000 in the current year, and $92,000 and $3.1 million, for the respective periods, related to merger related expenses from merger-related and net branch consolidation expense. expenses in the prior year. The remaining increase decrease of $16.5 million $3.0 million was due to increases driven by decreases in professional fees of $7.1 million $2.4 million and federal deposit insurance and regulatory assessments of $1.3 million that were driven by the same factors for the three months ended. The increase in compensation and employee benefits expense expenses of $5.7 million was due to $1.2 million, which reflect the $2.4 million increase noted above net realization of the Company's performance improvements initiatives and merit-related increases. strategic investments made over the past year.

Income Tax Expense

The provision for income taxes was $6.5 million and $24.1 million for the three and nine months ended September 30, 2023 $10.6 million, respectively, as compared to $12.3 million and $29.2 million for the same prior year periods. $8.7 million. The effective tax rate was 23.9% and 24.0% for the three and nine months ended September 30, 2023 27.1%, respectively, as compared to 24.1% and 23.7% for the same prior year periods. . The current quarter's effective tax rate was negatively impacted by 3.0% due to a write-off of a deferred tax asset of $1.2 million.

Liquidity and Capital Resources

Liquidity Management

The Company manages its liquidity and funding needs through its Treasury function and the Asset Liability Committee. The Company has an internal policy that addresses liquidity and management monitors the adherence to policy limits to satisfy current and future cash flow needs. The policy includes internal limits, monitoring of key indicators, deposit concentrations, liquidity sources and availability, quarterly stress testing, collateral management, and other qualitative and quantitative metrics.

Management monitors cash on a daily basis to determine the liquidity needs of the Bank and OceanFirst Financial Corp. (the "Parent Company"), a separate legal entity from the Bank. Additionally, management performs multiple liquidity stress test scenarios on a quarterly periodic basis. As of September 30, 2023 March 31, 2024, the Bank and the Parent Company continued to maintain adequate liquidity under all stress scenarios. The Company also has a detailed contingency funding plan and obtains comprehensive reporting of funding trends on a monthly and quarterly basis, which are reviewed by management.

The Company continually evaluates its on-balance sheet liquidity, including cash and unpledged securities; securities and funding capacity at the FHLB and FRB Discount Window, and periodically tests each of its lines of credit. As of September 30, 2023 March 31, 2024, total on-balance sheet liquidity and funding capacity was $4.3 $3.7 billion.

The Company has a highly operational and granular deposit base, with long-standing client relationships across multiple customer segments providing stable funding. The vast majority of the government deposits are protected by the Federal Deposit Insurance Corporation insurance as well as the State of New Jersey under the Government Unit Deposit Protection Act, which requires uninsured government deposits to be further collateralized by the Bank. At September 30, 2023 March 31, 2024, the Bank reported in its Call Report $5.27 $5.36 billion of estimated uninsured deposits. This total included $2.16 $2.45 billion of collateralized government deposits and $1.46 $1.40 billion of intercompany deposits of fully consolidated subsidiaries, leaving estimated adjusted uninsured deposits of $1.65 $1.52 billion, or 16% 14.7% of total deposits. On balance-sheet On-balance-sheet liquidity and funding capacity represented 262% 243.8% of the estimated adjusted uninsured deposits.

The primary sources of liquidity specifically available to the Parent Company are dividends from the Bank, proceeds from the sale of investments, and the issuance of debt, preferred and common stock. For the nine three months ended September 30, 2023 March 31, 2024, the Parent Company received dividend payments of $73.5 million $41.0 million from the Bank. At September 30, 2023 March 31, 2024, the Parent Company held $70.2 million $90.5 million in cash and cash equivalents.

The Bank's primary sources of funds are deposits, principal and interest payments on loans and investments, FHLB advances, and other borrowings and proceeds from the sale of loans and investments. While scheduled payments on loans and securities are predictable sources of funds, deposit flows, loan prepayments, and loan and investment sales are greatly influenced by interest rates, economic conditions, and competition. The Bank has other sources of liquidity if a need for additional funds arises, including various lines of credit at multiple financial institutions, and access to the FRB discount window, and the Bank Term Funding Program ("BTFP"). window.

As of September 30, 2023 March 31, 2024, the Company pledged $7.25 billion $7.34 billion of loans with the FHLB and FRB to enhance the Company's borrowing capacity, and includes which included collateral pledged to the FHLB to obtain a municipal letter of credit to collateralize certain municipal deposits. The Company also pledged $1.09 billion $1.35 billion of securities with FHLB and FRB to secure borrowings, enhance borrowing capacity, collateralize its repurchase agreements, and for other purposes required by law. The Company had $606.1 million $658.4 million of term FHLB advances, from the FHLB including $49.8 million of overnight borrowings as of September 30, 2023 March 31, 2024, as compared to $1.21 billion $848.6 million of FHLB term advances at December 31, 2022 December 31, 2023, and no outstanding overnight borrowings from the FHLB. The Company had $425.7 million of other borrowings as of March 31, 2024, as compared to $196.5 million at December 31, 2023, reflecting a shift in funding mix sources from FHLB advances to deposits. As of September 30, 2023, the other borrowings. The Company had no overnight borrowings from the FHLB and no outstanding borrowings from the FRB discount window at both March 31, 2024 or the BTFP. December 31, 2023.

The Company's cash needs for the nine months quarter ended September 30, 2023 March 31, 2024 were primarily satisfied by the increase in deposits. other borrowings. The cash was primarily kept on the balance sheet to maintain liquidity on hand, and utilized for loan originations and the reduction of FHLB advances. advances and deposits.

Off-Balance Sheet Commitments and Contractual Obligations

In the normal course of business, the Bank routinely enters into various off-balance sheet commitments, primarily relating to the origination and funding of loans. At September 30, 2023 March 31, 2024, outstanding commitments to originate loans totaled $131.2 million $136.5 million and outstanding undrawn lines of credit totaled $1.56 billion $1.40 billion, of which $1.21 billion $1.07 billion were commitments to commercial and commercial construction borrowers and $349.3 million $330.4 million were commitments to consumer borrowers and residential construction borrowers. Commitments to fund undrawn lines of credit and commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the existing contracts. Commitments generally have fixed expiration 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.

At September 30, 2023 March 31, 2024, the Company also had various contractual obligations, which included debt obligations of $885.2 million $1.15 billion, including finance lease obligations of $1.7 million $1.6 million, and an additional $20.6 million $19.1 million in operating lease obligations included in other liabilities. The Company expects to have sufficient funds available to meet current commitments in the normal course of business. Time deposits scheduled to mature in one year or less totaled $2.47 billion $2.24 billion at September 30, 2023 March 31, 2024.

Liquidity Used in Stock Repurchases and Cash Dividends

Under the Company's stock repurchase program, shares of OceanFirst Financial Corp. common stock may be purchased in the open market or 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 purposes. For the three and nine months quarter ended September 30, 2023 March 31, 2024, the Company did not resumed repurchase any activity, repurchasing 957,827 shares of its common stock. stock totaling $15.1 million. At September 30, 2023 March 31, 2024, there were 2,934,438 1,976,611 shares available to be repurchased under the authorized stock repurchase program.

Cash dividends on common stock declared and paid during the first nine three months of September 30, 2023 was $35.4 million March 31, 2024 were $11.9 million. Cash dividends on preferred stock declared and paid during the first nine three months of September 30, 2023 was $3.0 million March 31, 2024 were $1.0 million.

The Company's ability to continue to repurchase shares of common stock and pay dividends remains remain dependent upon capital distributions from the Bank, which may be adversely affected by capital restraints imposed by applicable regulations. The Company cannot predict whether the Bank will be permitted under applicable regulations to pay a dividend to the Parent Company. If applicable regulations or regulatory bodies prevent the Bank from paying a dividend to the Parent Company, the Company may not have the liquidity necessary to repurchase shares of common stock or pay a dividend in the future or pay a dividend at the same rate as historically paid or be able to meet current debt obligations. Additionally, regulations of the Federal Reserve may prevent the Company from either paying or increasing the cash dividend to common stockholders. These regulatory policies may affect the ability of the Parent Company to pay dividends, repurchase shares of common stock, or otherwise engage in capital distributions.

Capital Management

The Company manages its capital sources, uses, and expected future needs through its Treasury function and the Asset Liability Committee. The Company has an internal policy that addresses capital and management monitors the adherence to policy limits to satisfy current and future capital needs. The policy includes internal limits, monitoring of key indicators, sources and availability, intercompany transactions, forecasts and stress testing, and other qualitative and quantitative metrics.

Additionally, management performs multiple capital stress test scenarios on a quarterly basis, periodically, varying loan growth, earnings, access to the capital markets, credit losses, and more recently, mark-to-market losses in the investment portfolio, including both available-for-sale and held-to-maturity. As of September 30, 2023 March 31, 2024, the Bank and Parent Company continued to maintain adequate capital under all stress scenarios, including a scenario where all losses related to the investment securities portfolio are realized. The Bank and the Parent Company also have detailed contingency capital plans and obtain comprehensive reporting of capital trends on a regular basis, which are reviewed by management and the Board.

Regulatory Capital Requirements

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company and the Bank satisfied all regulatory capital requirements currently applicable as follows (dollars in thousands):

	Actual		For capital adequacy purposes		To be well-capitalized under prompt corrective action	
As of September 30, 2023	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Company:						
Tier 1 capital (to average assets)	$1,200,832	9.14 %	$ 525,331	4.00 %	N/A	N/A
Common equity Tier 1 (to risk-weighted assets)	1,071,480	10.36	723,689	7.00 [1]	N/A	N/A
Tier 1 capital (to risk-weighted assets)	1,200,832	11.62	878,766	8.50 [1]	N/A	N/A
Total capital (to risk-weighted assets)	1,392,971	13.47	1,085,534	10.50 [1]	N/A	N/A
Bank:						
Tier 1 capital (to average assets)	$1,147,262	8.80 %	$ 521,320	4.00 %	$ 651,650	5.00 %

	Actual				Actual	
As of March 31, 2024	**Amount**	**Ratio**			**Amount**	
Company:						
Tier 1 capital (to average assets)						
Tier 1 capital (to average assets)	$1,223,658	9.38	9.38 %		$521,831	4.0
Common equity Tier 1 (to risk-weighted assets)	1,093,935	11.01	11.01	695,214		695,214
Tier 1 capital (to risk-weighted assets)	1,223,658	12.32	12.32	844,189		844,189
Total capital (to risk-weighted assets)	1,419,157	14.29	14.29	1,042,821		1,042,821

Tier 1 capital (to average assets)															
Tier 1 capital (to average assets)										$1,148,120	8.87		%	$ 517,815	
Common equity Tier 1 (to risk-weighted assets)	Common equity Tier 1 (to risk-weighted assets)	1,147,262	11.21	716,158	7.00	(1)	665,004	6.50							
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)	1,147,262	11.21	869,620	8.50	(1)	818,466	8.00							
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)	1,214,139	11.87	1,074,237	10.50	(1)	1,023,083	10.00							
As of December 31, 2022															
As of December 31, 2023															
Company:	**Company:**														
Company:															
Company:															
Tier 1 capital (to average assets)															
Tier 1 capital (to average assets)															
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)	$1,150,690	9.43 %	$ 488,297	4.00 %		N/A	N/A		$1,218,142	9.31	9.31	%	$523,588	4.0
Common equity Tier 1 (to risk-weighted assets)	Common equity Tier 1 (to risk-weighted assets)	1,021,774	9.93	720,641	7.00	(1)	N/A	N/A	Common equity Tier 1 (to risk-weighted assets)	1,088,542	10.86	10.86		701,778	701,778
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)	1,150,690	11.18	875,064	8.50	(1)	N/A	N/A	Tier 1 capital (to risk-weighted assets)	1,218,142	12.15	12.15		852,159	852,159
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)	1,336,652	12.98	1,080,961	10.50	(1)	N/A	N/A	Total capital (to risk-weighted assets)	1,413,400	14.10	14.10		1,052,667	1,052,667
Bank:	**Bank:**														
Tier 1 capital (to average assets)	Tier 1 capital (to average assets)	$1,122,946	9.20 %	$ 488,033	4.00 %		$ 610,041	5.00 %							
Tier 1 capital (to average assets)															

Tier 1 capital (to average assets)		$1,155,896	8.90 %	$ 519,690			
Common equity Tier 1 (to risk-weighted assets)	Common equity Tier 1 (to risk-weighted assets)	1,122,946	11.02	713,194	7.00 (1)	662,251	6.50
Tier 1 capital (to risk-weighted assets)	Tier 1 capital (to risk-weighted assets)	1,122,946	11.02	866,021	8.50 (1)	815,078	8.00
Total capital (to risk-weighted assets)	Total capital (to risk-weighted assets)	1,183,705	11.62	1,069,791	10.50 (1)	1,018,848	10.00

(1) Includes the Capital Conservation Buffer of 2.50%.

The Company and the Bank satisfied the criteria to be "well-capitalized" under the Prompt Corrective Action regulations.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company maintained a stockholders' equity to total assets ratio of 12.13% 12.41% and 12.10% 12.28%, respectively.

Lending Activities

Loan Portfolio Composition. At March 31, 2024, the Company had total loans outstanding of $10.13 billion, of which $6.24 billion, or 61.6% of total loans, were commercial real estate, multi-family, and land loans (collectively, "commercial real estate"). The remainder of the portfolio consisted of $677.2 million of commercial and industrial loans, or 6.7% of total loans; $2.97 billion of residential real estate loans, or 29.3% of total loans; and $245.9 million of consumer loans, primarily home equity loans and lines of credit, or 2.4% of total loans.

Commercial real estate. The Bank originates commercial real estate loans that are secured by properties, or properties under construction, that are generally used for business purposes such as office, industrial, multi-family or retail facilities. Commercial real estate loans are provided on owner-occupied properties and on investor-owned properties. At March 31, 2024, of the total commercial real estate portfolio, $5.32 billion or 85.3% was considered investor-owned and $914.6 million or 14.7% was considered owner-occupied.

The Bank performs extensive due diligence in underwriting commercial real estate loans due to the larger loan amounts and the riskier nature of such loans. The Bank assesses and mitigates the risk in several ways, including inspection of all such properties and the review of the overall financial condition of the borrower and guarantors, which include, for example, the review of the rent rolls and applicable leases/lease terms and conditions and the verification of income. A tenant analysis and market analysis are part of the underwriting.

For investor-owned properties, because repayment is often dependent on the successful management of the properties, repayment of commercial real estate loans may be affected by adverse conditions in the real estate market or the economy. As a result, the Bank is particularly vigilant of this portfolio. The Bank believes this portfolio is highly diversified with loans secured by a variety of property types in multiple geographies and the portfolio exhibits stable credit quality.

The following tables present additional information on the Company's commercial real estate - investor owned loans. The Company's commercial real estate - investor owned loans by industry as of March 31, 2024:

	As of March 31, 2024			
(dollars in thousands)	Amount	Percent of Total	Weighted Average LTV (1)	Weighted Average Debt Service Coverage Ratio (2)
Office	$ 531,666	11 %	52 %	1.7x
Medical	311,497	7	57	1.7
Credit Tenant	262,224	6	64	1.5
Total Office (3)	1,105,387	24	56	1.7
Retail	1,081,900	23	57	1.9
Multi-family (4)	883,877	19	58	1.6
Industrial/warehouse	721,762	15	52	2.0
Hospitality	153,524	3	48	1.9
Other (5)	739,773	16	46	1.8

Total	$ 4,686,223	100 %	54	1.8
Construction	636,532			
Total CRE Investor owned and construction	$ 5,322,755			

(1) Represents the weighted average of loan balances as of March 31, 2024 divided by their most recent appraisal value, which is generally obtained at the time of origination.

(2) Represents the weighted average of net operating income on the property before debt service divided by the loan's respective annual debt service based on the most recent credit review of the borrower.

(3) Central business district ("CBD") exposure represents $123 million, or 11.1%, of the total office loan balance. Office CBD loans had a weighted average LTV of 66% and weighted average debt service coverage ratio of 1.6x. $82 million, or 67%, of the total office CBD exposure are to credit tenants, life sciences and medical borrowers. New York City office CBD loans represent $16 million, or 0.12% of the Company's total assets.

(4) New York City rent-regulated multi-family loans, where the property has more than 50% of its units rent-regulated, represent $36 million, or 0.27% of the Company's total assets.

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

Non-Performing AssetsThe following table presents total commercial real estate - investor owned loans by geography (generally based on location of collateral) as of March 31, 2024:

	As of March 31, 2024	
(dollars in thousands)	**Amount**	**Percent of Total**
New York	$ 1,546,423	33 %
Pennsylvania and Delaware	1,254,500	27
New Jersey	1,177,786	25
Maryland and District of Columbia	149,624	3
Massachusetts	149,020	3
Other	408,870	9
Total	$ 4,686,223	100 %
Construction	636,532	
Total CRE investor owned and construction	$ 5,322,755	

Asset quality. The following table sets forth information regarding the Company's non-performing assets, consisting of non-performing loans. 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.

March 31, 2024		**September 30, 2023**	**December 31, 2022**	**March 31, 2024**	**December 31, 2023**
		(dollars in thousands)		**(dollars in thousands)**	
Non-performing loans:					
Non-performing loans (1):					
Commercial real estate – investor					
Commercial real estate – investor					
Commercial real estate – investor	Commercial real estate – investor	$ 20,723	$ 10,483		
Commercial real estate – owner occupied	Commercial real estate – owner occupied	240	4,025		
Commercial and industrial	Commercial and industrial	1,120	331		
Residential real estate	Residential real estate	5,624	5,969		

Other consumer	Other consumer	2,391	2,457
Total non-performing loans and assets	Total non-performing loans and assets	$ 30,098	$ 23,265
Total non-performing loans and assets			
Total non-performing loans and assets			
PCD loans, net of allowance for loan credit losses	PCD loans, net of allowance for loan credit losses	$ 18,640	$ 27,129
Delinquent loans 30-89 days	Delinquent loans 30-89 days	$ 20,591	$ 14,148
Allowance for loan credit losses as a percent of total loans		0.63 %	0.57 %
Allowance for loan credit losses as a percent of total non-performing loans		212.23	244.25
Allowance for loan credit losses as a percent of total loans (2)	Allowance for loan credit losses as a percent of total loans (2)	0.66 %	0.66 %
Allowance for loan credit losses as a percent of total non-performing loans (2)			
Non-performing loans as a percent of total loans receivable	Non-performing loans as a percent of total loans receivable	0.30	0.23
Non-performing assets as a percent of total assets	Non-performing assets as a percent of total assets	0.22	0.18

The Company's non-performing loans totaled $30.1 million at September 30, 2023, as compared to $23.3 million at December 31, 2022. At September 30, 2023(1) As of March 31, 2024 and December 31, 2023, non-performing loans included the remaining exposure of $8.8 million on a single commercial real estate relationship that was partially charged-off during the three months ended September 30, 2023. At September 30, 2023, total non-performing loans included $869,000 of modified loans to borrowers experiencing financial difficulty and $5.8 million of troubled debt restructuring ("TDR") loans that existed 2023

(2) Loans acquired from prior to adoption of Accounting Standards Update ("ASU") 2022-02 on January 1, 2023. At December 31, 2022, total non-performing loans included $6.4 million of TDR loans. Included in the non-performing loans total was $3.2 million and $3.9 million of PCD loans bank acquisitions were recorded at September 30, 2023 and December 31, 2022, respectively. At September 30, 2023, the allowance for loan credit losses totaled $63.9 million, or 0.63% of total loans, as compared to $56.8 million, or 0.57% of total loans, at December 31, 2022. These ratios exclude existing fair value. The net unamortized credit and PCD marks on acquired these loans, of $8.8 million not reflected in the allowance for loan credit losses, were $7.0 million and $11.4 million $7.5 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Overall asset quality metrics remained strong for the quarter. The Company's non-performing loans represented 0.35% and 0.29% of total loans, respectively. The allowance for loan credit losses as a percentage of total non-performing loans was 191.86%, as compared to 227.21%. The level of 30 to 89 days delinquent loans decreased to $17.5 million, from $19.2 million. The Company's allowance for loan credit losses was 0.66% of total loans for each period.

The Company classifies loans and other assets in accordance with regulatory guidelines. The table below excludes any loans held-for-sale and represents Special Mention and Substandard assets (in thousands):

	September 30, 2023	December 31, 2022
March 31,	March 31,	December 31,

2024				2024	2023
Special Mention	Special Mention	$ 44,940	$ 48,214		
Substandard	Substandard	86,597	50,776		

The change in substandard loans was primarily due to a migration of certain loans from special mention to substandard risk rating, which partly consisted of two CRE-Investor Owned relationships totaling $16.1 million. The remaining increase in substandard loans was primarily due to three commercial relationships for $13.7 million, which were downgraded to substandard during the nine months ended September 30, 2023. Additionally, the change in special mention loans was primarily due to two new downgrades of three commercial relationships totaling $22.9 million that were downgraded during the nine months ended September 30, 2023 $33.5 million, partly offset by three commercial loans totaling $3.5 million which were upgraded during the commercial real estate relationship quarter. Additionally, the decrease in substandard loans was primarily due to two CRE-Investor Owned relationships totaling $7.6 million that was charged-off for $8.4 million for the three months ended September 30, 2023. migrated from substandard to pass.

Critical Accounting Policies and Estimates

Note 1 to the Company's Audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (the "2022 "2023 Form 10-K"), as supplemented by this report, contains a summary of significant accounting policies. Various elements of these accounting policies, by their nature, are subject to estimation techniques, valuation assumptions and other subjective assessments. Certain assets are carried in on the consolidated statements of financial condition at estimated fair value or the lower of cost or estimated fair value. Policies with respect to the methodology used to determine the allowance for credit losses is a critical accounting policy and estimate because of its importance to the presentation of the Company's financial condition and results of operations. operations and high level of subjectivity. The critical accounting policy involves a higher degree of complexity and requires 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. The critical accounting policy and its application is reviewed periodically, and at least annually, with the Audit Committee of the Board of Directors.

Goodwill

Goodwill represents in accordance with ASC 350, Intangibles – Goodwill and Other was a critical accounting estimate in the excess preparation of the purchase price over the estimated fair value of identifiable net assets acquired through purchase acquisitions. Goodwill is evaluated for impairment on an annual basis, or more frequently if events or changes in circumstances indicate potential impairment between annual measurement dates (i.e. triggering events). For the purposes of goodwill impairment testing, management has concluded that the Company has one reporting unit and the annual impairment test is performed as of August 31.

Testing of goodwill impairment comprises a two-step process. First, the Company performs a qualitative assessment to evaluate relevant events or circumstances to determine whether it is more likely than not that the fair value of the Company is less than its carrying amount, including goodwill. The factors considered in the qualitative assessment include macroeconomic conditions, industry and market conditions and overall consolidated financial performance of the Company, among other factors. If the Company determines that it is more likely than not that the fair value of the Company is less than its carrying amounts, then it proceeds to the quantitative impairment test, whereby it calculates the fair value of the Company. In its performance of impairment testing, management has the unconditional option to proceed directly to the quantitative impairment test, bypassing the qualitative assessment. If the carrying amount of the Company exceeds its fair value, the amount by which the carrying amount exceeds fair value, up to the carrying value of goodwill, is recorded through earnings as an impairment charge.If the results of the qualitative assessment indicate that it is not more likely than not that an impairment has occurred, or if the quantitative impairment test results in a fair value of the Company that is greater than the carrying amount, then no impairment charge is recorded.

As of the annual impairment testing date of August 31, 2023, the Company bypassed the qualitative assessment and proceeded directly to the quantitative impairment test based on the stock price on the measurement date and economic uncertainty and market volatility impacting the banking sector. To perform the quantitative assessment, the Company engaged a third-party service provider to assist management with the determination of the fair value of the Company. A combination of an income valuation methodology, comprising a discounted cash flow analysis, and a market valuation methodology, comprising the guideline public company method, was employed. Management then assigned weightings to the two approaches to conclude on the estimated fair value. The weightings took into consideration recent market volatility and suppressed stock price of the Company and the banking industry.

The discounted cash flow ("DCF") estimated the present value of future cash flows. A DCF analysis requires significant judgment to model financial forecasts, which included loan and deposit growth, funding mix, income on securities, credit performance, forward interest rates, future returns driven by net interest margin, fee generation and expense incurrence, industry and economic trends, and other relevant considerations. For periods beyond those forecasted, a terminal value was estimated based on an assumed long-term growth rate, which was derived using the Gordon Growth Model. The discount rate applied to the forecasted cash flows was calculated using a build-up approach, which starts with the risk-free interest rate and then calibrated for market and company specific risk premiums, including a beta, equity risk, size, and company-specific risk premiums to reflect risks and uncertainties in the financial market and in the Company's business projections.

The market approach utilizes observable market data from comparable public companies, including price-to-tangible book value ratios, to estimate the Company's fair value. The market approach also incorporates a control premium to represent the Company's expectation of a hypothetical acquisition. Management uses judgment in the selection of comparable companies and includes those with similar business activities, and related operating environments.

The results of the quantitative assessment indicated that the fair value of the Company's reporting unit exceeded its carrying amount, though not substantially, which resulted in no impairment loss at August 31, 2023.

Management continued to carefully assess and evaluate all available information for potential triggering events after the August 31 annual testing date. Though it observed some deterioration in inputs to the market approach, management believes that the banking sector continues to experience market dislocation and concluded no triggering events were identified subsequent to the annual test date.

Significant negative industry or economic trends, including declines in the market price of the Company's stock, reduced estimates of future cash flows or business disruptions could result in impairments to goodwill in the future, which would result in recording an impairment loss. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. Management will continue evaluating the economic conditions at future reporting periods for triggering events. statements.

Impact of New Accounting Pronouncements

Accounting Pronouncements Adopted in 2023

2024

In March June 2022, the Financial financial Accounting Standards Board ("FASB") issued ASU 2022-01 "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method", which made targeted improvements to the optional hedge accounting model with the objective of improving hedge accounting to better portray the economic results of an entity's risk management activities in its financial statements. This update will be effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2022. Early adoption is permitted for any entity that has adopted the amendments in ASU 2017-12 for the corresponding period. The adoption of this standard did not have an impact on the Company's consolidated financial statements, as the Company currently does not have any fair value hedges.

In March 2022, FASB issued ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures". The amendments in this ASU were issued to (1) eliminate accounting guidance for TDRs by creditors, while enhancing disclosure requirements for loan refinancings and restructurings when a borrower is experiencing financial difficulty; (2) require disclosures of current period gross write-offs by year of origination for financing receivables and net investments in leases. For entities that have adopted the amendments in ASU 2016-13, Measurement of Credit Losses on Financial Instruments, this update will be effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2022. Early adoption is permitted. The amendments in this ASU should be applied prospectively, except for the transition method related to the recognition and measurement of TDRs, where there is an option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. The Company adopted this guidance prospectively, and the adoption of this standard did not have an impact on the Company's consolidated financial statements.

In December 2022, FASB issued ASU 2022-06, "Deferral of the Sunset Date of Topic 848", which was effective upon issuance. The amendments in this ASU defer the sunset date of Topic 848 (Reference Rate Reform) from December 31, 2022 to December 31, 2024. Topic 848, originally issued in 2020 and later amended in 2021, provides optional accounting expedients and exceptions for certain loan agreements, derivatives and other transactions affected by the transition away from London Inter-Bank Offered Rate Accounting Standards Update ("LIBOR" ASU") towards alternative reference rates. As of December 31, 2021, the Company adopted certain of these practical expedients in Topic 848 and will continue to apply prospectively until December 31, 2024. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Transition from LIBOR

As of December 31, 2021, the Company ceased issuing LIBOR-based products and transitioned to Alternative Rates. For the tenors of U.S. dollar LIBOR utilized by the Company, the administrator of LIBOR extended publication until June 30, 2023. As of June 30, 2023, the Company has transitioned substantially all of its previously existing LIBOR-based products that were not expected to mature or settle prior to the cessation date. Contract language for all remaining LIBOR-based loans, securities, and borrowings has been reviewed and updated as necessary to automatically convert to an Alternative Rate at their next rate reset date with no action required.

Recent Accounting Pronouncements Not Yet Adopted

In June 2022, FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions". The amendments in this ASU clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. In addition, this update introduces new disclosure requirements to provide information about the contractual sales restriction including the nature and remaining duration of the restriction. This update will be is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2023. Early adoption is permitted. The Company does not expect adoption of this standard to did not have a material impact to on the Company's consolidated financial statements.

In March 2023, FASB issued ASU 2023-02, "Investments - Equity Method and Joint Venture (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method". The amendments in this ASU permit reporting entities to account for the tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method. This update will be is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2023. Early adoption is permitted. The Company is currently evaluating the impact adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In August 2023, FASB issued ASU 2023-05, "Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement". The amendments in this ASU require that a joint venture, upon formation, apply a new basis of accounting and initially measure assets and liabilities at fair value, with exceptions to fair value measurement that are consistent with the business combinations guidance. This update will be effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Early adoption is permitted. The Company does not expect this standard to have a material impact to the consolidated financial statements.

In November 2023, FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”. The amendments in this ASU require improved reportable segment information on an annual and interim basis, primarily through enhanced disclosures about significant segment expenses. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2023, and interim periods for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company does not expect this standard to have an impact on the consolidated financial statements.

In December 2023, FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The amendments in this ASU require improved annual income tax disclosures surrounding rate reconciliation, income taxes paid, and other disclosures. This update will be effective for financial statements issued for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

Private Securities Litigation Reform Act Safe Harbor Statement

In addition to historical information, this quarterly report 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 OceanFirst Financial Corp. (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: to, those items discussed under Item 1A. Risk Factors herein and the following: changes in interest rates, inflation, general economic conditions, potential recessionary conditions, levels of unemployment in the Bank’s Company’s lending area, real estate market values in the Bank’s Company’s lending area, including specific loan exposures, such as lending for office space, potential goodwill impairment, 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, the availability of low-cost funding, changes in liquidity, including the size and composition of the Company’s deposit portfolio, including the percentage of uninsured deposits in the portfolio, changes in capital management and balance sheet strategies and the ability to successfully implement such strategies, 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 effect of the Company’s rating under the Community Reinvestment Act, the impact of the COVID-19 pandemic or any other pandemic pandemics on our operations and financial results and those of our customers and the Bank’s ability to successfully integrate acquired operations.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 December 31, 2023, 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Management of Interest Rate Risk (“IRR”)

Market risk is the risk of loss from adverse changes in market prices and rates. The Company’s market risk arises primarily from the IRR inherent in its lending, investment, deposit-taking, and funding activities. The Company’s profitability is affected by fluctuations in interest rates. Changes in interest rates may negatively or positively impact the Company’s earnings to the extent that the interest rates borne by assets and liabilities do not change at the same speed, to the same extent or on the same basis. Changes in interest rates may also negatively or positively impact the market value of the Company’s investment securities, in particular fixed-rate instruments. Net gains or losses in available-for-sale securities can increase or decrease accumulated other comprehensive income or loss and total stockholders’ equity. To that end, management Management actively monitors and manages IRR. The extent of the movement of interest rates, higher or lower, is an uncertainty that could have a substantial impact on the earnings and stockholders’ equity of the Company.

The principal objectives of the IRR management function are to: evaluate the IRR inherent in the Company’s business; determine the level of risk appropriate given the Company’s business focus, operating and interest rate environment, capital and liquidity requirements, and performance objectives; and manage the risk consistent with Board approved guidelines. The Company’s Board has established maintains an Asset Liability Committee (“ALCO”) consisting of members of management, responsible for reviewing asset liability policies and the IRR position. ALCO meets regularly and reports the Company’s IRR position and trends to the Board on a regular basis.

The Company utilizes a number of strategies to manage IRR including, but not limited to: (1) managing the origination, purchase, sale, and retention of various types of loans with differing IRR profiles; (2) attempting to reduce the overall interest rate sensitivity of liabilities by emphasizing core stable relationship-based deposits and longer-term deposits; (3) selectively purchasing interest rate swaps and caps converting the rates for customer loans to manage individual loans and the Bank’s overall IRR profile; (4) managing the investment portfolio IRR profile; (5) managing the maturities and rate structures of borrowings and time deposits; and (6) purchasing interest rate swaps to manage overall balance sheet interest rate risk.

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive.” Interest rate sensitivity is monitored through the use of an IRR model, which measures the change in the institution’s economic value of equity (“EVE”) and net interest income under various interest rate scenarios. EVE is the difference between the net present value of assets, liabilities and off-balance-sheet contracts. The EVE ratio, in any interest rate scenario, is defined as the EVE in that scenario divided by the fair value of assets in the same scenario. Interest rate sensitivity is monitored by management through the use of a model which measures IRR by modeling the change in EVE and net interest income over a range of interest rate scenarios. Modeled assets and liabilities are assumed to reprice at respective repricing or maturity dates.

Pricing caps and floors are included in the results, where applicable. The Company uses prepayment expectations set forth by market sources as well as Company generated data where applicable. Generally, cash flows from loans and securities are assumed to be reinvested to maintain a static balance sheet. Other assumptions about balance sheet mix are generally held constant. The Company's interest rate sensitivity should be reviewed in conjunction with the financial statements and notes thereto contained in the 2022 2023 Form 10-K.

The methodologies and assumptions used in this analysis are periodically evaluated and refined in response to changes in the market environment, changes in the Company's balance sheet composition, enhancements in the Company's modeling and other factors. Such changes may affect historical comparisons of these results. In the third quarter of 2023, the Company refined certain fair value assumptions related to the loan portfolio, including prepayment rates. This resulted in a modest increase to EVE and a decrease to its sensitivity, and had a marginal impact to the net interest income scenarios.

The Company performs a variety of EVE and twelve-month net interest income sensitivity scenarios. The following table sets forth sensitivity scenarios for a specific range of interest rate scenarios as of September 30, 2023 March 31, 2024 and December 31, 2022 (dollars in thousands) December 31, 2023.

		September 30, 2023					December 31, 2022				
	Change in Interest Rates in Basis Points	Economic Value of Equity			Net Interest Income		Economic Value of Equity			Net Interest Income	
	(Rate Shock)	Amount	% Change	EVE Ratio	Amount	% Change	Amount	% Change	EVE Ratio	Amount	% Change
	(dollars in thousands)										
200	200	$1,259,131	(5.8) %	10.7 %	$366,350	2.3 %	$1,574,239	(8.5) %	13.7 %	$440,916	1.2 %
100	100	1,292,658	(3.3)	10.8	362,079	1.1	1,646,301	(4.3)	13.9	438,280	0.6
Static	Static	1,337,280	—	10.9	357,985	—	1,719,619	—	14.1	435,492	—
(100)	(100)	1,409,846	5.4	11.2	353,749	(1.2)	1,762,678	2.5	14.0	428,519	(1.6)
(200)	(200)	1,486,373	11.1	11.4	347,889	(2.8)	1,740,837	1.2	13.5	412,038	(5.4)
(300)											

Change in Interest Rates in Basis Points	Change in Interest Rates in Basis Points	March 31, 2024		December 31, 2023	
		Economic Value of Equity	Net Interest Income	Economic Value of Equity	Net Interest Income
(Rate Shock)	(Rate Shock)	% Change	% Change	% Change	% Change
300	300	(4.9) %	3.0 %	(12.8) %	(2.2) %

The net interest income sensitivity results indicate that at both September 30, 2023 and December 31, 2022 March 31, 2024 the Company was modestly asset sensitive. The change in sensitivity between these periods March 31, 2024 and December 31, 2023 was impacted by growth a deposit mix shift within non-maturity deposits with lower betas as well as a change in floating rate loan and prepayments, partially offset by an increase in cash on hand, offset by the deposit mix shift into overnight borrowings and reduction in short-term time deposits and higher-yield savings deposits.

Overall, the measure of EVE at risk increased decreased in all rising rate scenarios from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024. This increase decrease was the result of rising market rates resulting in lower market values in the loan and investment portfolios, along with the impact of an increase in a deposit costs and a mix shift from lower cost, long-term within non-maturity deposits to short-term higher cost time deposits with lower betas and higher-yield savings deposits. longer average lives, as well as a change in loan prepayments.

Certain shortcomings are inherent in the methodology used in the EVE and net interest income IRR measurements. The model requires the making of certain assumptions which may tend to oversimplify the manner in which actual yields and costs respond to changes in market interest rates. First, the model assumes that the composition of the Company's interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured. Second, the model assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Third, the model does not take into account the Company's business or strategic plans or any steps it may take to respond to changes in rates. Fourth, prepayment, rate sensitivity, and average life assumptions can have a significant impact on the IRR model results. Lastly, the model utilizes data derived from historical performance. Accordingly, although the above measurements provide an indication of the Company's IRR exposure at a particular point in time, such measurements are not intended to provide a precise forecast of the effect of changes in market interest rates, given rates. Given the unique nature of the post-pandemic interest rate environment and the speed with which interest rates have been changing, the projections noted above on the Company's EVE and net interest income and can be expected to significantly differ from actual results.

Item 4. Controls and Procedures

(a) 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) and 15d-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. Disclosure controls and procedures are the controls and other procedures that are designed to ensure that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (“SEC” (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.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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

		September 30, 2023	December 31, 2022		
March 31, 2024				March 31, 2024	December 31, 2023
		(Unaudited)		(Unaudited)	
Assets	**Assets**				
Cash and due from banks	Cash and due from banks	$ 408,882	$ 167,946		
Cash and due from banks					
Cash and due from banks					
Debt securities available-for-sale, at estimated fair value	Debt securities available-for-sale, at estimated fair value	453,208	457,648		
Debt securities held-to-maturity, net of allowance for securities credit losses of $932 at September 30, 2023 and $1,128 at December 31, 2022 (estimated fair value of $1,047,342 at September 30, 2023 and $1,110,041 at December 31, 2022)		1,189,339	1,221,138		
Debt securities available-for-sale, at estimated fair value					
Debt securities available-for-sale, at estimated fair value					
Debt securities held-to-maturity, net of allowance for securities credit losses of $1,058 at March 31, 2024 and $1,133 at December 31, 2023 (estimated fair value of $1,029,965 at March 31, 2024 and $1,068,438 at December 31, 2023)					
Equity investments	Equity investments	97,908	102,037		
Restricted equity investments, at cost	Restricted equity investments, at cost	82,484	109,278		

Loans receivable, net of allowance for loan credit losses of $63,877 at September 30, 2023 and $56,824 at December 31, 2022		10,068,156	9,868,718
Loans receivable, net of allowance for loan credit losses of $67,173 at March 31, 2024 and $67,137 at December 31, 2023			
Loans held-for-sale	Loans held-for-sale	—	690
Interest and dividends receivable	Interest and dividends receivable	50,030	44,704
Premises and equipment, net	Premises and equipment, net	122,646	126,705
Premises and equipment, net			
Premises and equipment, net			
Bank owned life insurance	Bank owned life insurance	265,071	261,603
Bank owned life insurance			
Bank owned life insurance			
Assets held for sale			
Assets held for sale			
Assets held for sale	Assets held for sale	3,004	2,719
Goodwill	Goodwill	506,146	506,146
Core deposit intangible	Core deposit intangible	10,489	13,497
Other assets	Other assets	240,820	221,067
Total assets	Total assets	$ 13,498,183	$ 13,103,896
Liabilities and Stockholders' Equity	**Liabilities and Stockholders' Equity**		
Deposits			
Deposits			
Deposits	Deposits	$ 10,533,929	$ 9,675,206
Federal Home Loan Bank ("FHLB") advances	Federal Home Loan Bank ("FHLB") advances	606,056	1,211,166
Securities sold under agreements to repurchase with customers	Securities sold under agreements to repurchase with customers	82,981	69,097
Other borrowings	Other borrowings	196,183	195,403
Advances by borrowers for taxes and insurance	Advances by borrowers for taxes and insurance	29,696	21,405
Other liabilities	Other liabilities	411,734	346,155
Total liabilities	Total liabilities	11,860,579	11,518,432
Stockholders' equity:	Stockholders' equity:		
Preferred stock, $0.01 par value, $1,000 liquidation preference, 5,000,000 shares authorized, and 57,370 shares issued at both September 30, 2023 and December 31, 2022		1	1

Common stock, $0.01 par value, 150,000,000 shares authorized, 62,156,581 and 61,877,686 shares issued at September 30, 2023 and December 31, 2022, respectively; and 59,421,498 and 59,144,128 shares outstanding at September 30, 2023 and December 31, 2022, respectively		613	612
Preferred stock, $0.01 par value, $1,000 liquidation preference, 5,000,000 shares authorized, and 57,370 shares issued at both March 31, 2024 and December 31, 2023			
Preferred stock, $0.01 par value, $1,000 liquidation preference, 5,000,000 shares authorized, and 57,370 shares issued at both March 31, 2024 and December 31, 2023			
Preferred stock, $0.01 par value, $1,000 liquidation preference, 5,000,000 shares authorized, and 57,370 shares issued at both March 31, 2024 and December 31, 2023			
Common stock, $0.01 par value, 150,000,000 shares authorized, 62,505,408 and 62,182,767 shares issued at March 31, 2024 and December 31, 2023, respectively; and 58,812,498 and 59,447,684 shares outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	1,160,869	1,154,821
Retained earnings	Retained earnings	577,708	540,507
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(28,811)	(35,982)
Less: Unallocated common stock held by Employee Stock Ownership Plan ("ESOP")	Less: Unallocated common stock held by Employee Stock Ownership Plan ("ESOP")	(4,383)	(6,191)
Treasury stock, 2,735,083 and 2,733,558 shares at September 30, 2023 and December 31, 2022		(69,106)	(69,106)
Treasury stock, 3,692,910 and 2,735,083 shares at March 31, 2024 and December 31, 2023, respectively			
OceanFirst Financial Corp. stockholders' equity			
OceanFirst Financial Corp. stockholders' equity			

OceanFirst Financial Corp. stockholders' equity	OceanFirst Financial Corp. stockholders' equity	1,636,891	1,584,662
Non-controlling interest	Non-controlling interest	713	802
Total stockholders' equity	Total stockholders' equity	1,637,604	1,585,464
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$13,498,183	$13,103,896

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2023	2022	2023	2022
		(Unaudited)		(Unaudited)	
Interest income:	Interest income:				
Interest income:					
Interest income:					
Loans					
Loans					
Loans	Loans	$ 133,931	$ 100,141	$ 384,755	$ 273,340
Debt securities	Debt securities	15,223	8,479	43,829	23,456
Debt securities					
Debt securities					
Equity investments and other					
Equity investments and other					
Equity investments and other	Equity investments and other	9,256	1,879	18,956	4,102
Total interest income	Total interest income	158,410	110,499	447,540	300,898
Total interest income					
Total interest income					
Interest expense:					
Interest expense:					
Interest expense:	Interest expense:				
Deposits	Deposits	53,287	9,238	112,551	17,596
Deposits					
Deposits					
Borrowed funds					
Borrowed funds					
Borrowed funds	Borrowed funds	14,127	5,296	53,082	12,313
Total interest expense	Total interest expense	67,414	14,534	165,633	29,909
Total interest expense					
Total interest expense					
Net interest income					

Net interest income					
Net interest income	Net interest income	90,996	95,965	281,907	270,989
Provision for credit losses	Provision for credit losses	10,283	1,016	14,525	4,121
Provision for credit losses					
Provision for credit losses					
Net interest income after provision for credit losses					
Net interest income after provision for credit losses					
Net interest income after provision for credit losses	Net interest income after provision for credit losses	80,713	94,949	267,382	266,868
Other income:	Other income:				
Other income:					
Other income:					
Bankcard services revenue					
Bankcard services revenue					
Bankcard services revenue	Bankcard services revenue	1,507	1,509	4,381	7,782
Trust and asset management revenue	Trust and asset management revenue	662	568	1,919	1,835
Trust and asset management revenue					
Trust and asset management revenue					
Fees and service charges					
Fees and service charges					
Fees and service charges	Fees and service charges	5,178	6,320	15,939	17,026
Net gain on sales of loans	Net gain on sales of loans	66	168	119	348
Net gain on sales of loans					
Net gain on sales of loans					
Net gain (loss) on equity investments	Net gain (loss) on equity investments	1,452	3,362	(5,908)	(7,502)
Net gain from other real estate operations		—	—	—	48
Net gain (loss) on equity investments					
Net gain (loss) on equity investments					
Income from bank owned life insurance					
Income from bank owned life insurance					
Income from bank owned life insurance	Income from bank owned life insurance	1,390	1,356	3,853	4,881
Commercial loan swap income	Commercial loan swap income	11	1,471	712	6,546
Commercial loan swap income					
Commercial loan swap income					
Other					
Other					
Other	Other	496	396	748	579
Total other income	Total other income	10,762	15,150	21,763	31,543
Total other income					
Total other income					
Operating expenses:					

Operating expenses:					
Operating expenses:	Operating expenses:				
Compensation and employee benefits	Compensation and employee benefits	35,534	34,124	103,676	97,972
Compensation and employee benefits					
Compensation and employee benefits					
Occupancy					
Occupancy					
Occupancy	Occupancy	5,466	5,288	15,970	15,790
Equipment	Equipment	1,172	1,150	3,478	3,856
Equipment					
Equipment					
Marketing					
Marketing					
Marketing	Marketing	1,183	655	3,126	2,242
Federal deposit insurance and regulatory assessments	Federal deposit insurance and regulatory assessments	2,557	1,757	6,771	5,435
Federal deposit insurance and regulatory assessments					
Federal deposit insurance and regulatory assessments					
Data processing					
Data processing					
Data processing	Data processing	6,086	6,560	18,405	18,466
Check card processing	Check card processing	1,154	1,231	3,649	3,728
Check card processing					
Check card processing					
Professional fees					
Professional fees					
Professional fees	Professional fees	5,258	2,502	15,439	8,296
Amortization of core deposit intangible	Amortization of core deposit intangible	987	1,171	3,008	3,559
Branch consolidation (benefit) expense, net		—	(346)	70	602
Amortization of core deposit intangible					
Amortization of core deposit intangible					
Branch consolidation expense, net					
Branch consolidation expense, net					
Branch consolidation expense, net					
Merger related expenses					
Merger related expenses					
Merger related expenses	Merger related expenses	—	298	22	2,459
Other operating expense	Other operating expense	5,087	4,607	15,109	12,748
Other operating expense					
Other operating expense					
Total operating expenses					
Total operating expenses					
Total operating expenses	Total operating expenses	64,484	58,997	188,723	175,153

Income before provision for income taxes	Income before provision for income taxes	26,991	51,102	100,422	123,258
Income before provision for income taxes					
Income before provision for income taxes					
Provision for income taxes					
Provision for income taxes					
Provision for income taxes	Provision for income taxes	6,459	12,298	24,109	29,212
Net income	Net income	20,532	38,804	76,313	94,046
Net income					
Net income					
Net (loss) income attributable to non-controlling interest					
Net (loss) income attributable to non-controlling interest					
Net (loss) income attributable to non-controlling interest	Net (loss) income attributable to non-controlling interest	(135)	193	(34)	715
Net income attributable to OceanFirst Financial Corp.	Net income attributable to OceanFirst Financial Corp.	20,667	38,611	76,347	93,331
Net income attributable to OceanFirst Financial Corp.					
Net income attributable to OceanFirst Financial Corp.					
Dividends on preferred shares					
Dividends on preferred shares					
Dividends on preferred shares	Dividends on preferred shares	1,004	1,004	3,012	3,012
Net income available to common stockholders	Net income available to common stockholders	$ 19,663	$ 37,607	$ 73,335	$ 90,319
Net income available to common stockholders					
Net income available to common stockholders					
Basic earnings per share					
Basic earnings per share					
Basic earnings per share	Basic earnings per share	$ 0.33	$ 0.64	$ 1.24	$ 1.54
Diluted earnings per share	Diluted earnings per share	$ 0.33	$ 0.64	$ 1.24	$ 1.53
Diluted earnings per share					
Diluted earnings per share					
Average basic shares outstanding					
Average basic shares outstanding					
Average basic shares outstanding	Average basic shares outstanding	59,104	58,681	59,037	58,777
Average diluted shares outstanding	Average diluted shares outstanding	59,111	58,801	59,068	58,918
Average diluted shares outstanding					
Average diluted shares outstanding					

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		2023	2022	2023	2022
		(Unaudited)		(Unaudited)	
Net income	Net income	$ 20,532	$ 38,804	$ 76,313	$ 94,046
Other comprehensive income (loss):					
Net unrealized gain (loss) on debt securities (net of tax expense of $572 and $2,430 in 2023 and tax benefit of $3,023 and $11,411 in 2022, respectively)		1,797	(9,490)	7,626	(35,858)
Accretion of unrealized loss on debt securities reclassified to held-to-maturity (net of tax expense of $66 and $176 in 2023 and tax expense of $60 and $186 in 2022, respectively)		116	87	277	265
Unrealized loss on derivative hedges (net of tax benefit of $198 and $573 in 2023)		(622)	—	(1,798)	—
Reclassification adjustment for losses (gains) included in net income (net of tax expense of $78 and $340 in 2023 and tax benefit $26 in 2022, respectively)		246	—	1,066	(82)
Net income					
Net income					
Other comprehensive income:					
Other comprehensive income:					
Other comprehensive income:					
Net unrealized gain on debt securities (net of tax expense of $634 in 2024 and $1,766 in 2023)					
Net unrealized gain on debt securities (net of tax expense of $634 in 2024 and $1,766 in 2023)					
Net unrealized gain on debt securities (net of tax expense of $634 in 2024 and $1,766 in 2023)					
Accretion of unrealized loss on debt securities reclassified to held-to-maturity (net of tax expense of $42 in 2024 and $56 in 2023)					
Accretion of unrealized loss on debt securities reclassified to held-to-maturity (net of tax expense of $42 in 2024 and $56 in 2023)					
Accretion of unrealized loss on debt securities reclassified to held-to-maturity (net of tax expense of $42 in 2024 and $56 in 2023)					
Unrealized (loss) gain on derivative hedges (net of tax benefit of $302 in 2024 and tax expense of $131 in 2023)					
Unrealized (loss) gain on derivative hedges (net of tax benefit of $302 in 2024 and tax expense of $131 in 2023)					
Unrealized (loss) gain on derivative hedges (net of tax benefit of $302 in 2024 and tax expense of $131 in 2023)					
Reclassification adjustment for losses included in net income (net of tax expense of $109 in 2024 and $201 in 2023)					
Reclassification adjustment for losses included in net income (net of tax expense of $109 in 2024 and $201 in 2023)					
Reclassification adjustment for losses included in net income (net of tax expense of $109 in 2024 and $201 in 2023)					
Total other comprehensive income (loss), net of tax		1,537	(9,403)	7,171	(35,675)
Total other comprehensive income, net of tax					
Total other comprehensive income, net of tax					
Total other comprehensive income, net of tax					
Total comprehensive income					

Total comprehensive income					
Total comprehensive income	Total comprehensive income	22,069	29,401	83,484	58,371
Less: comprehensive (loss) income attributable to non-controlling interest	Less: comprehensive (loss) income attributable to non-controlling interest	(135)	193	(34)	715
Less: comprehensive (loss) income attributable to non-controlling interest					
Less: comprehensive (loss) income attributable to non-controlling interest					
Comprehensive income attributable to OceanFirst Financial Corp.					
Comprehensive income attributable to OceanFirst Financial Corp.					
Comprehensive income attributable to OceanFirst Financial Corp.	Comprehensive income attributable to OceanFirst Financial Corp.	22,204	29,208	83,518	57,656
Less: Dividends on preferred shares	Less: Dividends on preferred shares	1,004	1,004	3,012	3,012
Less: Dividends on preferred shares					
Less: Dividends on preferred shares					
Total comprehensive income available to common stockholders	Total comprehensive income available to common stockholders	$ 21,200	$ 28,204	$ 80,506	$ 54,644
Total comprehensive income available to common stockholders					
Total comprehensive income available to common stockholders					

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands, except per share amounts)
(Unaudited)

For the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Employee Stock Ownership Plan	Treasury Stock	Non-Controlling Interest	Total
	Preferred Stock								
	Preferred Stock								
Balance at December 31, 2022									
Net income									
Other comprehensive income, net of tax									
Stock compensation									

		Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Employee Stock Ownership Plan	Treasury Stock	Non-Controlling Interest	Total
Balance at June 30, 2022		$ 1	$ 612	$1,151,363	$474,114	$ (29,093)	$ (7,403)	$(69,106)	$ 944	$1,521,432
Net income		—	—	—	38,611	—	—	—	193	38,804
Other comprehensive loss, net of tax		—	—	—	—	(9,403)	—	—	—	(9,403)
Stock compensation		—	—	1,619	—	—	—	—	—	1,619
Allocation of ESOP stock										
Allocation of ESOP stock										
Allocation of ESOP stock	Allocation of ESOP stock	—	—	(5)	—	—	606	—	—	601
Cash dividend $0.20 per share	Cash dividend $0.20 per share	—	—	—	(11,752)	—	—	—	—	(11,752)
Exercise of stock options	Exercise of stock options	—	—	95	—	—	—	—	—	95
Preferred stock dividend	Preferred stock dividend	—	—	—	(1,004)	—	—	—	—	(1,004)
Distributions to non-controlling interest		—	—	—	(2)	—	—	—	(174)	(176)
Balance at September 30, 2022		$ 1	$ 612	$1,153,072	$499,967	$ (38,496)	$ (6,797)	$(69,106)	$ 963	$1,540,216
Balance at June 30, 2023		$ 1	$ 613	$1,159,394	$569,867	$ (30,348)	$ (4,986)	$(69,106)	$ 848	$1,626,283
Net income (loss)		—	—	—	20,667	—	—	—	(135)	20,532
Other comprehensive income, net of tax		—	—	—	—	1,537	—	—	—	1,537
Stock compensation		—	—	1,574	—	—	—	—	—	1,574
Allocation of ESOP stock		—	—	(99)	—	—	603	—	—	504
Cash dividend $0.20 per share		—	—	—	(11,822)	—	—	—	—	(11,822)
Preferred stock dividend	Preferred stock dividend	—	—	—	(1,004)	—	—	—	—	(1,004)
Balance at September 30, 2023		$ 1	$ 613	$1,160,869	$577,708	$ (28,811)	$ (4,383)	$(69,106)	$ 713	$1,637,604
Preferred stock dividend										
Balance at March 31, 2023										
Balance at March 31, 2023										
Balance at March 31, 2023										
Balance at December 31, 2023										
Balance at December 31, 2023										
Balance at December 31, 2023										
Net income										

Other comprehensive income, net of tax
Stock compensation
Allocation of ESOP stock
Allocation of ESOP stock
Allocation of ESOP stock
Cash dividend $0.20 per share
Repurchase of 957,827 shares of common stock
Repurchase of 957,827 shares of common stock
Repurchase of 957,827 shares of common stock
Preferred stock dividend
Preferred stock dividend
Preferred stock dividend
Balance at March 31, 2024
Balance at March 31, 2024
Balance at March 31, 2024

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands, except per share amounts)
(Unaudited)

For the Nine Months Ended September 30, 2023 and 2022

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Employee Stock Ownership Plan	Treasury Stock	Non-Controlling Interest	Total
Balance at December 31, 2021	$ 1	$ 611	$ 1,146,781	$ 442,306	$ (2,821)	$ (8,615)	$ (61,710)	$ —	$ 1,516,553
Net income	—	—	—	93,331	—	—	—	715	94,046
Other comprehensive loss, net of tax	—	—	—	—	(35,675)	—	—	—	(35,675)
Stock compensation	—	—	5,019	—	—	—	—	—	5,019
Allocation of ESOP stock	—	—	30	—	—	1,818	—	—	1,848
Cash dividend $0.54 per share	—	—	—	(31,767)	—	—	—	—	(31,767)
Exercise of stock options	—	1	1,242	(897)	—	—	—	—	346
Repurchase 373,223 shares of common stock	—	—	—	—	—	—	(7,396)	—	(7,396)
Preferred stock dividend	—	—	—	(3,012)	—	—	—	—	(3,012)
Acquisition of Trident Abstract Title Agency, LLC ("Trident")	—	—	—	—	—	—	—	836	836
Distributions to non-controlling interest	—	—	—	6	—	—	—	(588)	(582)
Balance at September 30, 2022	$ 1	$ 612	$ 1,153,072	$ 499,967	$ (38,496)	$ (6,797)	$ (69,106)	$ 963	$ 1,540,216
Balance at December 31, 2022	$ 1	$ 612	$ 1,154,821	$ 540,507	$ (35,982)	$ (6,191)	$ (69,106)	$ 802	$ 1,585,464
Net income (loss)	—	—	—	76,347	—	—	—	(34)	76,313

Other comprehensive income, net of tax	—	—	—	—	7,171	—	—	—	7,171
Stock compensation	—	—	4,910	—	—	—	—	—	4,910
Allocation of ESOP stock	—	—	(174)	—	—	1,808	—	—	1,634
Cash dividend $0.60 per share	—	—	—	(35,414)	—	—	—	—	(35,414)
Exercise of stock options	—	1	1,312	(720)	—	—	—	—	593
Preferred stock dividend	—	—	—	(3,012)	—	—	—	—	(3,012)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(55)	(55)
Balance at September 30, 2023	$ 1	$ 613	$ 1,160,869	$ 577,708	$ (28,811)	$ (4,383)	$ (69,106)	$ 713	$ 1,637,604

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENT OF CASH FLOWS
(dollars in thousands)

		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
		2023	2022	2024	2023
		(Unaudited)		(Unaudited)	
Cash flows from operating activities:	Cash flows from operating activities:				
Net income	Net income	$ 76,313	$ 94,046		
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of premises and equipment					
Depreciation and amortization of premises and equipment					
Depreciation and amortization of premises and equipment	Depreciation and amortization of premises and equipment	9,164	8,526		
Allocation of ESOP stock	Allocation of ESOP stock	1,634	1,848		
Stock compensation	Stock compensation	4,910	5,019		
Net excess tax expense on stock compensation					
Net excess tax expense on stock compensation					
Net excess tax expense on stock compensation	Net excess tax expense on stock compensation	243	215		
Amortization of servicing asset	Amortization of servicing asset	54	77		
Net premium amortization in excess of discount accretion on securities	Net premium amortization in excess of discount accretion on securities	3,818	5,522		

Net amortization of deferred costs on borrowings	Net amortization of deferred costs on borrowings	445	416
Amortization of core deposit intangible	Amortization of core deposit intangible	3,008	3,559
Net accretion of purchase accounting adjustments	Net accretion of purchase accounting adjustments	(4,219)	(7,433)
Net amortization of deferred fees/costs and premiums/discounts on loans	Net amortization of deferred fees/costs and premiums/discounts on loans	(940)	349
Provision for credit losses	Provision for credit losses	14,525	4,121
Net gain on sale of other real estate owned		—	(54)
Net write down of fixed assets held-for-sale to net realizable value		459	1,427
Net gain on sale of fixed assets			
Net gain on sale of fixed assets			
Net gain on sale of fixed assets	Net gain on sale of fixed assets	(26)	(52)
Net loss on sales of available-for-sale securities	Net loss on sales of available-for-sale securities	697	—
Net loss on equity investments		5,908	7,502
Net (gain) loss on equity investments			
Net gain on sales of loans	Net gain on sales of loans	(119)	(348)
Proceeds from sales of residential loans held for sale	Proceeds from sales of residential loans held for sale	38,048	10,266
Residential loans originated for sale	Residential loans originated for sale	(37,239)	(13,677)
Increase in value of bank owned life insurance	Increase in value of bank owned life insurance	(3,853)	(4,881)
Net loss (gain) on sale of assets held for sale		7	(1,947)
Increase in interest and dividends receivable	Increase in interest and dividends receivable	(5,326)	(5,782)
Deferred tax benefit		(93)	(66)
Increase in interest and dividends receivable			
Increase in interest and dividends receivable			
Deferred tax provision (benefit)			
Increase in other assets		(22,350)	(84,582)
Increase in other liabilities		66,016	185,927
(Increase) decrease in other assets			
(Increase) decrease in other assets			
(Increase) decrease in other assets			
Increase (decrease) in other liabilities			

Total adjustments	Total adjustments	74,771	115,952
Net cash provided by operating activities	Net cash provided by operating activities	151,084	209,998
Cash flows from investing activities:	Cash flows from investing activities:		
Net increase in loans receivable		(210,412)	(938,915)
Proceeds from sale of loans		—	13,388
Purchase of residential loan pool		—	(161,701)
Premiums paid on purchased loan pool		—	(495)
Net decrease (increase) in loans receivable			
Net decrease (increase) in loans receivable			
Net decrease (increase) in loans receivable			
Purchase of debt securities available-for-sale			
Purchase of debt securities available-for-sale			
Purchase of debt securities available-for-sale	Purchase of debt securities available-for-sale	(4,287)	(64,862)
Purchase of debt securities held-to-maturity	Purchase of debt securities held-to-maturity	(65,567)	(26,666)
Purchase of equity investments	Purchase of equity investments	(7,383)	(5,935)
Proceeds from maturities and calls of debt securities available-for-sale	Proceeds from maturities and calls of debt securities available-for-sale	16,950	84,200
Proceeds from maturities and calls of debt securities held-to-maturity	Proceeds from maturities and calls of debt securities held-to-maturity	13,940	25,126
Proceeds from sales of debt securities available-for-sale	Proceeds from sales of debt securities available-for-sale	1,300	30,257
Proceeds from sale of equity investments	Proceeds from sale of equity investments	4,822	19,235
Proceeds from sale of equity investments			
Proceeds from sale of equity investments			
Principal repayments on debt securities available-for-sale			
Principal repayments on debt securities held-to-maturity	Principal repayments on debt securities held-to-maturity	82,661	111,283
Proceeds from bank owned life insurance	Proceeds from bank owned life insurance	385	2,970

Proceeds from the redemption of restricted equity investments	Proceeds from the redemption of restricted equity investments	128,544	164,939
Purchases of restricted equity investments	Purchases of restricted equity investments	(101,745)	(189,300)
Proceeds from sale of other real estate owned		—	160
Proceeds from sales of assets held-for-sale		969	7,676
Purchases of premises and equipment	Purchases of premises and equipment	(6,062)	(14,358)
Purchases of operating lease equipment		—	(4,789)
Net cash consideration received for acquisition		—	38,609
Net cash used in investing activities		(145,885)	(909,178)
Purchases of premises and equipment			
Purchases of premises and equipment			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			
Net cash provided by (used in) investing activities			

OceanFirst Financial Corp.
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
(dollars in thousands)

		For the Nine Months Ended September 30,		For the Three Months Ended March 31,	
		2023	2022	2024	2023
		(Unaudited)		(Unaudited)	
Cash flows from financing activities:	Cash flows from financing activities:				
Increase in deposits		$858,947	$227,192		
Increase (decrease) in short-term borrowings		13,807	(22,480)		
(Decrease) increase in deposits					
(Decrease) increase in deposits					
(Decrease) increase in deposits					
(Decrease) increase in short-term borrowings					
Net (repayment) proceeds from FHLB advances	Net (repayment) proceeds from FHLB advances	(605,110)	514,200		
Net proceeds from other borrowings					
Repayments of other borrowings		—	(35,076)		

Increase in advances by borrowers for taxes and insurance

Increase in advances by borrowers for taxes and insurance

Increase in advances by borrowers for taxes and insurance	Increase in advances by borrowers for taxes and insurance	8,291	5,152
Exercise of stock options	Exercise of stock options	593	346
Payment of employee taxes withheld from stock awards and phantom stock units	Payment of employee taxes withheld from stock awards and phantom stock units	(2,350)	(1,473)
Purchase of treasury stock	Purchase of treasury stock	—	(7,396)
Dividends paid	Dividends paid	(38,426)	(34,779)
Distributions to non-controlling interest		(55)	(582)
Net cash provided by financing activities		235,697	645,104
Net increase (decrease) in cash and due from banks and restricted cash		240,896	(54,076)

Dividends paid

Dividends paid

Net cash (used in) provided by financing activities

Net cash (used in) provided by financing activities

Net cash (used in) provided by financing activities

Net (decrease) increase in cash and due from banks and restricted cash

Cash and due from banks and restricted cash at beginning of period	Cash and due from banks and restricted cash at beginning of period	167,986	224,784
Cash and due from banks and restricted cash at end of period	Cash and due from banks and restricted cash at end of period	$408,882	$170,708
Supplemental Disclosure of Cash Flow Information:	**Supplemental Disclosure of Cash Flow Information:**		
Cash and due from banks at beginning of period	Cash and due from banks at beginning of period	$167,946	$204,949

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Cash and due from banks at beginning of period			
Cash and due from banks at beginning of period			
Restricted cash at beginning of period	Restricted cash at beginning of period	40	19,835
Cash and due from banks and restricted cash at beginning of period			
Cash and due from banks and restricted cash at beginning of period			
Cash and due from banks and restricted cash at beginning of period	Cash and due from banks and restricted cash at beginning of period	$167,986	$224,784
Cash and due from banks at end of period	Cash and due from banks at end of period	$408,882	$170,668
Restricted cash at end of period	Restricted cash at end of period	—	40
Cash and due from banks and restricted cash at end of period	Cash and due from banks and restricted cash at end of period	$408,882	$170,708
Cash and due from banks and restricted cash at end of period			
Cash and due from banks and restricted cash at end of period			
Cash paid during the period for:	Cash paid during the period for:		
Interest			
Interest			
Interest	Interest	$148,950	$ 27,953
Income taxes	Income taxes	28,151	12,633
Non-cash activities:	Non-cash activities:		
Accretion of unrealized loss on securities reclassified to held-to-maturity	Accretion of unrealized loss on securities reclassified to held-to-maturity	453	451
Accretion of unrealized loss on securities reclassified to held-to-maturity			

Accretion of unrealized loss on securities reclassified to held-to-maturity		
Net loan charge-offs (recoveries) Net loan charge-offs (recoveries)	8,271	(335)
Transfer of loans receivable to loans held-for-sale	—	13,178
Transfer of premises and equipment to assets held-for-sale	1,302	2,776
Acquisition:		
Non-cash assets acquired:		
Transfer of securities from held-to-maturity to available-for-sale		
Other current assets	$ —	$ 238
Premises and equipment	—	18
Right of use ("ROU") asset	—	779
Other assets	—	81
Total non-cash assets acquired	$ —	$ 1,116
Liabilities assumed:		
Lease liability	$ —	$ 779
Other liabilities	—	43,937
Total liabilities assumed	$ —	$ 44,716

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements

Note 1. Basis of Presentation

The consolidated financial statements include: include the accounts of of: OceanFirst Financial Corp. (the "Company"); its wholly-owned subsidiaries, OceanFirst Bank N.A. (the "Bank") and OceanFirst Risk Management, Inc.; the Bank's direct and indirect wholly-owned subsidiaries, OceanFirst REIT Holdings, Inc., OceanFirst Management Corp., OceanFirst Realty Corp., Casaba Real Estate Holdings Corporation, and Country Property Holdings, Inc; and a majority controlling interest in Trident. Certain other subsidiaries were dissolved in 2022 and are included in the consolidated financial statements for previous periods. Trident Abstract Title Agency, LLC ("Trident"). All significant intercompany accounts and transactions have been eliminated in consolidation.

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 nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results of operations that may be expected for the full year 2023 2024 or any other period. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition and the results of operations for the periods presented. Actual results could differ from these estimates.

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 on Form 10-K for the year ended December 31, 2022 December 31, 2023.

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements (Continued)

Note 2. Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Weighted average shares outstanding	Weighted average shares outstanding	59,422	59,134	59,388	59,245
Weighted average shares outstanding					
Weighted average shares outstanding					
Less: Unallocated ESOP shares					
Less: Unallocated ESOP shares					
Less: Unallocated ESOP shares	Less: Unallocated ESOP shares	(243)	(363)	(272)	(393)
Unallocated incentive award shares	Unallocated incentive award shares	(75)	(90)	(79)	(75)
Unallocated incentive award shares					
Unallocated incentive award shares					
Average basic shares outstanding					
Average basic shares outstanding					
Average basic shares outstanding	Average basic shares outstanding	59,104	58,681	59,037	58,777
Add: Effect of dilutive securities:	Add: Effect of dilutive securities:				
Add: Effect of dilutive securities:					
Add: Effect of dilutive securities:					
Incentive awards					
Incentive awards					
Incentive awards	Incentive awards	7	120	31	141
Average diluted shares outstanding	Average diluted shares outstanding	59,111	58,801	59,068	58,918
Average diluted shares outstanding					
Average diluted shares outstanding					

For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, antidilutive stock options of 1,961,000 1,801,000 and 1,525,000, 852,000, respectively, were excluded from the earnings per share calculation. For both the three and nine months ended September 30, 2022, antidilutive stock options of 1,552,000 were excluded from the earnings per share calculation.

Note 3. Securities

The amortized cost, estimated fair value, and allowance for securities credit losses of debt securities available-for-sale and held-to-maturity at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Credit Losses
At September 30, 2023					

	Amortized Cost (1)	Amortized Cost (1)	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Securities Credit Losses
At March 31, 2024						
Debt securities available-for-sale:	Debt securities available-for-sale:					
Debt securities available-for-sale:						
Debt securities available-for-sale:						
U.S. government and agency obligations						
U.S. government and agency obligations						
U.S. government and agency obligations	U.S. government and agency obligations	$ 71,895	$ —	$ (7,815)	$ 64,080	$ —
Corporate debt securities	Corporate debt securities	10,084	—	(1,132)	8,952	—
Asset-backed securities	Asset-backed securities	296,212	—	(5,768)	290,444	—
Agency commercial mortgage-backed securities (“MBS”)		109,827	—	(20,095)	89,732	—
Mortgage-backed securities (“MBS”):						
Agency residential						
Agency residential						
Agency residential						
Agency commercial						
Total mortgage-backed securities						
Total debt securities available-for-sale	Total debt securities available-for-sale	$ 488,018	$ —	$ (34,810)	$ 453,208	$ —
Debt securities held-to-maturity:	Debt securities held-to-maturity:					
State and municipal debt obligations	State and municipal debt obligations	$ 228,779	$ 30	$ (26,705)	$ 202,104	$ (41)
State and municipal debt obligations						
State and municipal debt obligations						
Corporate debt securities	Corporate debt securities	71,430	373	(6,106)	65,697	(868)
Mortgage-backed securities:	Mortgage-backed securities:					
Agency residential						
Agency residential						
Agency residential	Agency residential	787,875	3	(103,865)	684,013	—
Agency commercial	Agency commercial	83,322	16	(6,392)	76,946	(16)
Non-agency commercial	Non-agency commercial	20,760	—	(2,178)	18,582	(7)
Total mortgage-backed securities	Total mortgage-backed securities	891,957	19	(112,435)	779,541	(23)
Total debt securities held-to-maturity	Total debt securities held-to-maturity	$ 1,192,166	$ 422	$ (145,246)	$ 1,047,342	$ (932)
Total debt securities	Total debt securities	$ 1,680,184	$ 422	$ (180,056)	$ 1,500,550	$ (932)

At December 31, 2022						
At December 31, 2023						
Debt securities available-for-sale:	Debt securities available-for-sale:					
Debt securities available-for-sale:						
Debt securities available-for-sale:						
U.S. government and agency obligations						
U.S. government and agency obligations						
U.S. government and agency obligations	U.S. government and agency obligations	$ 87,648	$ 1	$ (7,635)	$ 80,014	$ —
Corporate debt securities	Corporate debt securities	8,928	—	(756)	8,172	—
Asset-backed securities	Asset-backed securities	296,222	—	(19,349)	276,873	—
Agency commercial MBS		110,606	—	(18,017)	92,589	—
Mortgage-backed securities:						
Agency residential						
Agency residential						
Agency residential						
Agency commercial						
Total mortgage-backed securities						
Total debt securities available-for-sale	Total debt securities available-for-sale	$ 503,404	$ 1	$ (45,757)	$ 457,648	$ —
Debt securities held-to-maturity:	Debt securities held-to-maturity:					
State, municipal, and sovereign debt obligations	State, municipal, and sovereign debt obligations	$ 260,249	$ 46	$ (24,940)	$ 235,355	$ (60)
State, municipal, and sovereign debt obligations						
State, municipal, and sovereign debt obligations						
Corporate debt securities	Corporate debt securities	56,893	380	(3,778)	53,495	(1,059)
Mortgage-backed securities:	Mortgage-backed securities:					
Agency residential						
Agency residential						
Agency residential	Agency residential	849,985	795	(83,586)	767,194	—
Agency commercial	Agency commercial	32,127	23	(1,189)	30,961	—
Non-agency commercial	Non-agency commercial	25,310	—	(2,274)	23,036	(9)
Total mortgage-backed securities	Total mortgage-backed securities	907,422	818	(87,049)	821,191	(9)
Total debt securities held-to-maturity	Total debt securities held-to-maturity	$1,224,564	$ 1,244	$(115,767)	$1,110,041	$ (1,128)
Total debt securities	Total debt securities	$1,727,968	$ 1,245	$(161,524)	$1,567,689	$ (1,128)

There was no allowance for securities credit losses on debt securities available-for-sale at September 30, 2023 or December 31, 2022.

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	2024			
	2024			
Allowance for securities credit losses				
Allowance for securities credit losses				
Allowance for securities credit losses Allowance for securities credit losses				
Beginning balance Beginning balance	$ (964)	$ (1,293)	$ (1,128)	$ (1,467)
Beginning balance				
Beginning balance				
Provision for credit loss benefit	32	59	196	233
Benefit for credit losses				
Benefit for credit losses				
Benefit for credit losses				
Total ending allowance balance Total ending allowance balance	$ (932)	$ (1,234)	$ (932)	$ (1,234)
Total ending allowance balance				
Total ending allowance balance				

The Company monitors the credit quality of debt securities held-to-maturity on a quarterly basis through the use of internal credit analysis supplemented by external credit ratings. Credit ratings of BBB- or Baa3 or higher are considered investment grade. Where multiple ratings are available, the Company considers the lowest rating when determining the allowance for securities credit losses. Under this approach, the amortized cost of debt securities held-to-maturity at September 30, 2023 March 31, 2024, aggregated by credit quality indicator, are as follows (in thousands):

	Investment Grade	Non-Investment Grade/Non-rated	Total
As of September 30, 2023			
State and municipal debt obligations	$ 228,779	$ —	$ 228,779
Corporate debt securities	57,050	14,380	71,430
Agency commercial MBS	83,323	—	83,323
Non-agency commercial MBS	20,760	—	20,760
Total debt securities held-to-maturity	$ 389,912	$ 14,380	$ 404,292

During 2021 and 2013, the Bank transferred $12.7 million and $536.0 million, respectively, of previously designated available-for-sale securities to a held-to-maturity designation at estimated fair value. The securities transferred had an unrealized net loss of $209,000 and $13.3 million at the time of transfer in 2021 and 2013, respectively, which continues to be reflected in accumulated other comprehensive loss on the Consolidated Statement of Financial Condition, net of subsequent amortization, which is being recognized over the life of the securities. The carrying value of debt securities held-to-maturity at September 30, 2023 and December 31, 2022 was as follows (in thousands):

	September 30, 2023	December 31, 2022
Amortized cost	$ 1,192,166	$ 1,224,564
Allowance for securities credit losses	(932)	(1,128)
Net loss on date of transfer from available-for-sale	(13,556)	(13,556)

Accretion of net unrealized loss on securities reclassified as held-to-maturity	11,661	11,258
Carrying value	$ 1,189,339	$ 1,221,138

	Investment Grade	Non-Investment Grade/Non-rated	Total
As of March 31, 2024			
State and municipal debt obligations	$ 213,231	$ —	$ 213,231
Corporate debt securities	53,047	13,536	66,583
Non-agency commercial MBS	20,608	—	20,608
Total debt securities held-to-maturity	$ 286,886	$ 13,536	$ 300,422

There were $0 realized gains/losses $110,000 and $697,000 of realized losses on sale of debt securities available-for-sale for the three and nine months ended September 30, 2023, respectively, as compared to realized gains of $131,000 March 31, 2024 and $23,000 for the corresponding prior year periods, 2023, respectively. These realized gains/losses on debt securities are presented within Other under Total other income of the Consolidated Statements of Income.

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements (Continued)

The amortized cost and estimated fair value of debt securities at September 30, 2023 March 31, 2024 by contractual maturity are shown below (in thousands):

September 30, 2023		**Amortized Cost**	**Estimated Fair Value**			
March 31, 2024				**March 31, 2024**	**Amortized Cost**	**Estimated Fair Value**
Less than one year	Less than one year	$ 39,412	$ 38,958			
Due after one year through five years	Due after one year through five years	183,574	166,592			
Due after five years through ten years	Due after five years through ten years	205,459	192,786			
Due after ten years	Due after ten years	249,955	232,941			
		$ 678,400	$ 631,277			
	$					

Actual maturities may differ from contractual maturities in instances where issuers have the right to call or prepay obligations with or without call or prepayment penalties. At September 30, 2023 March 31, 2024, corporate debt securities, state and municipal obligations, and asset-backed securities with an amortized cost of $80.4 million $77.4 million, $63.9 million $60.8 million, and $296.2 million $289.6 million, respectively, and an estimated fair value of $73.6 million $72.9 million, $59.6 million $59.0 million, and $290.4 million $288.1 million, respectively, were callable prior to the maturity date. Mortgage-backed securities are excluded from the above table since their effective lives are expected to be shorter than the contractual maturity date due to principal prepayments.

The estimated fair value and unrealized losses for debt securities available-for-sale and held-to-maturity at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, segregated by the duration of the unrealized losses, are as follows (in thousands):

		Less than 12 months		12 months or longer		Total		Less than 12 months		12 months or longer		Total	
		Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
At September 30, 2023													
At March 31, 2024													
Debt securities available-for-sale:	Debt securities available-for-sale:												
Debt securities available-for-sale:													
Debt securities available-for-sale:													
U.S. government and agency obligations													
U.S. government and agency obligations													
U.S. government and agency obligations	U.S. government and agency obligations	$ 1,060	$ (11)	$ 63,020	$ (7,804)	$ 64,080	$ (7,815)						
Corporate debt securities	Corporate debt securities	6,519	(565)	2,433	(567)	8,952	(1,132)						
Asset-backed securities	Asset-backed securities	—	—	290,444	(5,768)	290,444	(5,768)						
Agency commercial MBS		—	—	89,732	(20,095)	89,732	(20,095)						
MBS:													
Agency residential													
Agency residential													
Agency residential													
Agency commercial													
Total MBS													
Total debt securities available-for-sale	Total debt securities available-for-sale	7,579	(576)	445,629	(34,234)	453,208	(34,810)						
Debt securities held-to-maturity:	Debt securities held-to-maturity:												
State and municipal debt obligations													
State and municipal debt obligations													
State and municipal debt obligations	State and municipal debt obligations	9,266	(397)	187,876	(26,308)	197,142	(26,705)						
Corporate debt securities	Corporate debt securities	38,247	(3,634)	22,687	(2,472)	60,934	(6,106)						
MBS:	MBS:												
MBS:													
MBS:													
Agency residential													
Agency residential													
Agency residential	Agency residential	222,066	(13,368)	461,630	(90,497)	683,696	(103,865)						
Agency commercial	Agency commercial	52,836	(5,460)	16,431	(932)	69,267	(6,392)						

Non-agency commercial	Non-agency commercial	—	—	18,582	(2,178)	18,582	(2,178)
Total MBS	Total MBS	274,902	(18,828)	496,643	(93,607)	771,545	(112,435)
Total debt securities held-to-maturity	Total debt securities held-to-maturity	322,415	(22,859)	707,206	(122,387)	1,029,621	(145,246)
Total debt securities	Total debt securities	$ 329,994	$ (23,435)	$ 1,152,835	$ (156,621)	$ 1,482,829	$ (180,056)
At December 31, 2022							
At December 31, 2023							
Debt securities available-for-sale:	Debt securities available-for-sale:						
Debt securities available-for-sale:							
Debt securities available-for-sale:							
U.S. government and agency obligations							
U.S. government and agency obligations							
U.S. government and agency obligations	U.S. government and agency obligations	$ 27,232	$ (450)	$ 52,782	$ (7,185)	$ 80,014	$ (7,635)
Corporate debt securities	Corporate debt securities	4,735	(193)	3,437	(563)	8,172	(756)
Asset-backed securities	Asset-backed securities	143,392	(9,179)	133,481	(10,170)	276,873	(19,349)
Agency commercial MBS		8,782	(1,675)	83,807	(16,342)	92,589	(18,017)
MBS:							
Agency residential							
Agency residential							
Agency residential							
Agency commercial							
Total MBS							
Total debt securities available-for-sale	Total debt securities available-for-sale	184,141	(11,497)	273,507	(34,260)	457,648	(45,757)
Debt securities held-to-maturity:	Debt securities held-to-maturity:						
State, municipal, and sovereign debt obligations		133,492	(11,952)	97,135	(12,988)	230,627	(24,940)
State and municipal debt obligations							
State and municipal debt obligations							
State and municipal debt obligations							
Corporate debt securities	Corporate debt securities	11,783	(598)	36,152	(3,180)	47,935	(3,778)
MBS:	MBS:						
MBS:							
MBS:							
Agency residential							
Agency residential							
Agency residential	Agency residential	297,296	(12,404)	397,036	(71,182)	694,332	(83,586)

Agency commercial	Agency commercial	25,936	(1,150)	2,062	(39)	27,998	(1,189)
Non-agency commercial	Non-agency commercial	16,839	(1,621)	6,198	(653)	23,037	(2,274)
Total MBS	Total MBS	340,071	(15,175)	405,296	(71,874)	745,367	(87,049)
Total debt securities held-to-maturity	Total debt securities held-to-maturity	485,346	(27,725)	538,583	(88,042)	1,023,929	(115,767)
Total debt securities	Total debt securities	$ 669,487	$ (39,222)	$ 812,090	$ (122,302)	$ 1,481,577	$ (161,524)

The Company concluded that debt securities were not impaired at September 30, 2023 March 31, 2024 based on consideration of several factors. The Company noted that each issuer made all the contractually due payments when required. There were no defaults on principal or interest payments, and no interest payments were deferred. Based on management's analysis of each individual security, the issuers appear to have the ability to meet debt service requirements over the life of the security. Furthermore, the change in net unrealized losses were primarily due to changes in the general credit and interest rate environment and not credit quality. Historically, Additionally, the Company has not utilized securities sales as a source of liquidity and the Company's liquidity plans include adequate sources of liquidity outside securities sales.

Equity Investments

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company held equity investments of $97.9 million $103.2 million and $102.0 $100.2 million, respectively. The equity investments are primarily comprised of select financial services institutions' preferred stocks, investments in funds and other financial institutions. institutions and funds.

The realized and unrealized gains or losses on equity securities for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are shown in the table below (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
	2024 2024 2024			
Net gain (loss) on equity investments / Net gain (loss) on equity investments	$ 1,452	$ 3,362	$ (5,908)	$ (7,502)
Less: Net (losses) gains recognized on equity investments sold	—	—	(5,462)	1,351
Net gain (loss) on equity investments				
Net gain (loss) on equity investments				
Less: Net losses recognized on equity investments sold				
Less: Net losses recognized on equity investments sold				
Less: Net losses recognized on equity investments sold				
Unrealized gains (losses) recognized on equity investments still held				
Unrealized gains (losses) recognized on equity investments still held				

Unrealized gains (losses) recognized on equity investments still held	Unrealized gains (losses) recognized on equity investments still held	$ 1,452	$ 3,362	$ (446)	$ (8,853)

Note 4. Loans Receivable, Net

Loans receivable, net at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted of the following (in thousands):

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
March 31, 2024					
Commercial:	Commercial:				
Commercial real estate – investor					
Commercial real estate – investor					
Commercial real estate – investor	Commercial real estate – investor	$ 5,334,279	$ 5,171,952		
Commercial real estate – owner occupied	Commercial real estate – owner occupied	957,216	997,367		
Commercial and industrial	Commercial and industrial	652,119	622,372		
Total commercial	Total commercial	6,943,614	6,791,691		
Consumer:	Consumer:				
Residential real estate	Residential real estate	2,928,259	2,861,991		
Residential real estate					
Residential real estate					
Home equity loans and lines and other consumer (“other consumer”)	Home equity loans and lines and other consumer (“other consumer”)	251,698	264,372		
Home equity loans and lines and other consumer (“other consumer”)					
Home equity loans and lines and other consumer (“other consumer”)					
Total consumer					
Total consumer					
Total consumer	Total consumer	3,179,957	3,126,363		
Total loans receivable	Total loans receivable	10,123,571	9,918,054		
Deferred origination costs, net of fees	Deferred origination costs, net of fees	8,462	7,488		

Allowance for loan credit losses	Allowance for loan credit losses	(63,877)	(56,824)
Total loans receivable, net	Total loans receivable, net	$10,068,156	$9,868,718

The Company categorizes all loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, and current economic trends, among other factors. The Company evaluates risk ratings on an ongoing basis. The Company uses the following definitions for risk ratings:

Pass: Loans classified as Pass are well protected by the paying capacity and net worth of the borrower.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the Bank's credit position at some future date.

Substandard: Loans classified as Substandard are inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the collection or the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.

The following tables summarize total loans by year of origination, internally assigned credit grades and risk characteristics (in thousands):

		2023	2022	2021	2020	2019	2018 and prior	Revolving lines of credit	Total
September 30, 2023									
		2024							
		2024							
		2024							
		2023	**2022**	**2021**	**2020**		**2019 and prior**	**Revolving lines of credit**	**Total**
March 31, 2024									
Commercial real estate - investor	Commercial real estate - investor								
Commercial real estate - investor									
Commercial real estate - investor									
Pass									
Pass									
Pass	Pass	$126,967	$1,165,509	$1,314,561	$ 527,205	$497,540	$ 972,537	$ 658,558	$ 5,262,877
Special Mention	Special Mention	—	—	2,437	187	60	17,893	1,388	21,965
Substandard	Substandard	—	—	—	3,750	11,907	32,980	800	49,437
Total commercial real estate - investor	Total commercial real estate - investor	126,967	1,165,509	1,316,998	531,142	509,507	1,023,410	660,746	5,334,279
Commercial real estate - owner occupied	Commercial real estate - owner occupied								
Pass	Pass	54,658	115,573	109,260	65,866	106,434	461,324	13,543	926,658
Pass									
Pass									
Special Mention	Special Mention	—	—	—	—	—	4,542	457	4,999
Substandard	Substandard	—	3,278	—	—	1,986	20,205	90	25,559

Total commercial real estate - owner occupied	Total commercial real estate - owner occupied	54,658	118,851	109,260	65,866	108,420	486,071	14,090	957,216
Commercial and industrial	Commercial and industrial								
Pass									
Pass									
Pass	Pass	98,193	58,728	20,374	10,087	9,193	53,478	379,799	629,852
Special Mention	Special Mention	—	654	197	—	—	197	14,625	15,673
Substandard	Substandard	—	—	—	—	902	1,438	4,254	6,594
Total commercial and industrial	Total commercial and industrial	98,193	59,382	20,571	10,087	10,095	55,113	398,678	652,119
Residential real estate (1)	Residential real estate (1)								
Residential real estate (1)									
Residential real estate (1)									
Pass									
Pass									
Pass	Pass	182,209	926,600	571,434	397,584	225,997	618,805	—	2,922,629
Special Mention	Special Mention	—	1,332	187	205	123	456	—	2,303
Substandard	Substandard	62	—	—	258	487	2,520	—	3,327
Total residential real estate	Total residential real estate	182,271	927,932	571,621	398,047	226,607	621,781	—	2,928,259
Other consumer (1)	Other consumer (1)								
Pass	Pass	26,676	20,640	21,656	13,339	13,142	124,084	30,481	250,018
Pass									
Pass									
Special Mention									
Substandard	Substandard	—	—	—	1	6	1,673	—	1,680
Total other consumer	Total other consumer	26,676	20,640	21,656	13,340	13,148	125,757	30,481	251,698
Total loans	Total loans	$488,765	$2,292,314	$2,040,106	$1,018,482	$867,777	$2,312,132	$1,103,995	$10,123,571
Total loans									
Total loans									

(1) For residential real estate and other consumer loans, the Company evaluates credit quality based on the aging status of the loan and by payment activity.

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Notes to Unaudited Consolidated Financial Statements (Continued)

	2022	2021	2020	2019	2018	2017 and prior	Revolving lines of credit	Total
December 31, 2022								

	2023	2022	2021	2020	2019	2018 and prior	Revolving lines of credit	Total
December 31, 2023								

Commercial real estate - investor	Commercial real estate - investor								
Commercial real estate - investor									
Commercial real estate - investor									
Pass									
Pass									
Pass	Pass	$ 1,144,763	$ 1,339,289	$ 555,937	$ 524,428	$ 220,999	$ 881,344	$ 450,787	$ 5,117,547
Special Mention	Special Mention	—	2,508	192	17,094	—	12,818	2,188	34,800
Substandard	Substandard	—	—	—	893	—	18,180	532	19,605
Total commercial real estate - investor	Total commercial real estate - investor	1,144,763	1,341,797	556,129	542,415	220,999	912,342	453,507	5,171,952
Commercial real estate - owner occupied	Commercial real estate - owner occupied								
Pass	Pass	119,912	110,440	59,952	115,385	88,204	458,708	14,932	967,533
Pass									
Pass									
Special Mention	Special Mention	—	—	—	—	748	5,679	—	6,427
Substandard	Substandard	—	—	3,750	2,037	4,817	12,803	—	23,407
Total commercial real estate - owner occupied	Total commercial real estate - owner occupied	119,912	110,440	63,702	117,422	93,769	477,190	14,932	997,367
Commercial and industrial	Commercial and industrial								
Pass									
Pass									
Pass	Pass	60,078	23,724	14,072	17,175	10,992	47,370	443,211	616,622
Special Mention	Special Mention	—	7	—	—	—	250	1,680	1,937
Substandard	Substandard	—	21	76	1,083	301	2,212	120	3,813
Total commercial and industrial	Total commercial and industrial	60,078	23,752	14,148	18,258	11,293	49,832	445,011	622,372
Residential real estate (1)	Residential real estate (1)								
Pass	Pass	919,364	591,745	419,712	247,387	99,945	577,392	—	2,855,545
Pass									
Pass									
Special Mention	Special Mention	—	193	1,514	204	59	2,407	—	4,377
Substandard	Substandard	—	—	—	656	286	1,127	—	2,069
Total residential real estate	Total residential real estate	919,364	591,938	421,226	248,247	100,290	580,926	—	2,861,991
Other consumer (1)	Other consumer (1)								
Pass	Pass	24,069	24,111	15,440	15,471	39,057	108,818	34,851	261,817
Pass									
Pass									
Special Mention	Special Mention	—	—	—	75	—	598	—	673

Substandard	Substandard	—	—	—	157	18	1,707	—	1,882
Total other consumer	Total other consumer	24,069	24,111	15,440	15,703	39,075	111,123	34,851	264,372
Total loans	Total loans	$ 2,268,186	$ 2,092,038	$ 1,070,645	$ 942,045	$ 465,426	$ 2,131,413	$ 948,301	$ 9,918,054

(1) For residential real estate and other consumer loans, the Company evaluates credit quality based on the aging status of the loan and by payment activity.

An analysis of the allowance for credit losses on loans for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was as follows (in thousands):

	Commercial Real Estate – Investor	Commercial Real Estate – Owner Occupied	Commercial and Industrial	Residential Real Estate	Other Consumer	Total
For the three months ended September 30, 2023						

	Commercial Real Estate – Investor	Commercial Real Estate – Owner Occupied	Commercial and Industrial	Residential Real Estate	Other Consumer	Total
For the three months ended March 31, 2024						
Allowance for credit losses on loans						
Allowance for credit losses on loans						
Allowance for credit losses on loans						
Allowance for credit losses on loans						
Balance at beginning of period						
Balance at beginning of period						
Balance at beginning of period						
(Benefit) provision for credit losses						
Charge-offs (1)						
Recoveries						
Balance at end of period						
For the three months ended March 31, 2023						
Allowance for credit losses on loans						

Allowance for credit losses on loans							
Allowance for credit losses on loans							
Balance at beginning of period							
Balance at beginning of period							
Balance at beginning of period	Balance at beginning of period	$ 24,481	$ 4,342	$ 5,945	$ 26,152	$ 871	$61,791
Provision (benefit) for credit losses	Provision (benefit) for credit losses	9,602	119	604	95	(63)	10,357
Charge-offs (1)	Charge-offs (1)	(8,350)	—	—	—	(29)	(8,379)
Recoveries	Recoveries	2	3	13	17	73	108
Balance at end of period	Balance at end of period	$ 25,735	$ 4,464	$ 6,562	$ 26,264	$ 852	$63,877
For the three months ended September 30, 2022							
Allowance for credit losses on loans							
Balance at beginning of period		$ 22,608	$ 5,021	$ 5,240	$ 18,196	$ 996	$52,061
Provision (benefit) for credit losses		82	(1,047)	554	1,618	1	1,208
Charge-offs		(3)	—	—	—	(2)	(5)
Recoveries		3	48	69	44	93	257
Balance at end of period		$ 22,690	$ 4,022	$ 5,863	$ 19,858	$ 1,088	$53,521
For the nine months ended September 30, 2023							
Allowance for credit losses on loans							
Balance at beginning of period		$ 21,070	$ 4,423	$ 5,695	$ 24,530	$ 1,106	$56,824
Provision (benefit) for credit losses		13,010	38	974	1,700	(322)	15,400
Charge-offs (1)		(8,350)	(6)	(128)	—	(111)	(8,595)
Recoveries		5	9	21	34	179	248
Balance at end of period		$ 25,735	$ 4,464	$ 6,562	$ 26,264	$ 852	$63,877
For the nine months ended September 30, 2022							
Allowance for credit losses on loans							
Balance at beginning of period		$ 25,504	$ 5,884	$ 5,039	$ 11,155	$ 1,268	$48,850
(Benefit) provision for credit losses		(2,865)	(2,003)	720	8,612	(128)	4,336
Charge-offs		(3)	(18)	—	(56)	(358)	(435)
Recoveries		54	159	104	147	306	770

Balance at end of period	$ 22,690	$ 4,022	$ 5,863	$ 19,858	$ 1,088	$53,521

(1) Gross charge-offs for the three and nine months ended September 30, 2023 March 31, 2024 of $8.4 million and $8.6 million, respectively, primarily related to $441,000 included one commercial relationship, real estate loan of $46,000, which was originated in 2019 and had a partial charge-off of $8.4 million in the third quarter of 2023 to its estimated realizable value of $8.8 million. 2021. The remainder of the charge-offs were related to loans that were originated in and prior to 2019. Gross charge-offs for the three months ended March 31, 2023 of $10,000 related to loans that were originated prior to 2018.

A loan is considered collateral dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral and, therefore, is classified as non-accruing. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had collateral dependent loans with an amortized cost balance as follows: commercial real estate - investor of $15.1 million $16.0 million and $4.6 million $15.2 million, respectively, commercial real estate - owner occupied of $240,000 $3.4 million and $4.0 million, $352,000, respectively, and commercial and industrial of $1.1 million $567,000 and $160,000, $304,000, respectively. In addition, the Company had residential and consumer loans collateralized by residential real estate, which are in the process of foreclosure, with an amortized cost balance of $2.7 million $2.3 million and $858,000 $2.6 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

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Notes to Unaudited Consolidated Financial Statements (Continued)

The following table presents the recorded investment in non-accrual loans, by loan portfolio segment as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Commercial real estate – investor (1)	Commercial real estate – investor (1)	$ 20,723	$ 10,483		
Commercial real estate – owner occupied	Commercial real estate – owner occupied	240	4,025		
Commercial and industrial	Commercial and industrial	1,120	331		
Residential real estate	Residential real estate	5,624	5,969		
Other consumer	Other consumer	2,391	2,457		
		$ 30,098	$ 23,265		
	$				

(1) At March 31, 2024 September 30, 2023, and December 31, 2023, non-performing loans included the remaining exposure of $8.8 million on a commercial real estate relationship that was partially charged-off during the three months year ended September 30, 2023 December 31, 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, non-accrual loans were included in the allowance for credit loss calculation and the Company did not recognize or accrue interest income on these loans. At September 30, 2023 March 31, 2024 and December 31, 2023, there were no loans that were past due 90 days or greater and still accruing interest. At December 31, 2022, there was one Paycheck Protection Program ("PPP") loan for $14,000 that was past due 90 days or greater and still accrued interest, which subsequently became current. Per Small Business Administration ("SBA") guidelines, the SBA will pay accrued interest through the deferral period up

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Notes to a maximum of 120 days past due. Given these servicing guidelines, PPP loans that are 90 to 120 days past due will be reported as accruing loans. Unaudited Consolidated Financial Statements (Continued)

The following table presents the aging of the recorded investment in past due loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 by loan portfolio segment (in thousands):

	30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total

		30-59 Days Past Due	60-89 Days Past Due	90 Days or Greater Past Due	Total Past Due	Loans Not Past Due	Total
September 30, 2023							
March 31, 2024							
Commercial real estate – investor (1)							
Commercial real estate – investor (1)							
Commercial real estate – investor (1)	Commercial real estate – investor (1)	$ 999	$ 11,266	$ 3,791	$ 16,056	$ 5,318,223	$ 5,334,279
Commercial real estate – owner occupied	Commercial real estate – owner occupied	799	1,529	35	2,363	954,853	957,216
Commercial and industrial	Commercial and industrial	1,773	803	145	2,721	649,398	652,119
Residential real estate	Residential real estate	—	2,303	3,327	5,630	2,922,629	2,928,259
Other consumer	Other consumer	1,119	—	1,680	2,799	248,899	251,698
		$ 4,690	$ 15,901	$ 8,978	$ 29,569	$ 10,094,002	$ 10,123,571
December 31, 2022							
Commercial real estate – investor		$ 217	$ 875	$ 3,700	$ 4,792	$ 5,167,160	$ 5,171,952
	$						
December 31, 2023							
Commercial real estate – investor (1)							
Commercial real estate – investor (1)							
Commercial real estate – investor (1)							
Commercial real estate – owner occupied	Commercial real estate – owner occupied	143	80	3,750	3,973	993,394	997,367
Commercial and industrial	Commercial and industrial	159	47	180	386	621,986	622,372
Residential real estate	Residential real estate	7,003	4,377	2,069	13,449	2,848,542	2,861,991
Other consumer	Other consumer	573	673	1,882	3,128	261,244	264,372
		$ 8,095	$ 6,052	$ 11,581	$ 25,728	$ 9,892,326	$ 9,918,054
	$						

(1) At September 30, 2023, 60-89March 31, 2024 and December 31, 2023, 90 days or greater past due loans included the remaining exposure of $8.8$8.8 million on a commercial real estate relationship that was partially charged-off during the three months year ended September 30, 2023 December 31, 2023.

Loan Modifications to Borrowers Experiencing Financial Difficulty

The Company adopted Accounting Standards Update ("ASU") 2022-02 on January 1, 2023. Since adoption, the Company has modified and may modify in the future certain loans to borrowers experiencing financial difficulty. These modifications may include a reduction in interest rate, an extension in term, principal forgiveness and/or other than insignificant payment delay. At September 30, 2023 Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount, and the allowance for credit losses is subsequently adjusted by an amount equal to the total loss rate as applied to the reduced amortized cost basis. As of March 31, 2024 and December 31, 2023, loans with modifications to borrowers experiencing financial difficulty totaled $1.1 million related $12.0 million and $8.9 million, respectively. There were no outstanding commitments to term extensions lend additional funds to such borrowers with loan modifications as of March 31, 2024 or December 31, 2023.

The following table presents loans modifications made to borrowers experiencing financial difficulty during the three months ended March 31, 2024 and interest rate reductions, which included residential real estate loans of $723,000 and other consumer loans of $410,000. 2023 (in thousands):

	Term Extension	Combination of Term Extension and Interest Rate Reduction	Other Than Insignificant Payment Delay	Total	% of Total by Loan Portfolio Segment
For the three months ended March 31, 2024					
Commercial real estate – owner occupied	$ —	$ —	$ 2,994	$ 2,994	0.33 %
Residential real estate	129	—	—	129	—
Other consumer	—	148	—	148	0.06
	$ 129	$ 148	$ 2,994	$ 3,271	— %
For the three months ended March 31, 2023					
Residential real estate	$ 435	$ —	$ —	$ 435	0.02 %
Other consumer	40	—	—	40	0.02
	$ 475	$ —	$ —	$ 475	— %

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Notes to Unaudited Consolidated Financial Statements (Continued)

The modifications during the periods presented had an insignificant financial effect on the Company.

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. Of The following table provides the $1.1 million performance of loans with modifications modified to borrowers experiencing financial difficulty $994,000 were current during the twelve months ended March 31, 2024 and since adoption of the standard for March 31, 2023 (in thousands):

	Current	60 - 89 Days past due	90 Days or Greater past due	Total
March 31, 2024				
Commercial real estate – investor	$ 7,758	$ —	$ —	$ 7,758
Commercial real estate – owner occupied	2,994	—	—	2,994
Residential real estate	258	—	153 (1)	411
Other consumer	419	—	—	419
	$ 11,429	$ —	$ 153	$ 11,582
March 31, 2023				
Residential real estate	$ 297	$ 138	$ —	$ 435
Other consumer	40	—	—	40
	$ 337	$ 138	$ —	$ 475

(1) Represents one residential loan of $140,000 had a payment default that defaulted during the three period and nine months ended September 30, 2023.

Prior to had been modified within the adoption of ASU 2022-02, the Company classified certain loans as troubled debt restructuring ("TDR") loans when credit terms to a borrower in financial difficulty were modified in accordance with ASC 310-40. Since adoption of this ASU, the Company has ceased to recognize or measure for new TDRs but those existing at December 31, 2022 remain until settled.

At September 30, 2023 and December 31, 2022, TDR loans totaled $13.2 million and $13.9 million, respectively. At September 30, 2023 and December 31, 2022, there were $5.8 million and $6.4 million, respectively, of TDR loans included in the non-accrual loan totals. At September 30, 2023 and December 31, 2022, the Company had $354,000 and $590,000, respectively, of specific reserve allocated to one loan that was classified as a TDR loan. Non-accrual loans which become TDR loans are generally returned to accrual status after six months of performance. In addition to the TDR loans included in non-accrual loans, the Company also has TDR loans classified as accruing loans, which totaled $7.4 million and $7.5 million at September 30, 2023 and December 31, 2022, respectively.

The following table presents information about TDR loans which occurred during the three and nine months ended September 30, 2022 (dollars in thousands):

	Number of Loans	Pre-modification Recorded Investment	Post-modification Recorded Investment
Three months ended September 30, 2022			
Troubled debt restructurings:			
Other consumer	3	$ 114	$ 124
Nine months ended September 30, 2022			
Troubled debt restructurings:			
Commercial and industrial	1	65	65
Other consumer	6	1,105	1,233

previous 12 months. There were no TDR such loans that defaulted during the three and nine months ended September 30, 2023 and 2022, which were modified within the preceding year. March 31, 2023.

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Notes to Unaudited Consolidated Financial Statements (Continued)

Note 5. Deposits

The major types of deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows (in thousands):

Type of Account	Type of Account	September 30, 2023	December 31, 2022	Type of Account	March 31, 2024	December 31, 2023
Non-interest-bearing	Non-interest-bearing	$ 1,827,381	$ 2,101,308			
Interest-bearing checking	Interest-bearing checking	3,708,874	3,829,683			
Money market deposit	Money market deposit	860,025	714,386			
Savings	Savings	1,484,000	1,487,809			
Time deposits	Time deposits	2,653,649	1,542,020			
Total deposits	Total deposits	$ 10,533,929	$ 9,675,206			

Included in time deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was $381.4 million $373.9 million and $117.7 million $412.0 million, respectively, of deposits of $250,000 or more. Time deposits also include brokered deposits of $995.5 million $543.4 million and $873.4 million $631.5 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Note 6. Borrowed Funds

Borrowed funds at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were as follows (in thousands):

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
March 31,					
FHLB advances	FHLB advances	$ 606,056	$ 1,211,166		
Securities sold under agreements to repurchase with customers	Securities sold under agreements to repurchase with customers	82,981	69,097		
Other borrowings	Other borrowings	196,183	195,403		

Total borrowed funds	Total borrowed funds	$ 885,220	$1,475,666

The Company had no FHLB overnight At March 31, 2024, there were $608.6 million of short-term advances and no $49.8 million outstanding in overnight borrowings from the Federal Reserve Bank (“FRB”) Discount Window or Bank Term Funding Program FHLB, as compared to $848.6 million and $0 at September 30, 2023 and December 31, 2022. December 31, 2023, respectively.

At March 31, 2024, there were $425.7 million of other borrowings as compared to $196.5 million at December 31, 2023 due to a shift in funding sources from FHLB to other borrowings.

Pledged assets

The following table presents the assets pledged to secure borrowings, borrowing capacity, repurchase agreements, letters of credit, and for other purposes required by law at carrying value (in thousands):

		Loans	Debt securities	Total
September 30, 2023				
	Loans	**Loans**	**Debt securities**	**Total**
March 31, 2024				
FHLB and FRB				
FHLB and FRB				
FHLB and FRB	FHLB and FRB	$ 7,253,277	$ 997,973	$8,251,250
Repurchase agreements	Repurchase agreements	—	93,145	93,145
Total pledged assets	Total pledged assets	$ 7,253,277	$1,091,118	$8,344,395
December 31, 2022				
Total pledged assets				
Total pledged assets				
December 31, 2023				
FHLB and FRB				
FHLB and FRB				
FHLB and FRB	FHLB and FRB	$ 6,487,980	$ 830,057	$7,318,037
Repurchase agreements	Repurchase agreements	—	105,294	105,294
Total pledged assets	Total pledged assets	$ 6,487,980	$ 935,351	$7,423,331
Total pledged assets				
Total pledged assets				

The securities pledged, which collateralize the repurchase agreements are delivered to the lender, with whom each transaction is executed, or to a third-party custodian. The lender, who may sell, loan or otherwise dispose of such securities to other parties in the normal course of their operations, agrees to resell to the Company substantially the same securities at the maturity of the repurchase agreements.

Note 7. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

The Company uses valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability and developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and developed based on the best information available in the circumstances. In that regard, a fair value hierarchy has been established for valuation inputs that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlations or other means.

Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

Assets and Liabilities Measured at Fair Value

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. Certain financial assets and financial liabilities are measured at fair value on a non-recurring basis, that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment).

Debt Securities Available-for-Sale

Debt securities classified as available-for-sale are reported at fair value. Fair value of U.S. Treasuries are determined using quoted prices in active markets (Level 1). The majority of the other debt securities are determined using inputs other than quoted prices that are based on market observable information (Level 2). Level 2 debt securities are priced through third-party pricing services or security industry sources that actively participate in the buying and selling of securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing is a mathematical technique used principally to value certain debt securities without relying exclusively on quoted prices for the specific securities, but comparing the debt securities to benchmark or comparable debt securities.

Equity Investments

Equity investments with readily determinable fair value are reported at fair value. Fair value for these investments is primarily determined using a quoted price in an active market or exchange (Level 1) or using inputs other than quoted prices that are based on market observable information (Level 2). Equity investments without readily determinable fair values are carried at cost less impairment, if any, plus or minus adjustments resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer (measurement alternative). Certain equity investments without readily

determinable fair values are measured at net asset value ("NAV") per share as a practical expedient, which are excluded from the fair value hierarchy levels in the table below.

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Notes to Unaudited Consolidated Financial Statements (Continued)

Interest Rate Derivatives

The Company's interest rate swaps and cap contracts are reported at fair value utilizing discounted cash flow models provided by an independent, third-party and observable market data (Level 2). When entering into an interest rate swap or cap contract, the Company is exposed to fair value changes due to interest rate movements, and also the potential nonperformance of the contract counterparty.

Loans Individually Measured for Impairment

Loans measured for impairment based on the fair value of the underlying collateral are recorded at estimated fair value, less estimated selling costs. Fair value is generally based on independent appraisals (Level 3), which may be adjusted by management for qualitative factors, such as economic factors and estimated liquidation expenses.

The following table summarizes financial assets and financial liabilities measured at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

		Fair Value Measurements at Reporting Date Using:			Fair Value Measurements at Reporting Date Using:
	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
September 30, 2023					

	Total Fair Value	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
March 31, 2024					
Items measured on a recurring basis:	Items measured on a recurring basis:				
Items measured on a recurring basis:					
Items measured on a recurring basis:					
Debt securities available-for-sale					
Debt securities available-for-sale					
Debt securities available-for-sale	Debt securities available-for-sale	$453,208	$ 42,054	$ 411,154	$ —
Equity investments	Equity investments	50,945	—	50,945	—
Interest rate derivative asset	Interest rate derivative asset	137,090	—	137,090	—
Interest rate derivative liability	Interest rate derivative liability	(138,806)	—	(138,806)	—
Items measured on a non-recurring basis:	Items measured on a non-recurring basis:				
Items measured on a non-recurring basis:					
Items measured on a non-recurring basis:					
Equity investments (1) (2)					
Equity investments (1) (2)					
Equity investments (1) (2)	Equity investments (1) (2)	46,963	—	—	43,576
Loans measured for impairment based on the fair value of the underlying collateral (3)	Loans measured for impairment based on the fair value of the underlying collateral (3)	19,080	—	—	19,080
December 31, 2022					
Loans measured for impairment based on the fair value of the underlying collateral (3)					
Loans measured for impairment based on the fair value of the underlying collateral (3)					
December 31, 2023					
Items measured on a recurring basis:	Items measured on a recurring basis:				

Items measured on a recurring basis:					
Items measured on a recurring basis:					
Debt securities available-for-sale					
Debt securities available-for-sale					
Debt securities available-for-sale	Debt securities available-for-sale	$ 457,648	$ —	$ 457,648	$ —
Equity investments	Equity investments	61,942	430	61,511	—
Interest rate derivative asset	Interest rate derivative asset	113,420	—	113,420	—
Interest rate derivative liability	Interest rate derivative liability	(113,473)	—	(113,473)	—
Items measured on a non-recurring basis:	Items measured on a non-recurring basis:				
Equity investments (1) (2)	Equity investments (1) (2)	40,095	—	—	37,076
Equity investments (1) (2)					
Equity investments (1) (2)					
Loans measured for impairment based on the fair value of the underlying collateral (3)	Loans measured for impairment based on the fair value of the underlying collateral (3)	9,635	—	—	9,635
Loans measured for impairment based on the fair value of the underlying collateral (3)					
Loans measured for impairment based on the fair value of the underlying collateral (3)					

(1) As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, primarily consists equity investments of $43.6 million $48.4 million and $37.1$47.0 million, respectively,included $44.7 million and $43.6 million, respectively, of equity investments measured under the measurement alternative. This included no unrealized gains or losses for the nine three months ended September 30, 2023 March 31, 2024 and $20.0 million of unrealized gains for the year ended December 31, 2022 December 31, 2023.

(2) As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, equity investments of $47.0 million $48.4 million and $40.1 million $47.0 million, respectively, included $3.4 million $3.7 million and $3.0 million $3.4 million, respectively, of certain equity investment funds measured at NAV per share (or its equivalent) as a practical expedient to fair value and these equity investments have not been classified in the fair value hierarchy levels.

(3) Primarily consists of commercial loans, which are collateral dependent. The range may vary but is generally 0% to 8% on the discount for costs to sell and 0% to 10% on appraisal adjustments.

The following table reconciles the beginning and ending balances for equity investments that are recognized at fair value on a recurring basis, in the Consolidated Statements of Financial Condition, using significant unobservable inputs (in thousands):

		For the Nine Months Ended September 30,
		2022
Beginning balance	$	2,718
Transfers out of Level 3		(2,718)
Ending balance	$	—

The Company recognizes transfers between levels of the valuation hierarchy at the end of the applicable reporting periods. There were no assets in Level 3 that were recognized at fair value on a recurring basis or transfers into or out of Level 3 for the three and nine months ended September 30, 2023. During the nine months ended September 30, 2022, the Company executed its right March 31, 2024 and 2023.

OceanFirst Financial Corp.

Notes to convert $2.7 million of preferred stock into common stock, which resulted in a transfer from Level 3 into Level 1. Unaudited Consolidated Financial Statements (Continued)

Assets and Liabilities Disclosed at Fair Value

A description of the valuation methodologies used for assets and liabilities disclosed at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy is set forth below.

Cash and Due from Banks

For cash and due from banks, the carrying amount approximates fair value.

Debt Securities Held-to-Maturity

Debt securities classified as held-to-maturity are carried at amortized cost, as the Company has the positive intent and ability to hold these debt securities to maturity. The Company determines the fair value of the debt securities utilizing Level 2 and, infrequently, Level 3 inputs. Most of the Company's debt securities are fixed income instruments that are not quoted on an exchange, but are bought and sold in active markets. Prices for these instruments are obtained through third-party pricing vendors or security industry sources that actively participate in the buying and selling of debt securities. Prices obtained from these sources include market quotations and matrix pricing. Matrix pricing is a mathematical technique used principally to value certain debt securities without relying exclusively on quoted prices for the specific debt securities, but comparing the debt securities to benchmark or comparable debt securities.

Management's policy is to obtain and review all available documentation from the third-party pricing service relating to their fair value determinations, including their methodology and summary of inputs. Management reviews this documentation, makes inquiries of the third-party pricing service and decides as to the level of the valuation inputs. Based on the Company's review of the available documentation from the third-party pricing service, management concluded that Level 2 inputs were utilized for all securities except for certain debt securities where management utilized Level 3 inputs, such as broker or dealer quotes with limited levels of activity and price transparency. securities.

Restricted Equity Investments

The fair value for of these investments, which are primarily Federal Home Loan Bank of New York and Federal Reserve Bank stock, and Atlantic Community Bankers Bank is its carrying value since this is the amount for which it could be redeemed. There is no active market for this stock and the Company is required to maintain a minimum investment as stipulated by the respective entities.

Loans Receivable and Loans Held-for-Sale

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential real estate, consumer and commercial. Each loan category is further segmented into fixed and adjustable rate interest terms.

Fair value of performing and non-performing loans, which is based on an exit price notion, was estimated by discounting the future cash flows, net of estimated prepayments, at market discount rates that reflect the credit and interest rate risk inherent in the loan.

Loans held for sale are carried at the lower of unpaid principal balance, net, or estimated fair value on an aggregate basis. Estimated fair value is generally determined based on bid quotations from secondary markets.

Deposits Other than Time Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, and interest-bearing checking accounts and money market accounts is, by definition, equal to the amount payable on demand. The related

insensitivity of the majority of these deposits to interest rate changes creates a significant inherent value which is not reflected in the fair value reported.

Time Deposits

The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

Securities Sold Under Agreements to Repurchase with Customers

Fair value approximates the carrying amount as these borrowings are payable on demand and the interest rate adjusts monthly.

FHLB Advances and Other Borrowings

Fair value estimates are based on discounting contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

The book value and estimated fair value of the Company's significant financial instruments not recorded at fair value as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are presented in the following tables (in thousands):

		Fair Value Measurements at Reporting Date Using:		
	Book Value	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
September 30, 2023				
	Book Value	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
March 31, 2024				
Financial Assets:				
Financial Assets:				
Financial Assets:				
Cash and due from banks				
Cash and due from banks				
Cash and due from banks	$ 408,882	$ 408,882	$ —	$ —
Debt securities held-to-maturity	1,189,339	—	1,047,342	—
Restricted equity investments	82,484	—	—	82,484
Loans receivable, net and loans held-for-sale	10,068,156	—	—	9,035,358
Financial Liabilities:				
Deposits other than time deposits (1)	7,880,280	—	7,880,280	—
Deposits other than time deposits (1)				
Deposits other than time deposits (1)				
Time deposits	2,653,649	—	2,626,602	—
FHLB advances and other borrowings	802,239	—	770,544	—

Securities sold under agreements to repurchase with customers	Securities sold under agreements to repurchase with customers	82,981	82,981	—	—
December 31, 2022					
December 31, 2023					
Financial Assets:	Financial Assets:				
Financial Assets:					
Financial Assets:					
Cash and due from banks					
Cash and due from banks					
Cash and due from banks	Cash and due from banks	$ 167,946	$ 167,946	$ —	$ —
Debt securities held-to-maturity	Debt securities held-to-maturity	1,221,138	—	1,097,984	12,057
Restricted equity investments	Restricted equity investments	109,278	—	—	109,278
Loans receivable, net and loans held-for-sale	Loans receivable, net and loans held-for-sale	9,869,408	—	—	9,103,137
Financial Liabilities:	Financial Liabilities:				
Deposits other than time deposits (1)	Deposits other than time deposits (1)	8,133,186	—	8,133,186	—
Deposits other than time deposits (1)					
Deposits other than time deposits (1)					
Time deposits	Time deposits	1,542,020	—	1,504,601	—
FHLB advances and other borrowings	FHLB advances and other borrowings	1,406,569	—	1,416,384	—
Securities sold under agreements to repurchase with customers	Securities sold under agreements to repurchase with customers	69,097	69,097	—	—

(1) The estimated fair value of non-maturity deposits does not consider any inherent value and represents the amount payable on demand. However, non-maturity deposits do contain significant inherent value to the Company, particularly when overnight funding costs are greater than the deposit costs.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because a limited market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience,

current economic conditions, risk characteristics of various financial instruments and other significant unobservable inputs. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial assets or liabilities include premises and equipment, bank owned life insurance, deferred tax assets and goodwill. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements (Continued)

Note 8. Derivatives and Hedging Activities

The Company enters into derivative financial instruments which involve, to varying degrees, interest rate and credit risk. The Company manages these risks as part of its asset and liability management process and through credit policies and procedures, seeking to minimize counterparty credit risk by establishing credit limits and collateral agreements. The Company utilizes derivative financial instruments to accommodate the business needs of its customers as well as to economically hedge the exposure that this creates for the Company. Additionally, the Company enters into certain derivative financial instruments to enhance its ability to manage interest rate risk that exists as part of its ongoing business operations. The Company does not use derivative financial instruments for trading purposes.

Customer Derivatives – Interest Rate Swaps and Cap Contracts

Derivatives Not Designated as Hedging Instruments

The Company enters into interest rate swaps that allow commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate commercial loan agreement. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to an interest rate swap agreement, which serves to effectively swap the customer's variable-rate loan into a fixed-rate loan. The Company then enters into a corresponding swap agreement with a third party in order to economically hedge its exposure through the customer agreement. The Company also enters into interest rate cap contracts that enable commercial loan customers to lock in a cap on a variable-rate commercial loan agreement. This feature prevents the loan from repricing to a level that exceeds the cap contract's specified interest rate, which serves to hedge the risk from rising interest rates. The Company then enters into an offsetting interest rate cap contract with a third party in order to economically hedge its exposure through the customer agreement.

These interest rate swaps and cap contracts with both the customers and third parties are not designated as hedges under ASC Topic 815, Derivatives and Hedging, therefore changes in fair value are reported in earnings. As the interest rate swaps and cap contracts are structured to offset each other, changes to the underlying benchmark interest rates considered in the valuation of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit quality variations between counterparties, which may impact earnings as required by ASC Topic 820, Fair Value Measurements. The Company recognized gains of $13,000 and losses of $2,000 and $2,000 $22,000 in commercial loan swap income resulting from the fair value adjustment adjustments for the three and nine months ended September 30, 2023, respectively, as compared to gains of $19,000 March 31, 2024 and $56,000 for the corresponding prior year periods. 2023, respectively.

Derivatives Designated as Hedging Instruments

During the fourth quarter of 2022, the Company entered into a three-year interest rate swap intended to add stability to its net interest income and to manage its exposure to future interest rate movements associated with a pool of floating rate commercial loans. The swap requires the Company to pay variable-rate amounts indexed to one-month term Secured Overnight Financing Rate ("SOFR") to the counterparty in exchange for the receipt of fixed-rate amounts at 4.0% from the counterparty. The swap was designated and qualified as a cash flow hedge under ASC Topic 815, Derivatives and Hedging. The changes in the fair value of cash flow hedges are initially reported in other comprehensive income. Amounts are subsequently reclassified from accumulated other comprehensive income to earnings when the hedged transactions occur, specifically within the same line item as the hedged item (interest income). Therefore, a portion of the balance reported in accumulated other comprehensive income related to derivatives will be reclassified to interest income as interest payments are made or received on the Company's interest rate swaps.

The table below presents the effect on the Company's accumulated other comprehensive income/loss ("AOCI" or "AOCL") attributable to the cash flow hedge derivative, net of tax, and the related gains/(losses) reclassified from AOCI into income (in thousands):

	Three Months Ended September 30,	Nine Months Ended September 30,
	2023	2023
	Three Months Ended March 31,	

	Three Months Ended March 31,	
	Three Months Ended March 31,	
	2024	
	2024	
	2024	
AOCL balance at beginning of period, net of tax	AOCL balance at beginning of period, net of tax	$ (909)	$ (25)
Unrealized losses recognized in OCI	(622)	(1,798)
AOCL balance at beginning of period, net of tax		
AOCL balance at beginning of period, net of tax		
Unrealized (losses) gains recognized in OCI		
Unrealized (losses) gains recognized in OCI		
Unrealized (losses) gains recognized in OCI		
Losses reclassified from AOCI into interest income	Losses reclassified from AOCI into interest income	246	538
AOCL balance at end of period, net of tax	$ (1,285)	$ (1,285)
Losses reclassified from AOCI into interest income		
Losses reclassified from AOCI into interest income		
(AOCL) AOCI balance at end of period, net of tax		
(AOCL) AOCI balance at end of period, net of tax		
(AOCL) AOCI balance at end of period, net of tax		

During the twelve months ending March 31, 2025, the Company estimates that an additional $932,000 will be reclassified as a reduction to interest income.

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements (Continued)

During the next twelve months ending September 30, 2024, the Company estimates that an additional $1.4 million will be reclassified as a reduction to interest income.

The table below presents the notional amount and fair value of derivatives designated and not designated as hedging instruments, as well as their location on the Consolidated Statements of Financial Condition (in thousands):

		Fair Value	
	Notional	Other assets	Other liabilities
As of September 30, 2023			
	Notional	Notional	
	Notional	Other assets	

				Other assets			
				Other assets			
As of March 31, 2024							
As of March 31, 2024							
As of March 31, 2024							
Derivatives Not Designated as Hedging Instruments							
Derivatives Not Designated as Hedging Instruments							
Derivatives Not Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments						
Interest rate swaps and cap contracts	Interest rate swaps and cap contracts	$	1,420,826	$	137,090	$	137,111
Interest rate swaps and cap contracts							
Interest rate swaps and cap contracts							
Derivatives Designated as Cash Flow Hedge							
Derivatives Designated as Cash Flow Hedge							
Derivatives Designated as Cash Flow Hedge	Derivatives Designated as Cash Flow Hedge						
Interest rate swap contract	Interest rate swap contract		100,000		—		1,695
Interest rate swap contract							
Interest rate swap contract							
Total Derivatives	**Total Derivatives**	$	1,520,826	$	137,090	$	138,806
As of December 31, 2022							
Total Derivatives							
Total Derivatives							
As of December 31, 2023							
As of December 31, 2023							
As of December 31, 2023							
Derivatives Not Designated as Hedging Instruments							
Derivatives Not Designated as Hedging Instruments							
Derivatives Not Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments						
Interest rate swaps and cap contracts	Interest rate swaps and cap contracts	$	1,368,245	$	113,420	$	113,440
Interest rate swaps and cap contracts							
Interest rate swaps and cap contracts							
Derivatives Designated as Cash Flow Hedge							
Derivatives Designated as Cash Flow Hedge							
Derivatives Designated as Cash Flow Hedge	Derivatives Designated as Cash Flow Hedge						
Interest rate swap contract	Interest rate swap contract		100,000		—		33
Interest rate swap contract							
Interest rate swap contract							

Total Derivatives	Total Derivatives	$	1,468,245	$	113,420	$	113,473
Total Derivatives							
Total Derivatives							

Credit Risk-Related Contingent Features

The Company is exposed to credit risk in the event of nonperformance by the interest rate derivative counterparty. The Company minimizes this risk by being a party to International Swaps and Derivatives Association agreements with third party third-party broker-dealers that require a minimum dollar transfer amount upon a margin call. This requirement is dependent on certain specified credit measures. The amount of collateral posted with third parties was $0 at both March 31, 2024 and $40,000 at September 30, 2023 and December 31, 2022, respectively. December 31, 2023. The amount of collateral received from third parties was $142.3 million $106.2 million and $104.5 million $88.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The amount of collateral posted with third parties and received from third parties is deemed to be sufficient to collateralize both the fair market value change as well as any additional amounts that may be required as a result of a change in the specified credit measures. The aggregate fair value of all derivative financial instruments in a liability position with credit measure contingencies and entered into with third parties was $138.8 million $105.1 million and $113.5 million $87.8 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The interest rate derivatives which the Company executes with the commercial borrowers are collateralized by the borrowers' commercial real estate financed by the Company.

Note 9. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company's leases are comprised of real estate property for branches, automated teller machine locations and office space with terms extending through 2038. The Company has one existing finance lease, which has a lease term through 2029.

The following table represents the classification of the Company's ROU Right of Use ("ROU") assets and lease liabilities on the Consolidated Statements of Financial Condition (in thousands):

			September 30, 2023	December 31, 2022
			March 31, 2024	
			March 31, 2024	December 31, 2023
Lease ROU Assets	**Lease ROU Assets**	**Classification**		
Operating lease ROU assets				
Operating lease ROU assets				
Operating lease ROU assets	Operating lease ROU assets	Other assets	$ 19,610	$ 19,055
Finance lease ROU asset	Finance lease ROU asset	Premises and equipment, net	1,362	1,532
Total lease ROU assets	Total lease ROU assets		$ 20,972	$ 20,587
Lease Liabilities	**Lease Liabilities**			
Lease Liabilities				
Lease Liabilities				
Operating lease liabilities (1)				
Operating lease liabilities (1)				

Operating lease liabilities (1)	Operating lease liabilities (1)	Other liabilities	$ 20,645	$ 20,053
Finance lease liability	Finance lease liability	Other borrowings	1,748	1,934
Total lease liabilities	Total lease liabilities		$ 22,393	$ 21,987

(1) Operating lease liabilities excludes liabilities for future rent and estimated lease termination payments related to closed branches of $6.3 $5.7 million and $7.7 $5.9 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The calculated amount of the ROU assets and lease liabilities are impacted by the lease term and the discount rate used to calculate the present value of the minimum lease payments. Lease agreements often include one or more options to renew the lease at the Company's discretion. If the exercise of a renewal option is considered to be reasonably certain, the Company includes the extended term in the calculation of the ROU asset and lease liability. For the discount rate, ASC Topic 842, Leases requires the Company to use the rate implicit in the lease, provided the rate is readily determinable. As this rate is not readily determinable, the Company generally utilizes its incremental borrowing rate, at lease inception, over a similar term. For operating leases existing prior to January 1, 2019, the Company used the incremental borrowing rate for the remaining lease term as of January 1, 2019. For the finance lease, the Company utilized its incremental borrowing rate at lease inception.

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
		March 31, 2024				
Weighted-Average Remaining Lease Term	Weighted-Average Remaining Lease Term					
Operating leases						
Operating leases						
Operating leases	Operating leases	6.59 years	6.87 years		6.39 years	6.52 years
Finance lease	Finance lease	5.85 years	6.60 years	Finance lease	5.35 years	5.60 years
Weighted-Average Discount Rate	Weighted-Average Discount Rate					
Operating leases	Operating leases	2.95 %	2.86 %			
Operating leases						
Operating leases					3.03 %	3.02 %
Finance lease	Finance lease	5.63	5.63			

OceanFirst Financial Corp.
Notes to Unaudited Consolidated Financial Statements (Continued)

The following table represents lease expenses and other lease information (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			

		2024			
		2024			
Lease Expense					
Lease Expense					
Lease Expense	**Lease Expense**				
Operating lease expense	Operating lease expense	$ 1,153	$ 1,159	$ 3,472	$ 3,857
Operating lease expense					
Operating lease expense					
Finance lease expense:					
Finance lease expense:					
Finance lease expense:	Finance lease expense:				
Amortization of ROU assets	Amortization of ROU assets	58	49	170	149
Amortization of ROU assets					
Amortization of ROU assets					
Interest on lease liabilities (1)	Interest on lease liabilities (1)	25	24	77	76
Interest on lease liabilities (1)					
Interest on lease liabilities (1)					
Total					
Total					
Total	Total	$ 1,236	$ 1,232	$ 3,719	$ 4,082
Other Information	**Other Information**				
Other Information					
Other Information					
Cash paid for amounts included in the measurement of lease liabilities:					
Cash paid for amounts included in the measurement of lease liabilities:					
Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	Operating cash flows from operating leases	$ 1,154	$ 955	$ 3,414	$ 3,366
Operating cash flows from operating leases					
Operating cash flows from operating leases					
Operating cash flows from finance leases					
Operating cash flows from finance leases					
Operating cash flows from finance leases	Operating cash flows from finance leases	25	24	77	76
Financing cash flows from finance leases	Financing cash flows from finance leases	63	52	186	154
Financing cash flows from finance leases					
Financing cash flows from finance leases					

(1) Included in borrowed funds interest expense on the Consolidated Statements of Income. All other costs are included in occupancy expense on the Consolidated Statements of Income.

Future minimum payments for the finance lease and operating leases with initial or remaining terms were as follows (in thousands):

		Finance Lease	Operating Leases		
		Finance Lease		Finance Lease	Operating Leases
For the Year Ending December 31,	For the Year Ending December 31,				
2023		$ 88	$ 1,157		
2024					
2024					
2024	2024	350	4,334		
2025	2025	350	4,351		
2026	2026	350	3,784		
2027	2027	350	2,628		
2028					
Thereafter	Thereafter	559	6,754		
Total	Total	2,047	23,008		
Less: Imputed interest	Less: Imputed interest	(299)	(2,363)		
Total lease liabilities	Total lease liabilities	$ 1,748	$ 20,645		

Note 10. Variable Interest Entity

The Company accounts for Trident as a variable interest entity ("VIE") under ASC 810, Consolidation, for which the Company is considered the primary beneficiary (i.e. the party that has a controlling financial interest). In accordance with ASC 810, Consolidation, the Company has consolidated Trident's assets and liabilities.

The summarized financial information for the Company's consolidated VIE at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted of the following (in thousands):

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	$ 26,082	$ 30,062		
Other assets	Other assets	937	941		
Total assets	Total assets	27,019	31,003		
Other liabilities	Other liabilities	25,237	28,998		
Net assets	Net assets	$ 1,782	$ 2,005		

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company and the Bank are not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary 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 1A. Risk Factors

For a summary of risk factors relevant to the Company, see Part I, Item 1A, “Risk Factors,” in the 2022 2023 Form 10-K and Part II, Item 1A, “Risk Factors,” in the Form 10-Q for the quarter ended March 31, 2023. Except as previously disclosed, there 10-K. There have been no material changes to risk factors relevant to the Company's operations since December 31, 2022 December 31, 2023. Additional risks not presently known to the Company, or that the Company currently deems immaterial, may also adversely affect the business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Purchases of Equity Securities

On June 25, 2021, the Company announced the authorization by the Board of Directors to repurchase up to an additional 5% of the Company's outstanding common stock, or 3.0 million shares. The Company did not repurchase any repurchased 957,827 shares of its common stock under its repurchase program during the three month period ended September 30, 2023 March 31, 2024. At September 30, 2023 March 31, 2024, there were 2,934,438 1,976,611 shares available for repurchase under the Company's stock repurchase program.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Program
January 1, 2024 through January 31, 2024	63,436	$ 17.67	63,436	2,871,002
February 1, 2024 through February 29, 2024	390,714	15.76	390,714	2,480,288
March 1, 2024 through March 31, 2024	503,677	15.29	503,677	1,976,611

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended September 30, 2023 March 31, 2024, no directors or executive officers of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) and/or any “Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

Exhibit No:	Exhibit Description	Reference
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with this document
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with this document
32.0	Certification pursuant to 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002	Filed with this document
101.0	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to Consolidated Financial Statements	
104.0	Cover Page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)	

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: November 7, 2023 May 2, 2024	/s/ Christopher D. Maher
	Christopher D. Maher
	Chairman and Chief Executive Officer
DATE: November 7, 2023 May 2, 2024	/s/ Patrick S. Barrett
	Patrick S. Barrett
	Executive Vice President and Chief Financial Officer

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Exhibit 31.1

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

I, Christopher D. Maher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of OceanFirst Financial Corp.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 and procedures 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this 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; and

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 functions):

   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: November 7, 2023 May 2, 2024

/s/ Christopher D. Maher

Christopher D. Maher

Chairman and Chief Executive Officer

(principal executive officer)

Exhibit 31.2

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

I, Patrick S. Barrett, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 and procedures 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this 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; and

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 functions):

   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: November 7, 2023 May 2, 2024

/s/ Patrick S. Barrett

Patrick S. Barrett

Executive Vice President and Chief Financial Officer

(principal financial officer)

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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 September 30, 2023 March 31, 2024 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/ Christopher D. Maher

Christopher D. Maher
Chairman and Chief Executive Officer
November 7, 2023 May 2, 2024

/s/ Patrick S. Barrett

Patrick S. Barrett
Executive Vice President and Chief Financial Officer
November 7, 2023 May 2, 2024

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