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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 June 30, 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. ☐

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 July 29, 2024, there were 58,484,418 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]	At or for the Quarters Ended		
(dollars in thousands, except per share amounts)	June 30, 2024	March 31, 2024	June 30, 2023
SELECTED FINANCIAL CONDITION DATA:			
Total assets	$ 13,321,755	$ 13,418,978	$ 13,538,903
Loans receivable, net of allowance for loan credit losses	9,961,117	10,068,209	10,030,106
Deposits	9,994,017	10,236,851	10,158,337
Total stockholders' equity	1,676,669	1,665,837	1,626,283
SELECTED OPERATING DATA:			
Net interest income	82,263	86,224	92,109
Provision for credit losses	3,114	591	1,229
Other income	10,985	12,286	8,928
Operating expenses	58,620	58,672	62,930
Net income	24,432	28,610	27,882
Net income attributable to OceanFirst Financial Corp.	24,373	28,667	27,797
Net income available to common stockholders	23,369	27,663	26,793
Diluted earnings per share	0.40	0.47	0.45
SELECTED FINANCIAL RATIOS:			
Book value per common share at end of period	28.67	28.32	27.37
Cash dividend per share	0.20	0.20	0.20
Dividend payout ratio per common share	50.00 %	42.55 %	44.44 %
Stockholders' equity to total assets	12.59	12.41	12.01
Return on average assets [2] [3] [4]	0.70	0.82	0.80
Return on average stockholders' equity [2] [3] [4]	5.61	6.65	6.61
Net interest rate spread [5]	2.11	2.23	2.52
Net interest margin [2] [6]	2.71	2.81	3.02
Operating expenses to average assets [2] [4]	1.75	1.74	1.87
Efficiency ratio [4] [7]	62.86	59.56	62.28
Loan-to-deposit ratio [8]	100.30	98.90	99.30
ASSET QUALITY[9]:			
Non-performing loans [10]	$ 33,422	$ 35,011	$ 22,758
Allowance for loan credit losses as a percent of total loans receivable [8] [11]	0.69 %	0.66 %	0.61 %
Allowance for loan credit losses as a percent of total non-performing loans [10] [11]	205.97	191.86	271.51
Non-performing loans as a percent of total loans receivable [8] [10]	0.33	0.35	0.23
Non-performing assets as a percent of total assets [10]	0.25	0.26	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 ended June 30, 2024 included a net gain on equity investments of $887,000, or $699,000, net of tax expense. Performance ratios for the three months ended March 31, 2024 included a net benefit related to a net gain on equity investments, a net gain on sale of trust business and a Federal Deposit Insurance Corporation ("FDIC") special assessment of $2.7 million, or $2.0 million, net of tax expense. Performance ratios for the three months ended June 30, 2023 included a net loss on equity investments of $559,000, or $397,000, net of tax 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 June 30, 2024 and March 31, 2024, non-performing loans included the remaining exposure of $7.2 million and $8.8 million, respectively, on a commercial real estate relationship that was partially charged-off during the three months ended June 30, 2024 and in the previous year.
(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 $6.1 million, $7.0 million, and $9.8 million at June 30, 2024, March 31, 2024 and June 30, 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 between Massachusetts and Virginia. The term "Company" refers to OceanFirst Financial Corp., the Bank and all 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. 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 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 ended June 30, 2024 were as follows:

- **Asset Quality:** Asset quality metrics remain strong as criticized and classified assets, non-performing loans, and loans 30 to 89 days past due as a percentage of total loans receivable were 1.42%, 0.33%, and 0.10%, respectively. These metrics continue to reflect strong credit performance and remain low compared to pre-pandemic levels.
- **Capital Accretion:** Common equity tier 1 capital ratio and book value per share were 11.2% and $28.67, respectively, and increased approximately 20 basis points and $0.35 from the prior linked quarter.
- **Share repurchases:** The Company repurchased 338,087 shares totaling $5.0 million. The Company has 1,638,524 shares available for repurchase under the authorized repurchase program.

The current quarter net interest income and margin were impacted by a mix-shift to and repricing of higher cost funding, and unanticipated prepayments on commercial loans. Deposit beta, which is the change in rates paid to customers relative to the change in federal funds target rate, increased modestly to 42%, from 40% in the prior linked quarter. Additionally, the current quarter provision for credit losses includes the impact of an additional $1.6 million charge-off on the single commercial real estate relationship that was previously moved to non-accrual and partially charged-off in 2023. The collateral related to the noted credit is currently under an agreement to sell, which is expected to occur during the third quarter of 2024.

Net income available to common stockholders for the three and six months ended June 30, 2024 decreased to $23.4 million and $51.0 million, respectively, or $0.40 and $0.87 per diluted share, as compared to $26.8 million and $53.7 million, or $0.45 and $0.91 per diluted share, for the corresponding prior year periods. The dividends paid to preferred stockholders were $1.0 million and $2.0 million for the three and six months ended June 30, 2024 and 2023, respectively.

On July 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 June 30, 2024, will be paid on August 16, 2024 to common stockholders of record on August 5, 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 August 15, 2024 to preferred stockholders of record on July 31, 2024.

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 six months ended June 30, 2024, interest income included net loan fees of $708,000 and $1.4 million, respectively, as compared to $1.2 million and $1.8 million for the same prior year periods, respectively.

The following tables set forth certain information relating to the Company for the three and six months ended June 30, 2024 and 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 June 30,					
	2024			2023		
(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	$ 132,574	$ 1,770	5.37 %	$ 308,238	$ 4,283	5.57 %
Securities [2]	2,058,711	21,607	4.22	1,931,032	16,709	3.47
Loans receivable, net [3]						
Commercial	6,845,988	102,620	6.03	6,912,698	99,350	5.76
Residential real estate	2,978,749	29,072	3.90	2,895,629	25,936	3.58
Home equity loans and lines and other consumer ("other consumer")	246,024	4,357	7.12	255,785	3,818	5.99
Allowance for loan credit losses, net of deferred loan costs and fees	(58,270)	—	—	(53,327)	—	—
Loans receivable, net	10,012,491	136,049	5.46	10,010,785	129,104	5.17
Total interest-earning assets	12,203,776	159,426	5.25	12,250,055	150,096	4.91
Non-interest-earning assets	1,237,442			1,217,666		
Total assets	$ 13,441,218			$ 13,467,721		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing checking	$ 3,862,060	21,043	2.19 %	$ 3,718,289	11,964	1.29 %
Money market	1,183,429	10,482	3.56	694,311	3,678	2.12
Savings	1,164,203	2,604	0.90	1,248,312	389	0.12
Time deposits	2,337,458	25,942	4.46	2,458,872	21,903	3.57
Total	8,547,150	60,071	2.83	8,119,784	37,934	1.87
Federal Home Loan Bank ("FHLB") advances	711,801	8,746	4.94	1,246,914	15,406	4.96
Securities sold under agreements to repurchase	72,305	478	2.66	71,752	192	1.07
Other borrowings [4]	541,266	7,868	5.85	284,460	4,455	6.28
Total borrowings	1,325,372	17,092	5.19	1,603,126	20,053	5.02
Total interest-bearing liabilities	9,872,522	77,163	3.14	9,722,910	57,987	2.39
Non-interest-bearing deposits	1,626,165			1,873,226		
Non-interest-bearing liabilities [4]	268,078			244,892		
Total liabilities	11,766,765			11,841,028		
Stockholders' equity	1,674,453			1,626,693		
Total liabilities and equity	$ 13,441,218			$ 13,467,721		
Net interest income		$ 82,263			$ 92,109	
Net interest rate spread [5]			2.11 %			2.52 %
Net interest margin [6]			2.71 %			3.02 %
Total cost of deposits (including non-interest-bearing deposits)			2.37 %			1.52 %

(dollars in thousands)	For the Six Months Ended June 30, 2024 Average Balance	2024 Interest	2024 Average Yield/ Cost [1]	2023 Average Balance	2023 Interest	2023 Average Yield/ Cost [1]
Assets:						
Interest-earning assets:						
Interest-earning deposits and short-term investments	$ 147,883	$ 3,995	5.43 %	$ 219,482	$ 5,221	4.80 %
Securities [2]	2,078,566	43,863	4.24	1,943,148	33,085	3.43
Loans receivable, net [3]						
Commercial	6,885,518	207,041	6.05	6,876,553	192,130	5.63
Residential real estate	2,976,608	57,668	3.87	2,883,904	51,097	3.54
Other consumer	247,210	8,461	6.88	259,573	7,597	5.90
Allowance for loan credit losses, net of deferred loan costs and fees	(58,705)	—	—	(51,948)	—	—
Loans receivable, net	10,050,631	273,170	5.46	9,968,082	250,824	5.07
Total interest-earning assets	12,277,080	321,028	5.25	12,130,712	289,130	4.80
Non-interest-earning assets	1,221,889			1,226,061		
Total assets	$ 13,498,969			$ 13,356,773		
Liabilities and Stockholders' Equity:						
Interest-bearing liabilities:						
Interest-bearing checking	$ 3,894,013	41,838	2.16 %	$ 3,790,413	18,234	0.97 %
Money market	1,137,716	19,653	3.47	699,940	5,437	1.57
Savings	1,259,960	7,066	1.13	1,308,381	723	0.11
Time deposits	2,375,760	51,369	4.35	2,144,514	34,870	3.28
Total	8,667,449	119,926	2.78	7,943,248	59,264	1.50
FHLB Advances	678,309	16,517	4.90	1,234,919	29,824	4.87
Securities sold under agreements to repurchase	70,403	889	2.54	71,825	282	0.79
Other borrowings [4]	521,084	15,209	5.87	295,248	8,849	6.04
Total borrowings	1,269,796	32,615	5.17	1,601,992	38,955	4.90
Total interest-bearing liabilities	9,937,245	152,541	3.09	9,545,240	98,219	2.08
Non-interest-bearing deposits	1,630,374			1,950,437		
Non-interest-bearing liabilities [4]	257,603			242,864		
Total liabilities	11,825,222			11,738,541		
Stockholders' equity	1,673,747			1,618,232		
Total liabilities and equity	$ 13,498,969			$ 13,356,773		
Net interest income		$ 168,487			$ 190,911	
Net interest rate spread [5]			2.16 %			2.72 %
Net interest margin [6]			2.76 %			3.17 %
Total cost of deposits (including non-interest-bearing deposits)			2.34 %			1.21 %

(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 three and six months ended June 30, 2023, includes reclassifications to conform with current period 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 June 30, 2024 and December 31, 2023

Total assets decreased by $216.5 million to $13.32 billion, from $13.54 billion, primarily due to decreases in loans and debt securities. Total loans decreased by $175.3 million to $10.02 billion, from $10.19 billion, primarily due to a decrease in the total commercial portfolio of $165.3 million driven by loan payoffs and lower loan originations. The loan pipeline increased by $76.1 million to $259.1 million from $183.0 million. For more information on the composition of the loan portfolio, see "Lending Activities." Held-to-maturity debt securities decreased by $53.9 million to $1.11 billion, from $1.16 billion, primarily due to principal repayments. Debt securities available-for-sale decreased $32.4 million to $721.5 million, from $753.9 million, primarily due to principal reductions and maturities. Other assets increased by $23.3 million to $203.0 million, from $179.7 million, primarily due to an increase in the market values of derivatives associated with customer interest rate swap programs.

Total liabilities decreased by $231.2 million to $11.65 billion, from $11.88 billion primarily related to lower deposits and a funding mix shift. Deposits decreased by $440.9 million to $9.99 billion, from $10.43 billion, primarily due to decreases in high-yield savings accounts of $283.1 million and interest bearing deposits of $243.9 million. Time deposits decreased to $2.37 billion, from $2.45 billion, representing 23.7% and 23.4% of total deposits, respectively, which was primarily related to planned runoff of brokered time deposits, which decreased by $229.9 million, offset by increases in retail time deposits of $161.7 million. The loan-to-deposit ratio was 100.3%, as compared to 97.7%. FHLB advances decreased by $59.3 million to $789.3 million, from $848.6 million due to a mix shift in funding sources to other borrowings, which increased by $228.0 million to $424.5 million, from $196.5 million, as a result of lower cost funding availability.

Other liabilities increased by $31.4 million to $332.1 million, from $300.7 million, primarily due to an increase in the market values of derivatives 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 June 30, 2024, including the Company's estimated common equity tier one capital ratio, which increased to 11.23%, up approximately 35 basis points from December 31, 2023.

Total stockholders' equity increased to $1.68 billion, as compared to $1.66 billion, primarily reflecting net income, partially offset by capital returns comprising of share repurchases and dividends. For the six months ended June 30, 2024, the Company repurchased 1,295,914 shares totaling $20.1 million representing a weighted average cost of $15.35. The Company had 1,638,524 shares available for repurchase under the authorized repurchase program. Additionally, accumulated other comprehensive loss decreased by $3.7 million primarily due to increases in fair market value of available-for-sale debt securities, net of tax. The Company's stockholders' equity to assets ratio was 12.59%, as compared to 12.28% and book value per share increased to $28.67, as compared to $27.96.

Comparison of Operating Results for the Three and Six Months Ended June 30, 2024 and June 30, 2023

General

Net income available to common stockholders for the three and six months decreased to $23.4 million and $51.0 million, respectively, or $0.40 and $0.87 per diluted share, as compared to $26.8 million and $53.7 million, or $0.45 and $0.91 per diluted share, for the corresponding prior year periods. Net income for the three and six months ended June 30, 2024 included net gains on equity investments of $887,000 and $2.8 million, respectively. Net income for the six months ended June 30, 2024 also included a net gain on sale of a portion of its trust business of $1.2 million, and a special FDIC assessment of $418,000. These items increased net income by $699,000 and $2.7 million, net of tax, for the three and six months ended June 30, 2024, respectively.

Net income for the three and six months ended June 30, 2023 included net loss on equity investments of $559,000 and $2.8 million, respectively. Net income for the six months ended June 30, 2023 also included merger related expenses of $22,000, net branch consolidation expense of $70,000 and net loss on sale of investments of $5.3 million. These items decreased net income by $397,000 and $6.2 million, net of tax, for the three and six months ended June 30, 2023, respectively.

Interest Income

Interest income for the three and six months ended June 30, 2024 increased to $159.4 million and $321.0 million, respectively, from $150.1 million and $289.1 million for the corresponding prior year periods. For the three and six months ended June 30, 2024, the yield on average interest-earning assets increased to 5.25%, for both periods, from 4.91% and 4.80% for the corresponding prior year periods. The average balance of interest-earning assets decreased by $46.3 million for the three months ended June 30, 2024, due to balance sheet contraction. The average balance of interest-earning assets increased by $146.4 million for the six months ended June 30, 2024, primarily driven by securities growth of $135.4 million.

Interest Expense

Interest expense for the three and six months ended June 30, 2024 increased to $77.2 million and $152.5 million, respectively, from $58.0 million and $98.2 million in the corresponding prior year periods, primarily due to an increase in the cost of interest-bearing liabilities and an increase in total deposits, partly offset by a decrease in total borrowings. For the three and six months ended June 30, 2024, the cost of average interest-bearing liabilities increased to 3.14% and 3.09%, respectively, from 2.39% and 2.08% for the corresponding prior year periods, primarily due to higher cost of deposits. The total cost of deposits (including non-interest-bearing deposits) increased to 2.37% and 2.34% for the three and six months ended June 30, 2024, respectively, from 1.52% and 1.21% for the same prior year periods.

Net Interest Income and Margin

Net interest income for the three and six months ended June 30, 2024 decreased to $82.3 million and $168.5 million, respectively, from $92.1 million and $190.9 million in the corresponding prior year periods, primarily reflecting the net impact of the higher interest rate environment. The net interest margin for the three and six months ended June 30, 2024 decreased to 2.71% and 2.76%, respectively, from 3.02% and 3.17% for the same prior year periods. The net interest margin decreased primarily due to the increase in cost of funds outpacing the increase in yield on average interest-earning assets.

Provision for Credit Losses

Provision for credit losses for the three and six months ended June 30, 2024 was $3.1 million and $3.7 million, respectively, as compared to $1.2 million and $4.2 million for the corresponding prior year periods. The current quarter provision was driven by the additional charge-off previously noted in the "Summary" section above and changes in the external macro-economic forecasts, partly offset by lower loan balances. Net loan charge-offs were $1.5 million and $1.8 million for the three and six months ended June 30, 2024, respectively, as compared to $123,000 and $76,000 for the same prior year periods.

Non-interest Income

Three months ended June 30, 2024 vs. June 30, 2023

Other income increased to $11.0 million, as compared to $8.9 million. Other income was favorably impacted by net gains on equity investments of $887,000 for the current quarter, and adversely impacted by net losses on equity investments of $559,000 for the prior year. The remaining increase of $611,000 was primarily driven by increases in the cash surrender value of bank owned life insurance of $544,000 and net gain on sale of loans of $387,000, partially offset by a decrease in fees and service charges of $587,000 on lower title activity and retail deposit fees.

Six months ended June 30, 2024 vs. June 30, 2023

Other income increased to $23.3 million, as compared to $11.0 million. The current period was favorably impacted by net gains on equity investments of $2.8 million and a net gain on sale of a portion of its trust business of $1.2 million. The prior year was adversely impacted by a net loss on equity investments of $8.1 million, primarily related to losses on sale of investments. The remaining increase of $241,000 was primarily driven by increases in the cash surrender value of bank owned life insurance of $1.1 million, which included one-time death benefits in the current period, and net gain on sale of loans of $724,000. This was partially offset by a decrease in fees and service charges of $1.3 million, which was driven by the same factors as noted above.

Non-interest Expense

Three months ended June 30, 2024 vs. June 30, 2023

Operating expenses decreased $4.3 million to $58.6 million, from $62.9 million. The primary drivers were decreases in professional fees of $2.9 million and compensation and employee benefits expenses of $1.1 million, which reflect the net realization of the Company's performance improvements initiatives and strategic investments made over the past year.

Six months ended June 30, 2024 vs. June 30, 2023

Operating expenses decreased to $117.3 million, as compared to $124.2 million. Operating expenses were adversely impacted by an FDIC special assessment of $418,000 in the current year, and merger related and net branch consolidation expenses of $92,000 in the prior year. The remaining decrease of $7.3 million were driven by decreases in professional fees of $5.3 million and compensation and employee benefits expenses of $2.2 million, which reflect the net realization of the Company's performance improvements initiatives and strategic investments made over the past year.

Income Tax Expense

The provision for income taxes was $7.1 million and $17.7 million for the three and six months ended June 30, 2024, respectively, as compared to $9.0 million and $17.7 million for the same prior year periods. The effective tax rate was 22.5% and 25.0% for the three and six months ended June 30, 2024, respectively, as compared to 24.4% and 24.0% for the same prior year periods. The current year's effective tax rates was negatively impacted by 1.6% due to a non-recurring 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, 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 periodic basis. As of June 30, 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 and funding capacity at the FHLB and FRB Discount Window, and periodically tests each of its lines of credit. As of June 30, 2024, total on-balance sheet liquidity and funding capacity was $3.9 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 FDIC 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 June 30, 2024, the Bank reported in its Call Report $5.33 billion of estimated uninsured deposits. This total included $2.24 billion of collateralized government deposits and $1.53 billion of intercompany deposits of fully consolidated subsidiaries, leaving estimated adjusted uninsured deposits of $1.55 billion, or 15.4% of total deposits. On-balance-sheet liquidity and funding capacity represented 251.4% of the estimated adjusted uninsured deposits.

The primary sources of liquidity specifically available to the Parent Company are dividends from the Bank, proceeds from sale of investments, and the issuance of debt, preferred and common stock. For the six months ended June 30, 2024, the Parent Company received dividend payments of $59.0 million from the Bank. At June 30, 2024, the Parent Company held $87.5 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. 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 lines of credit at multiple financial institutions, and access to the FRB discount window.

As of June 30, 2024, the Company pledged $7.37 billion of loans with the FHLB and FRB to enhance the Company's borrowing capacity, which included collateral pledged to the FHLB to obtain a municipal letter of credit to collateralize certain municipal deposits. The Company also pledged $1.26 billion of securities to secure borrowings, enhance borrowing capacity, collateralize its repurchase agreements, and for other purposes required by law. The Company had $789.3 million of FHLB advances, including $104.5 million of overnight borrowings as of June 30, 2024, as compared to $848.6 million of FHLB term advances and no outstanding overnight borrowings from the FHLB at December 31, 2023. The Company had $424.5 million of other borrowings as of June 30, 2024, as compared to $196.5 million at December 31, 2023, reflecting a shift in funding sources from FHLB advances to other borrowings.

The Company's cash needs for the six months ended June 30, 2024 were primarily satisfied by the increase in other borrowings. The cash was utilized for the reduction of deposits and FHLB advances.

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 June 30, 2024, outstanding commitments to originate loans totaled $259.1 million and outstanding undrawn lines of credit totaled $1.32 billion, of which $1.00 billion were commitments to commercial and commercial construction borrowers and $315.1 million were commitments to consumer 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 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 June 30, 2024, the Company also had various contractual obligations, which included debt obligations of $1.29 billion, including finance lease obligations of $1.6 million, and an additional $18.8 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 $2.29 billion at June 30, 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 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 six months ended June 30, 2024, the Company repurchased 338,087 and 1,295,914 shares of its common stock, respectively, totaling $5.0 million and $20.1 million, respectively. At June 30, 2024, there were 1,638,524 shares available to be repurchased under the authorized stock repurchase program.

Cash dividends on common stock declared and paid during the first six months of June 30, 2024 were $23.6 million. Cash dividends on preferred stock declared and paid during the first six months of June 30, 2024 were $2.0 million.

The Company's ability to continue to repurchase shares of common stock and pay dividends remain dependent upon capital distributions from the Bank, which may be adversely affected by capital restraints imposed by applicable regulations. If applicable regulations or regulatory bodies prevent the Bank from paying a dividend to the 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 periodically, varying loan growth, earnings, access to the capital markets, credit losses, and mark-to-market losses in the investment portfolio, including both available-for-sale and held-to-maturity. As of June 30, 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 June 30, 2024 and 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 June 30, 2024	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Company:						
Tier 1 capital (to average assets)	$ 1,233,052	9.54 %	$ 517,236	4.00 %	N/A	N/A
Common equity Tier 1 (to risk-weighted assets)	1,103,090	11.23	687,444	7.00 (1)	N/A	N/A
Tier 1 capital (to risk-weighted assets)	1,233,052	12.56	834,754	8.50 (1)	N/A	N/A
Total capital (to risk-weighted assets)	1,430,213	14.56	1,031,166	10.50 (1)	N/A	N/A
Bank:						
Tier 1 capital (to average assets)	$ 1,157,610	9.03 %	$ 513,068	4.00 %	$ 641,335	5.00 %
Common equity Tier 1 (to risk-weighted assets)	1,157,610	11.92	680,028	7.00 (1)	631,455	6.50
Tier 1 capital (to risk-weighted assets)	1,157,610	11.92	825,748	8.50 (1)	777,175	8.00
Total capital (to risk-weighted assets)	1,229,772	12.66	1,020,042	10.50 (1)	971,469	10.00
As of December 31, 2023						
Company:						
Tier 1 capital (to average assets)	$ 1,218,142	9.31 %	$ 523,588	4.00 %	N/A	N/A
Common equity Tier 1 (to risk-weighted assets)	1,088,542	10.86	701,778	7.00 (1)	N/A	N/A
Tier 1 capital (to risk-weighted assets)	1,218,142	12.15	852,159	8.50 (1)	N/A	N/A
Total capital (to risk-weighted assets)	1,413,400	14.10	1,052,667	10.50 (1)	N/A	N/A
Bank:						
Tier 1 capital (to average assets)	$ 1,155,896	8.90 %	$ 519,690	4.00 %	$ 649,612	5.00 %
Common equity Tier 1 (to risk-weighted assets)	1,155,896	11.65	694,620	7.00 (1)	645,004	6.50
Tier 1 capital (to risk-weighted assets)	1,155,896	11.65	843,467	8.50 (1)	793,852	8.00
Total capital (to risk-weighted assets)	1,226,154	12.36	1,041,930	10.50 (1)	992,315	10.00

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

At June 30, 2024 and December 31, 2023, the Company and the Bank satisfied the criteria to be “well-capitalized” under the Prompt Corrective Action regulations.

At June 30, 2024 and December 31, 2023, the Company maintained a stockholders’ equity to total assets ratio of 12.59% and 12.28%, respectively.

Lending Activities

Loan Portfolio Composition. At June 30, 2024, the Company had total loans outstanding of $10.02 billion, of which $6.18 billion, or 61.7% of total loans, were commercial real estate, multi-family, and land loans (collectively, "commercial real estate"). The remainder of the portfolio consisted of: $616.4 million of commercial and industrial loans, or 6.2% of total loans; $2.98 billion of residential real estate loans, or 29.7% of total loans; and $242.5 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 June 30, 2024, of the total commercial real estate portfolio, $5.32 billion or 86.1% was considered investor-owned and $857.7 million or 13.9% 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 table presents the Company's commercial real estate - investor owned loans by industry as of June 30, 2024:

	As of June 30, 2024			
(dollars in thousands)	Amount	Percent of Total	Weighted Average LTV[1]	Weighted Average Debt Service Coverage Ratio[2]
Office	$ 547,850	12 %	51 %	1.8x
Medical	287,076	6	57	1.7
Credit Tenant	261,756	6	64	1.5
Total Office[3]	1,096,682	24	56	1.7
Retail	1,084,704	23	54	1.9
Multi-family[4]	886,063	19	57	1.7
Industrial/warehouse	718,376	15	51	2.0
Hospitality	164,034	4	47	2.1
Other[5]	714,403	15	47	1.8
Total	4,664,262	100 %	53	1.8
Construction	660,732			
Total CRE Investor owned and construction	$ 5,324,994			

(1) Represents the weighted average of loan balances as of June 30, 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 11.2%, 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 $14 million, or 0.11% 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 $42 million, or 0.31% 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.

The following table presents total commercial real estate - investor owned loans by geography (generally based on location of collateral) as of June 30, 2024:

	As of June 30, 2024	
(dollars in thousands)	Amount	Percent of Total
New York	$ 1,510,097	32 %
Pennsylvania and Delaware	1,249,595	27
New Jersey	1,187,934	25
Massachusetts	148,817	3
Maryland and District of Columbia	143,634	3
Other	424,185	9
Total	4,664,262	100 %
Construction	660,732	
Total CRE investor owned and construction	$ 5,324,994	

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.

	June 30, 2024	December 31, 2023
	(dollars in thousands)	
Non-performing loans [1]:		
Commercial real estate – investor	$ 19,761	$ 20,820
Commercial real estate – owner occupied	4,081	351
Commercial and industrial	434	304
Residential real estate	7,213	5,542
Other consumer	1,933	2,531
Total non-performing loans and assets	$ 33,422	$ 29,548
PCD loans, net of allowance for loan credit losses	$ 16,058	$ 16,122
Delinquent loans 30-89 days	$ 9,655	$ 19,202
Allowance for loan credit losses as a percent of total loans [2]	0.69 %	0.66 %
Allowance for loan credit losses as a percent of total non-performing loans [2]	205.97	227.21
Non-performing loans as a percent of total loans receivable	0.33	0.29
Non-performing assets as a percent of total assets	0.25	0.22

(1) At June 30, 2024 and December 31, 2023, non-performing loans included the remaining exposure of $7.2 million and $8.8 million, respectively, on a commercial real estate relationship that was partially charged-off during the three months ended June 30, 2024, and previously partially charged-off during the year ended December 31, 2023.
(2) Loans acquired from prior bank acquisitions were recorded at fair value. The net unamortized credit and PCD marks on these loans, not reflected in the allowance for loan credit losses, were $6.1 million and $7.5 million at June 30, 2024 and December 31, 2023, respectively.

Overall asset quality metrics remained stable. The Company's non-performing loans represented 0.33% and 0.29% of total loans, respectively. The allowance for loan credit losses as a percentage of total non-performing loans was 205.97%, as compared to 227.21%. The level of 30 to 89 days delinquent loans decreased to $9.7 million, from $19.2 million. The Company's allowance for loan credit losses was 0.69%, as compared to 0.66%.

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):

	June 30, 2024	December 31, 2023
Special Mention	$ 49,767	$ 40,385
Substandard	92,846	106,552

The increase in special mention loans was primarily due to new downgrades of three commercial relationships totaling $24.8 million, partly offset by four commercial loans totaling $10.1 million, which were upgraded and one commercial loan of $5.9 million moving from special mention to substandard during the six months ended June 30, 2024. Additionally, the decrease in substandard loans was primarily due to eight commercial relationships totaling $17.0 million that were paid off or were upgraded, which was partially offset by the $5.9 million category change noted above.

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, 2023 (the "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 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 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 in accordance with Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other was a critical accounting estimate in the preparation of the consolidated financial statements at June 30, 2024 and December 31, 2023.

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 may result in recording an impairment loss. Any resulting impairment loss may have a material adverse impact on the Company's financial condition and results of operations and is considered a non-cash event with no impact to the Company's regulatory capital ratios, liquidity position, and ongoing operations.

Management continued to carefully assess and evaluate all available information for potential triggering events and concluded no triggering events were identified through the reporting period. The Company customarily performs its annual goodwill impairment assessment during the third quarter.

Impact of New Accounting Pronouncements

Accounting Pronouncements Adopted in 2024

In June 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2023. Early adoption is permitted. The adoption of this standard did not have a material impact 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 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2023. Early adoption is permitted. The 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 a material impact on the financial condition or results of operations but is currently assessing the impact of additional disclosures to 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, those items discussed under Item 1A. Risk Factors herein and the following: changes in interest rates, inflation, general economic conditions, levels of unemployment in the Company's lending area, real estate market values in the Company's lending area, potential goodwill impairment, 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, and 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 pandemics on our operations and financial results and those of our customers and the Bank's ability to successfully integrate acquired operations.

These risks and uncertainties are further discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 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. 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 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 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. 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 2023 Form 10-K and this Quarterly Report on Form 10-Q.

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.

The Company performs a variety of EVE and twelve-month net interest income sensitivity scenarios. The following table sets forth sensitivity for a specific range of interest rate scenarios as of June 30, 2024 and December 31, 2023.

	June 30, 2024		December 31, 2023	
Change in Interest Rates in Basis Points (Rate Shock)	**Economic Value of Equity % Change**	**Net Interest Income % Change**	**Economic Value of Equity % Change**	**Net Interest Income % Change**
300	(5.7) %	1.2 %	(12.8) %	(2.2) %
200	(3.5)	1.0	(9.1)	(1.3)
100	(1.6)	0.9	(5.2)	(0.4)
Static	—	—	—	—
(100)	2.0	(1.1)	7.0	(0.5)
(200)	3.0	(2.9)	8.8	(1.9)
(300)	0.6	(5.3)	6.8	(4.2)

The net interest income sensitivity results indicate that at June 30, 2024 the Company was modestly asset sensitive. The change in sensitivity between June 30, 2024 and December 31, 2023 was impacted by a deposit mix shift within non-maturity deposits with lower betas as well as a change in loan prepayments, partially offset by a decrease in floating rate loans, an increase in overnight and short-term borrowings and reduction in short-term time deposits.

Overall, the measure of EVE at risk decreased in all rate scenarios from December 31, 2023 to June 30, 2024. This decrease was the result of a deposit mix shift within non-maturity deposits with lower betas and 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 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 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 (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 June 30, 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)

	June 30, 2024	December 31, 2023
	(Unaudited)	
Assets		
Cash and due from banks	$ 181,198	$ 153,718
Debt securities available-for-sale, at estimated fair value	721,484	753,892
Debt securities held-to-maturity, net of allowance for securities credit losses of $958 at June 30, 2024 and $1,133 at December 31, 2023 (estimated fair value of $1,003,850 at June 30, 2024 and $1,068,438 at December 31, 2023)	1,105,843	1,159,735
Equity investments	104,132	100,163
Restricted equity investments, at cost	92,679	93,766
Loans receivable, net of allowance for loan credit losses of $68,839 at June 30, 2024 and $67,137 at December 31, 2023	9,961,117	10,136,721
Loans held-for-sale	2,062	5,166
Interest and dividends receivable	50,976	51,874
Premises and equipment, net	117,392	121,372
Bank owned life insurance	267,867	266,498
Assets held for sale	28	28
Goodwill	506,146	506,146
Core deposit intangible	7,859	9,513
Other assets	202,972	179,661
Total assets	$ 13,321,755	$ 13,538,253
Liabilities and Stockholders' Equity		
Deposits	$ 9,994,017	$ 10,434,949
Federal Home Loan Bank ("FHLB") advances	789,337	848,636
Securities sold under agreements to repurchase with customers	80,000	73,148
Other borrowings	424,490	196,456
Advances by borrowers for taxes and insurance	25,168	22,407
Other liabilities	332,074	300,712
Total liabilities	11,645,086	11,876,308
Stockholders' equity:		
Preferred stock, $0.01 par value, $1,000 liquidation preference, 5,000,000 shares authorized, and 57,370 shares issued at both June 30, 2024 and December 31, 2023	1	1
Common stock, $0.01 par value, 150,000,000 shares authorized, 62,512,415 and 62,182,767 shares issued at June 30, 2024 and December 31, 2023, respectively; and 58,481,418 and 59,447,684 shares outstanding at June 30, 2024 and December 31, 2023, respectively	613	613
Additional paid-in capital	1,164,813	1,161,755
Retained earnings	620,021	592,542
Accumulated other comprehensive loss	(17,185)	(20,862)
Less: Unallocated common stock held by Employee Stock Ownership Plan ("ESOP")	(3,161)	(3,780)
Treasury stock, 4,030,997 and 2,735,083 shares at June 30, 2024 and December 31, 2023, respectively	(89,217)	(69,106)
OceanFirst Financial Corp. stockholders' equity	1,675,885	1,661,163
Non-controlling interest	784	782
Total stockholders' equity	1,676,669	1,661,945
Total liabilities and stockholders' equity	$ 13,321,755	$ 13,538,253

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 June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Interest income:				
Loans	$ 136,049	$ 129,104	$ 273,170	$ 250,824
Debt securities	19,039	14,320	38,900	28,606
Equity investments and other	4,338	6,672	8,958	9,700
Total interest income	159,426	150,096	321,028	289,130
Interest expense:				
Deposits	60,071	37,934	119,926	59,264
Borrowed funds	17,092	20,053	32,615	38,955
Total interest expense	77,163	57,987	152,541	98,219
Net interest income	82,263	92,109	168,487	190,911
Provision for credit losses	3,114	1,229	3,705	4,242
Net interest income after provision for credit losses	79,149	90,880	164,782	186,669
Other income:				
Bankcard services revenue	1,571	1,544	2,987	2,874
Trust and asset management revenue	419	645	945	1,257
Fees and service charges	5,015	5,602	9,488	10,761
Net gain on sales of loans	420	33	777	53
Net gain (loss) on equity investments	887	(559)	2,810	(7,360)
Income from bank owned life insurance	1,726	1,182	3,588	2,463
Commercial loan swap income	241	—	379	701
Other	706	481	2,297	252
Total other income	10,985	8,928	23,271	11,001
Operating expenses:				
Compensation and employee benefits	33,136	34,222	65,895	68,142
Occupancy	5,175	5,265	10,374	10,504
Equipment	1,068	1,101	2,198	2,306
Marketing	1,175	961	2,165	1,943
Federal deposit insurance and regulatory assessments	2,685	2,465	5,820	4,214
Data processing	6,018	6,165	11,974	12,319
Check card processing	1,075	1,214	2,125	2,495
Professional fees	2,161	5,083	4,893	10,181
Amortization of core deposit intangible	810	994	1,654	2,021
Branch consolidation expense, net	—	—	—	70
Merger related expenses	—	—	—	22
Other operating expense	5,317	5,460	10,194	10,022
Total operating expenses	58,620	62,930	117,292	124,239
Income before provision for income taxes	31,514	36,878	70,761	73,431
Provision for income taxes	7,082	8,996	17,719	17,650
Net income	24,432	27,882	53,042	55,781
Net income attributable to non-controlling interest	59	85	2	101
Net income attributable to OceanFirst Financial Corp.	24,373	27,797	53,040	55,680
Dividends on preferred shares	1,004	1,004	2,008	2,008
Net income available to common stockholders	$ 23,369	$ 26,793	$ 51,032	$ 53,672
Basic earnings per share	$ 0.40	$ 0.45	$ 0.87	$ 0.91
Diluted earnings per share	$ 0.40	$ 0.45	$ 0.87	$ 0.91
Average basic shares outstanding	58,356	59,147	58,489	58,988
Average diluted shares outstanding	58,357	59,153	58,490	59,038

See accompanying Notes to Unaudited Consolidated Financial Statements.

OceanFirst Financial Corp.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
Net income	$ 24,432	$ 27,882	$ 53,042	$ 55,781
Other comprehensive income:				
Net unrealized gain on debt securities (net of tax expense of $710 and $1,344 in 2024 and $92 and $1,858 in 2023, respectively)	2,226	282	4,219	5,829
Accretion of unrealized loss on debt securities reclassified to held-to-maturity (net of tax expense of $40 and $82 in 2024 and $54 and $110 in 2023, respectively)	57	82	118	161
Unrealized loss on derivative hedges (net of tax benefit of $98 and $400 in 2024 and $506 and $375 in 2023, respectively)	(306)	(1,588)	(1,255)	(1,176)
Reclassification adjustment for losses included in net income (net of tax expense of $81 and $190 in 2024 and $61 and $262 in 2023, respectively)	253	191	595	820
Total other comprehensive income (loss), net of tax	2,230	(1,033)	3,677	5,634
Total comprehensive income	26,662	26,849	56,719	61,415
Less: comprehensive income attributable to non-controlling interest	59	85	2	101
Comprehensive income attributable to OceanFirst Financial Corp.	26,603	26,764	56,717	61,314
Less: Dividends on preferred shares	1,004	1,004	2,008	2,008
Total comprehensive income available to common stockholders	$ 25,599	$ 25,760	$ 54,709	$ 59,306

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 June 30, 2024 and 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
Balance at March 31, 2023	$ 1	$ 613	$1,158,007	$ 554,941	$ (29,315)	$ (5,588)	$ (69,106)	$ 818	$ 1,610,371
Net income	—	—	—	27,797	—	—	—	85	27,882
Other comprehensive loss, net of tax	—	—	—	—	(1,033)	—	—	—	(1,033)
Stock compensation	—	—	1,508	—	—	—	—	—	1,508
Allocation of ESOP stock	—	—	(136)	—	—	602	—	—	466
Cash dividend $0.20 per share	—	—	—	(11,837)	—	—	—	—	(11,837)
Exercise of stock options	—	—	15	(30)	—	—	—	—	(15)
Preferred stock dividend	—	—	—	(1,004)	—	—	—	—	(1,004)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(55)	(55)
Balance at June 30, 2023	$ 1	$ 613	$1,159,394	$ 569,867	$ (30,348)	$ (4,986)	$ (69,106)	$ 848	$ 1,626,283
Balance at March 31, 2024	$ 1	$ 613	$1,163,282	$ 608,355	$ (19,415)	$ (3,470)	$ (84,254)	$ 725	$ 1,665,837
Net income	—	—	—	24,373	—	—	—	59	24,432
Other comprehensive income, net of tax	—	—	—	—	2,230	—	—	—	2,230
Stock compensation	—	—	1,591	—	—	—	—	—	1,591
Allocation of ESOP stock	—	—	(60)	—	—	309	—	—	249
Cash dividend $0.20 per share	—	—	—	(11,703)	—	—	—	—	(11,703)
Repurchase of 338,087 shares of common stock	—	—	—	—	—	—	(4,963)	—	(4,963)
Preferred stock dividend	—	—	—	(1,004)	—	—	—	—	(1,004)
Balance at June 30, 2024	$ 1	$ 613	$1,164,813	$ 620,021	$ (17,185)	$ (3,161)	$ (89,217)	$ 784	$ 1,676,669

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

For the Six Months Ended June 30, 2024 and 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
Balance at December 31, 2022	$ 1	$ 612	$ 1,154,821	$ 540,507	$ (35,982)	$ (6,191)	$ (69,106)	$ 802	$ 1,585,464
Net income	—	—	—	55,680	—	—	—	101	55,781
Other comprehensive income, net of tax	—	—	—	—	5,634	—	—	—	5,634
Stock compensation	—	—	3,336	—	—	—	—	—	3,336
Allocation of ESOP stock	—	—	(75)	—	—	1,205	—	—	1,130
Cash dividend $0.40 per share	—	—	—	(23,592)	—	—	—	—	(23,592)
Exercise of stock options	—	1	1,312	(720)	—	—	—	—	593
Preferred stock dividend	—	—	—	(2,008)	—	—	—	—	(2,008)
Distributions to non-controlling interest	—	—	—	—	—	—	—	(55)	(55)
Balance at June 30, 2023	$ 1	$ 613	$ 1,159,394	$ 569,867	$ (30,348)	$ (4,986)	$ (69,106)	$ 848	$ 1,626,283
Balance at December 31, 2023	$ 1	$ 613	$ 1,161,755	$ 592,542	$ (20,862)	$ (3,780)	$ (69,106)	$ 782	$ 1,661,945
Net income	—	—	—	53,040	—	—	—	2	53,042
Other comprehensive income, net of tax	—	—	—	—	3,677	—	—	—	3,677
Stock compensation	—	—	3,132	—	—	—	—	—	3,132
Allocation of ESOP stock	—	—	(103)	—	—	619	—	—	516
Cash dividend $0.40 per share	—	—	—	(23,553)	—	—	—	—	(23,553)
Repurchase 1,295,914 shares of common stock	—	—	29	—	—	—	(20,111)	—	(20,082)
Preferred stock dividend	—	—	—	(2,008)	—	—	—	—	(2,008)
Balance at June 30, 2024	$ 1	$ 613	$ 1,164,813	$ 620,021	$ (17,185)	$ (3,161)	$ (89,217)	$ 784	$ 1,676,669

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	For the Six Months Ended June 30,	
	2024	**2023**
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 53,042	$ 55,781
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	5,696	6,082
Allocation of ESOP stock	516	1,130
Stock compensation	3,132	3,336
Net excess tax expense on stock compensation	365	244
Amortization of servicing asset	120	20
Net premium amortization in excess of discount accretion on securities	349	2,012
Net amortization of deferred costs on borrowings	309	297
Amortization of core deposit intangible	1,654	2,021
Net accretion of purchase accounting adjustments	(2,056)	(2,448)
Net amortization of deferred fees/costs and premiums/discounts on loans	(1,103)	(818)
Provision for credit losses	3,705	4,242
Net write down of fixed assets held-for-sale to net realizable value	—	459
Net gain on sale of fixed assets	(168)	(26)
Net loss on sales of available-for-sale securities	106	697
Net (gain) loss on equity investments	(2,810)	7,360
Net gain on sales of loans	(777)	(53)
Proceeds from sales of residential loans held for sale	75,786	22,578
Residential loans originated for sale	(71,905)	(26,035)
Increase in value of bank owned life insurance	(4,181)	(2,463)
Net loss on sale of assets held for sale	—	44
Increase in interest and dividends receivable	898	(3,229)
Deferred tax provision (benefit)	920	(33)
(Increase) decrease in other assets	(23,414)	6,424
Increase in other liabilities	29,644	18,640
Total adjustments	16,786	40,481
Net cash provided by operating activities	69,828	96,262
Cash flows from investing activities:		
Net decrease (increase) in loans receivable	174,954	(163,714)
Purchase of debt securities available-for-sale	(14,280)	(4,287)
Purchase of debt securities held-to-maturity	(6,069)	(63,661)
Purchase of equity investments	(1,495)	(7,175)
Proceeds from maturities and calls of debt securities available-for-sale	15,410	15,800
Proceeds from maturities and calls of debt securities held-to-maturity	11,490	11,465
Proceeds from sales of debt securities available-for-sale	2,394	1,300
Proceeds from sale of equity investments	—	4,822
Principal repayments on debt securities available-for-sale	34,496	—
Principal repayments on debt securities held-to-maturity	49,286	51,012
Proceeds from bank owned life insurance	2,812	230
Proceeds from the redemption of restricted equity investments	55,020	105,427
Purchases of restricted equity investments	(53,933)	(101,449)
Proceeds from sales of assets held-for-sale	—	328
Purchases of premises and equipment	(4,862)	(4,717)
Proceeds from disposal of premises and equipment	3,369	—
Net cash provided by (used in) investing activities	268,592	(154,619)

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

	For the Six Months Ended June 30,	
	2024	2023
	(Unaudited)	
Cash flows from financing activities:		
(Decrease) increase in deposits	$ (440,854)	$ 483,289
Increase in short-term borrowings	6,807	5,303
Net repayment of FHLB advances	(59,299)	(119,500)
Net proceeds from other borrowings	227,495	—
Increase in advances by borrowers for taxes and insurance	2,761	6,434
Exercise of stock options	—	593
Payment of employee taxes withheld from stock awards and phantom stock units	(2,207)	(2,346)
Purchase of treasury stock	(20,082)	—
Dividends paid	(25,561)	(25,600)
Distributions to non-controlling interest	—	(55)
Net cash (used in) provided by financing activities	(310,940)	348,118
Net increase in cash and due from banks and restricted cash	27,480	289,761
Cash and due from banks and restricted cash at beginning of period	153,718	167,986
Cash and due from banks and restricted cash at end of period	$ 181,198	$ 457,747
Supplemental Disclosure of Cash Flow Information:		
Cash and due from banks at beginning of period	$ 153,718	$ 167,946
Restricted cash at beginning of period	—	40
Cash and due from banks and restricted cash at beginning of period	$ 153,718	$ 167,986
Cash and due from banks at end of period	$ 181,198	$ 457,747
Restricted cash at end of period	—	—
Cash and due from banks and restricted cash at end of period	$ 181,198	$ 457,747
Cash paid during the period for:		
Interest	$ 145,401	$ 86,290
Income taxes	19,704	20,076
Non-cash activities:		
Accretion of unrealized loss on securities reclassified to held-to-maturity	200	272
Net loan charge-offs	1,801	123
Transfer of securities from held-to-maturity to available-for-sale	500	—
Transfer of premises and equipment to assets held-for-sale	—	1,302

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 the accounts 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 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 six months ended June 30, 2024 are not necessarily indicative of the results of operations that may be expected for the full year 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, 2023.

Note 2. Earnings per Share

The following reconciles shares outstanding for basic and diluted earnings per share for the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Weighted average shares outstanding	58,667	59,451	58,937	59,371
Less: Unallocated ESOP shares	(173)	(273)	(181)	(287)
Unallocated incentive award shares	(138)	(31)	(267)	(96)
Average basic shares outstanding	58,356	59,147	58,489	58,988
Add: Effect of dilutive securities:				
Incentive awards	1	6	1	50
Average diluted shares outstanding	58,357	59,153	58,490	59,038

For the three and six months ended June 30, 2024, antidilutive stock options of 1,680,000 for both periods were excluded from the earnings per share calculation. For the three and six months ended June 30, 2023, antidilutive stock options of 1,986,000 and 1,540,000, respectively, 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 June 30, 2024 and December 31, 2023 are as follows (in thousands):

	Amortized Cost [1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Allowance for Securities Credit Losses
At June 30, 2024					
Debt securities available-for-sale:					
U.S. government and agency obligations	$ 60,575	$ —	$ (6,019)	$ 54,556	$ —
Corporate debt securities	15,950	44	(922)	15,072	—
Asset-backed securities	276,036	372	(302)	276,106	—
Mortgage-backed securities ("MBS"):					
Agency residential	280,357	2,233	—	282,590	—
Agency commercial	109,115	—	(15,955)	93,160	—
Total mortgage-backed securities	389,472	2,233	(15,955)	375,750	—
Total debt securities available-for-sale	$ 742,033	$ 2,649	$ (23,198)	$ 721,484	$ —
Debt securities held-to-maturity:					
State and municipal debt obligations	$ 210,758	$ 152	$ (16,505)	$ 194,405	$ (34)
Corporate debt securities	66,646	200	(2,489)	64,357	(818)
Mortgage-backed securities:					
Agency residential	727,463	16	(77,345)	650,134	—
Agency commercial	81,403	1	(5,443)	75,961	—
Non-agency commercial	20,531	—	(1,538)	18,993	(106)
Total mortgage-backed securities	829,397	17	(84,326)	745,088	(106)
Total debt securities held-to-maturity	$ 1,106,801	$ 369	$ (103,320)	$ 1,003,850	$ (958)
Total debt securities	$ 1,848,834	$ 3,018	$ (126,518)	$ 1,725,334	$ (958)
At December 31, 2023					
Debt securities available-for-sale:					
U.S. government and agency obligations	$ 66,490	$ —	$ (5,796)	$ 60,694	$ —
Corporate debt securities	10,096	11	(981)	9,126	—
Asset-backed securities	295,796	—	(4,252)	291,544	—
Mortgage-backed securities:					
Agency residential	298,107	183	(97)	298,193	—
Agency commercial	109,590	—	(15,255)	94,335	—
Total mortgage-backed securities	407,697	183	(15,352)	392,528	—
Total debt securities available-for-sale	$ 780,079	$ 194	$ (26,381)	$ 753,892	$ —
Debt securities held-to-maturity:					
State, municipal, and sovereign debt obligations	$ 222,009	$ 251	$ (14,550)	$ 207,710	$ (39)
Corporate debt securities	69,809	391	(3,941)	66,259	(987)
Mortgage-backed securities:					
Agency residential	765,632	901	(70,040)	696,493	—
Agency commercial	82,734	10	(3,678)	79,066	—
Non-agency commercial	20,684	—	(1,774)	18,910	(107)
Total mortgage-backed securities	869,050	911	(75,492)	794,469	(107)
Total debt securities held-to-maturity	$ 1,160,868	$ 1,553	$ (93,983)	$ 1,068,438	$ (1,133)
Total debt securities	$ 1,940,947	$ 1,747	$ (120,364)	$ 1,822,330	$ (1,133)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Allowance for securities credit losses				
Beginning balance	$ (1,058)	$ (1,043)	$ (1,133)	$ (1,128)
Benefit for credit losses	100	79	175	164
Total ending allowance balance	$ (958)	$ (964)	$ (958)	$ (964)

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 June 30, 2024, aggregated by credit quality indicator, are as follows (in thousands):

	Investment Grade	Non-Investment Grade/Non-rated	Total
As of June 30, 2024			
State and municipal debt obligations	$ 210,758	$ —	$ 210,758
Corporate debt securities	52,690	13,957	66,647
Non-agency commercial MBS	20,531	—	20,531
Total debt securities held-to-maturity	$ 283,979	$ 13,957	$ 297,936

There were $4,000 of realized gains and $106,000 of realized losses on sale of debt securities available-for-sale for the three and six months ended June 30, 2024, respectively as compared to $0 and $697,000 of realized losses for the corresponding prior year periods. These realized gains/losses on debt securities are presented within Other under Total other income of the Consolidated Statements of Income.

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

June 30, 2024	Amortized Cost	Estimated Fair Value
Less than one year	$ 30,305	$ 30,002
Due after one year through five years	193,525	180,221
Due after five years through ten years	207,294	202,709
Due after ten years	198,842	191,564
	$ 629,966	$ 604,496

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 June 30, 2024, corporate debt securities, state and municipal obligations, and asset-backed securities with an amortized cost of $81.5 million, $60.5 million, and $276.0 million, respectively, and an estimated fair value of $78.4 million, $58.6 million, and $276.1 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 June 30, 2024 and 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	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
At June 30, 2024						
Debt securities available-for-sale:						
U.S. government and agency obligations	$ 5,284	$ (25)	$ 49,272	$ (5,994)	$ 54,556	$ (6,019)
Corporate debt securities	938	(17)	5,817	(905)	6,755	(922)
Asset-backed securities	5,972	(28)	130,230	(274)	136,202	(302)
MBS:						
Agency commercial	—	—	93,160	(15,955)	93,160	(15,955)
Total MBS	—	—	93,160	(15,955)	93,160	(15,955)
Total debt securities available-for-sale	12,194	(70)	278,479	(23,128)	290,673	(23,198)
Debt securities held-to-maturity:						
State and municipal debt obligations	5,622	(40)	179,893	(16,465)	185,515	(16,505)
Corporate debt securities	3,572	—	57,446	(2,489)	61,018	(2,489)
MBS:						
Agency residential	66,646	(510)	574,088	(76,835)	640,734	(77,345)
Agency commercial	8,929	(54)	66,670	(5,389)	75,599	(5,443)
Non-agency commercial	—	—	18,993	(1,538)	18,993	(1,538)
Total MBS	75,575	(564)	659,751	(83,762)	735,326	(84,326)
Total debt securities held-to-maturity	84,769	(604)	897,090	(102,716)	981,859	(103,320)
Total debt securities	$ 96,963	$ (674)	$ 1,175,569	$ (125,844)	$ 1,272,532	$ (126,518)
At December 31, 2023						
Debt securities available-for-sale:						
U.S. government and agency obligations	$ 833	$ (2)	$ 59,861	$ (5,794)	$ 60,694	$ (5,796)
Corporate debt securities	1,543	(165)	6,116	(816)	7,659	(981)
Asset-backed securities	—	—	291,544	(4,252)	291,544	(4,252)
MBS:						
Agency residential	169,000	(97)	—	—	169,000	(97)
Agency commercial	—	—	94,335	(15,255)	94,335	(15,255)
Total MBS	169,000	(97)	94,335	(15,255)	263,335	(15,352)
Total debt securities available-for-sale	171,376	(264)	451,856	(26,117)	623,232	(26,381)
Debt securities held-to-maturity:						
State and municipal debt obligations	6,671	(23)	191,511	(14,527)	198,182	(14,550)
Corporate debt securities	3,084	(473)	58,386	(3,468)	61,470	(3,941)
MBS:						
Agency residential	95,776	(693)	525,751	(69,347)	621,527	(70,040)
Agency commercial	18,902	(370)	55,051	(3,308)	73,953	(3,678)
Non-agency commercial	—	—	18,910	(1,774)	18,910	(1,774)
Total MBS	114,678	(1,063)	599,712	(74,429)	714,390	(75,492)
Total debt securities held-to-maturity	124,433	(1,559)	849,609	(92,424)	974,042	(93,983)
Total debt securities	$ 295,809	$ (1,823)	$ 1,301,465	$ (118,541)	$ 1,597,274	$ (120,364)

The Company concluded that debt securities were not impaired at June 30, 2024 based on consideration of several factors. The Company noted that each issuer made all 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 net unrealized losses were primarily due to changes in the general credit and interest rate environment and not credit quality. 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 June 30, 2024 and December 31, 2023, the Company held equity investments of $104.1 million and $100.2 million, respectively. The equity investments are primarily comprised of select financial services institutions' preferred stocks, investments in other financial institutions and funds.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net gain (loss) on equity investments	$ 887	$ (559)	$ 2,810	$ (7,360)
Less: Net losses recognized on equity investments sold	—	(854)	—	(5,462)
Unrealized gains (losses) recognized on equity investments still held	$ 887	$ 295	$ 2,810	$ (1,898)

Note 4. Loans Receivable, Net

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

	June 30, 2024	December 31, 2023
Commercial:		
Commercial real estate – investor	$ 5,324,994	$ 5,353,974
Commercial real estate – owner occupied	857,710	943,891
Commercial and industrial	616,400	666,532
Total commercial	6,799,104	6,964,397
Consumer:		
Residential real estate	2,977,698	2,979,534
Home equity loans and lines and other consumer ("other consumer")	242,526	250,664
Total consumer	3,220,224	3,230,198
Total loans receivable	10,019,328	10,194,595
Deferred origination costs, net of fees	10,628	9,263
Allowance for loan credit losses	(68,839)	(67,137)
Total loans receivable, net	$ 9,961,117	$ 10,136,721

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):

	2024	2023	2022	2021	2020	2019 and prior	Revolving lines of credit	Total
June 30, 2024								
Commercial real estate - investor								
Pass	$ 65,438	$ 139,228	$ 1,165,143	$ 1,316,210	$ 530,706	$ 1,327,253	$ 682,968	$ 5,226,946
Special Mention	—	—	—	2,364	—	32,616	—	34,980
Substandard	—	—	1,877	595	4,517	56,079	—	63,068
Total commercial real estate - investor	65,438	139,228	1,167,020	1,319,169	535,223	1,415,948	682,968	5,324,994
Commercial real estate - owner occupied								
Pass	19,965	63,519	115,156	92,772	42,908	486,929	18,057	839,306
Special Mention	—	—	—	—	—	4,358	—	4,358
Substandard	—	—	—	—	259	13,163	624	14,046
Total commercial real estate - owner occupied	19,965	63,519	115,156	92,772	43,167	504,450	18,681	857,710
Commercial and industrial								
Pass	18,192	73,951	49,532	17,232	5,778	50,144	382,803	597,632
Special Mention	—	5,028	—	—	—	156	2,356	7,540
Substandard	—	—	355	63	—	479	10,331	11,228
Total commercial and industrial	18,192	78,979	49,887	17,295	5,778	50,779	395,490	616,400
Residential real estate [1]								
Pass	110,093	274,260	888,707	549,989	373,650	774,976	—	2,971,675
Special Mention	—	—	633	—	416	1,295	—	2,344
Substandard	—	992	—	—	—	2,687	—	3,679
Total residential real estate	110,093	275,252	889,340	549,989	374,066	778,958	—	2,977,698
Other consumer [1]								
Pass	15,295	29,624	18,668	18,465	11,566	119,456	28,082	241,156
Special Mention	—	—	165	—	296	84	—	545
Substandard	—	—	—	—	—	825	—	825
Total other consumer	15,295	29,624	18,833	18,465	11,862	120,365	28,082	242,526
Total loans	$ 228,983	$ 586,602	$ 2,240,236	$ 1,997,690	$ 970,096	$ 2,870,500	$ 1,125,221	$ 10,019,328

(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.

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

	2023	2022	2021	2020	2019	2018 and prior	Revolving lines of credit	Total
December 31, 2023								
Commercial real estate - investor								
Pass	$ 137,028	$ 1,165,955	$ 1,328,012	$ 529,745	$ 490,438	$ 930,337	$ 679,804	$ 5,261,319
Special Mention	—	—	2,413	790	1,446	22,147	—	26,796
Substandard	—	—	648	3,750	13,275	48,186	—	65,859
Total commercial real estate - investor	137,028	1,165,955	1,331,073	534,285	505,159	1,000,670	679,804	5,353,974
Commercial real estate - owner occupied								
Pass	66,642	120,280	103,104	59,179	102,703	441,713	21,052	914,673
Special Mention	—	—	—	—	1,272	8,314	—	9,586
Substandard	—	—	—	—	2,019	16,900	713	19,632
Total commercial real estate - owner occupied	66,642	120,280	103,104	59,179	105,994	466,927	21,765	943,891
Commercial and industrial								
Pass	112,914	64,770	19,473	8,645	7,778	51,082	383,013	647,675
Special Mention	—	—	—	—	—	184	2,859	3,043
Substandard	—	622	117	—	145	1,385	13,545	15,814
Total commercial and industrial	112,914	65,392	19,590	8,645	7,923	52,651	399,417	666,532
Residential real estate [1]								
Pass	283,296	916,153	564,515	388,392	223,247	600,118	—	2,975,721
Special Mention	—	—	—	—	131	271	—	402
Substandard	323	366	—	258	487	1,977	—	3,411
Total residential real estate	283,619	916,519	564,515	388,650	223,865	602,366	—	2,979,534
Other consumer [1]								
Pass	32,859	19,918	20,737	12,675	12,937	118,486	30,658	248,270
Special Mention	—	172	—	—	—	386	—	558
Substandard	—	—	—	—	6	1,698	132	1,836
Total other consumer	32,859	20,090	20,737	12,675	12,943	120,570	30,790	250,664
Total loans	$ 633,062	$ 2,288,236	$ 2,039,019	$ 1,003,434	$ 855,884	$ 2,243,184	$ 1,131,776	$ 10,194,595

(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 six months ended June 30, 2024 and 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 June 30, 2024						
Allowance for credit losses on loans						
Balance at beginning of period	$ 26,990	$ 4,251	$ 7,641	$ 27,104	$ 1,187	$ 67,173
Provision (benefit) for credit losses	2,462	(341)	272	642	83	3,118
Charge-offs (1)	(1,600)	—	—	—	—	(1,600)
Recoveries	1	21	2	87	37	148
Balance at end of period	$ 27,853	$ 3,931	$ 7,915	$ 27,833	$ 1,307	$ 68,839
For the three months ended June 30, 2023						
Allowance for credit losses on loans						
Balance at beginning of period	$ 22,451	$ 4,116	$ 5,827	$ 26,928	$ 873	$ 60,195
Provision (benefit) for credit losses	2,029	223	239	(785)	13	1,719
Charge-offs (1)	—	—	(125)	—	(81)	(206)
Recoveries	1	3	4	9	66	83
Balance at end of period	$ 24,481	$ 4,342	$ 5,945	$ 26,152	$ 871	$ 61,791
For the six months ended June 30, 2024						
Allowance for credit losses on loans						
Balance at beginning of period	$ 27,899	$ 4,354	$ 6,867	$ 27,029	$ 988	$ 67,137
Provision (benefit) for credit losses	1,597	(448)	1,041	651	662	3,503
Charge-offs (1)	(1,646)	—	—	—	(395)	(2,041)
Recoveries	3	25	7	153	52	240
Balance at end of period	$ 27,853	$ 3,931	$ 7,915	$ 27,833	$ 1,307	$ 68,839
For the six months ended June 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
(Benefit) provision for credit losses	3,408	(81)	370	1,605	(259)	5,043
Charge-offs (1)	—	(6)	(128)	—	(82)	(216)
Recoveries	3	6	8	17	106	140
Balance at end of period	$ 24,481	$ 4,342	$ 5,945	$ 26,152	$ 871	$ 61,791

(1) Gross charge-offs for the three months ended June 30, 2024 of $1.6 million related to one commercial real estate relationship that originated in 2019. Gross charge-offs for the six months ended June 30, 2024 of $2.0 million also included one commercial real estate relationship of $46,000, originated in 2021, and the remaining $395,000 of consumer loan charge-offs originated prior to 2019. Gross charge-offs for the three and six months ended June 30, 2023 of $206,000 and $216,000, respectively, related to loans that were originated in and 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 June 30, 2024 and December 31, 2023, the Company had collateral dependent loans with an amortized cost balance as follows: commercial real estate - investor of $14.3 million and $15.2 million, respectively, commercial real estate - owner occupied of $4.1 million and $352,000, respectively, and commercial and industrial of $434,000 and $304,000, respectively. In addition, the Company had collateral dependent residential and consumer loans with an amortized cost balance of $4.5 million and $2.6 million at June 30, 2024 and December 31, 2023, respectively.

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

	June 30, 2024	December 31, 2023
Commercial real estate – investor [1]	$ 19,761	$ 20,820
Commercial real estate – owner occupied	4,081	351
Commercial and industrial	434	304
Residential real estate	7,213	5,542
Other consumer	1,933	2,531
	$ 33,422	$ 29,548

(1) Includes the remaining exposure of $7.2 million and $8.8 million, respectively, on a single commercial real estate relationship located in a central business district ("CBD").

At June 30, 2024 and 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 June 30, 2024 and December 31, 2023, there were no loans that were past due 90 days or greater and still accruing interest.

The following table presents the aging of the recorded investment in past due loans as of June 30, 2024 and 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
June 30, 2024						
Commercial real estate – investor [1]	$ 1,311	$ —	$ 14,027	$ 15,338	$ 5,309,656	$ 5,324,994
Commercial real estate – owner occupied	—	476	743	1,219	856,491	857,710
Commercial and industrial	744	—	434	1,178	615,222	616,400
Residential real estate	1,137	2,344	3,679	7,160	2,970,538	2,977,698
Other consumer	3,098	545	825	4,468	238,058	242,526
	$ 6,290	$ 3,365	$ 19,708	$ 29,363	$ 9,989,965	$ 10,019,328
December 31, 2023						
Commercial real estate – investor [1]	$ 978	$ 684	$ 15,201	$ 16,863	$ 5,337,111	$ 5,353,974
Commercial real estate – owner occupied	335	352	293	980	942,911	943,891
Commercial and industrial	163	—	145	308	666,224	666,532
Residential real estate	14,858	402	3,411	18,671	2,960,863	2,979,534
Other consumer	872	558	1,836	3,266	247,398	250,664
	$ 17,206	$ 1,996	$ 20,886	$ 40,088	$ 10,154,507	$ 10,194,595

(1) Includes the remaining exposure of $7.2 million and $8.8 million, respectively, on a single commercial real estate relationship noted above.

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. 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 June 30, 2024 and December 31, 2023, loans with modifications to borrowers experiencing financial difficulty totaled $23.7 million and $8.9 million, respectively. There were no outstanding commitments to lend additional funds to such borrowers with loan modifications as of June 30, 2024 or December 31, 2023.

The following table presents loans modifications made to borrowers experiencing financial difficulty during the three and six months ended June 30, 2024 and 2023 (in thousands):

	Term Extension	Interest Rate Reduction	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 June 30, 2024						
Commercial real estate – investor	$ —	$ 4,878	$ 7,000	$ —	$ 11,878	0.22 %
	$ —	$ 4,878	$ 7,000	$ —	$ 11,878	0.12 %
For the three months ended June 30, 2023						
Residential real estate	$ 223	$ —	$ —	$ —	$ 223	0.01 %
Other consumer	200	—	—	—	200	0.08
	$ 423	$ —	$ —	$ —	$ 423	— %
For the six months ended June 30, 2024						
Commercial real estate – investor	$ —	$ 4,878	$ 7,000	$ —	$ 11,878	0.22 %
Commercial real estate – owner occupied	—	—	—	2,994	2,994	0.35
Residential real estate	129	—	—	—	129	—
Other consumer	—	—	148	—	148	0.06
	$ 129	$ 4,878	$ 7,148	$ 2,994	$ 15,149	0.15 %
For the six months ended June 30, 2023						
Residential real estate	$ 658	$ —	$ —	$ —	$ 658	0.02 %
Other consumer	240	—	—	—	240	0.09
	$ 898	$ —	$ —	$ —	$ 898	0.01 %

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. The following table provides the performance of loans modified to borrowers experiencing financial difficulty during the twelve months ended June 30, 2024 and since adoption of the standard for June 30, 2023 (in thousands):

	Current	60 - 89 Days past due	90 Days or Greater past due	Total
June 30, 2024				
Commercial real estate – investor	$ 19,651	$ —	$ —	$ 19,651
Commercial real estate – owner occupied	2,945	—	—	2,945
Residential real estate	205	—	—	205
Other consumer	170	147	—	317
	$ 22,971	$ 147	$ —	$ 23,118
June 30, 2023				
Residential real estate	$ 515	$ —	$ 143 (1)	$ 658
Other consumer	240	—	—	240
	$ 755	$ —	$ 143	$ 898

(1) Represents one residential loan that defaulted during the three months ended June 30, 2023, which had been modified since the adoption of the standard.

Note 5. Deposits

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

Type of Account	June 30, 2024	December 31, 2023
Non-interest-bearing	$ 1,632,521	$ 1,657,119
Interest-bearing checking	3,667,837	3,911,766
Money market deposit	1,210,312	1,021,805
Savings	1,115,688	1,398,837
Time deposits	2,367,659	2,445,422
Total deposits	$ 9,994,017	$ 10,434,949

Included in time deposits at June 30, 2024 and December 31, 2023 was $422.6 million and $412.0 million, respectively, of deposits of $250,000 or more. Time deposits also include brokered deposits of $401.6 million and $631.5 million at June 30, 2024 and December 31, 2023, respectively.

Note 6. Borrowed Funds

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

	June 30, 2024	December 31, 2023
FHLB advances	$ 789,337	$ 848,636
Securities sold under agreements to repurchase with customers	80,000	73,148
Other borrowings	424,490	196,456
Total borrowed funds	$ 1,293,827	$ 1,118,240

At June 30, 2024, there were $684.8 million of short-term advances and $104.5 million outstanding in overnight borrowings from the FHLB, as compared to $848.6 million and $0 at December 31, 2023, respectively.

At June 30, 2024, there were $424.5 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
June 30, 2024			
FHLB and FRB	$ 7,371,979	$ 1,164,150	$ 8,536,129
Repurchase agreements	—	91,946	91,946
Total pledged assets	$ 7,371,979	$ 1,256,096	$ 8,628,075
December 31, 2023			
FHLB and FRB	$ 7,255,671	$ 1,051,558	$ 8,307,229
Repurchase agreements	—	103,416	103,416
Total pledged assets	$ 7,255,671	$ 1,154,974	$ 8,410,645

The securities that collateralize the repurchase agreements are delivered to the lender, with whom each transaction is executed, to a third-party custodian, or held at the Company. The lender 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.

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 June 30, 2024 and 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:		
	Total Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
June 30, 2024				
Items measured on a recurring basis:				
Debt securities available-for-sale	$ 721,484	$ 46,830	$ 674,654	$ —
Equity investments	55,611	—	55,611	—
Interest rate derivative asset	103,246	—	103,246	—
Interest rate derivative liability	(104,283)	—	(104,283)	—
Items measured on a non-recurring basis:				
Equity investments (1) (2)	48,521	—	—	44,738
Loans measured for impairment based on the fair value of the underlying collateral (3)	23,360	—	—	23,360
December 31, 2023				
Items measured on a recurring basis:				
Debt securities available-for-sale	$ 753,892	$ 43,036	$ 710,856	$ —
Equity investments	53,166	—	53,166	—
Interest rate derivative asset	87,776	—	87,776	—
Interest rate derivative liability	(87,848)	—	(87,848)	—
Items measured on a non-recurring basis:				
Equity investments (1) (2)	46,997	—	—	43,576
Loans measured for impairment based on the fair value of the underlying collateral (3)	18,509	—	—	18,509

(1) As of June 30, 2024 and December 31, 2023, equity investments of $48.5 million and $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 six months ended June 30, 2024 and the year ended December 31, 2023.

(2) As of June 30, 2024 and December 31, 2023, equity investments of $48.5 million and $47.0 million, respectively, included $3.8 million and $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 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 six months ended June 30, 2024 and 2023.

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 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.

Restricted Equity Investments

The fair value of these investments, which are primarily Federal Home Loan Bank of New York and Federal Reserve Bank stock, 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 June 30, 2024 and 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
June 30, 2024				
Financial Assets:				
Cash and due from banks	$ 181,198	$ 181,198	$ —	$ —
Debt securities held-to-maturity	1,105,843	—	1,003,850	—
Restricted equity investments	92,679	—	—	92,679
Loans receivable, net and loans held-for-sale	9,963,179	—	—	9,341,464
Financial Liabilities:				
Deposits other than time deposits [1]	7,626,358	—	7,626,358	—
Time deposits	2,367,659	—	2,354,246	—
FHLB advances and other borrowings	1,213,827	—	1,197,118	—
Securities sold under agreements to repurchase with customers	80,000	80,000	—	—
December 31, 2023				
Financial Assets:				
Cash and due from banks	$ 153,718	$ 153,718	$ —	$ —
Debt securities held-to-maturity	1,159,735	—	1,068,438	—
Restricted equity investments	93,766	—	—	93,766
Loans receivable, net and loans held-for-sale	10,141,887	—	—	9,606,498
Financial Liabilities:				
Deposits other than time deposits [1]	7,989,527	—	7,989,527	—
Time deposits	2,445,422	—	2,421,058	—
FHLB advances and other borrowings	1,045,092	—	1,008,351	—
Securities sold under agreements to repurchase with customers	73,148	73,148	—	—

(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.

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 losses of $2,000 and gains $11,000 in commercial loan swap income resulting from the fair value adjustments for the three and six months ended June 30, 2024, respectively, as compared to gains of $22,000 and $0 for the corresponding prior year periods.

Derivatives Designated as Hedging Instruments

During 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(AOCL) AOCI balance at beginning of period, net of tax	$ (726)	$ 488	$ (36)	$ (25)
Unrealized losses recognized in OCI	(306)	(1,588)	(1,255)	(1,176)
Losses reclassified from AOCI into interest income	256	191	515	292
AOCL balance at end of period, net of tax	$ (776)	$ (909)	$ (776)	$ (909)

During the next twelve months ending June 30, 2025, the Company estimates that an additional $934,000 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 June 30, 2024				
Derivatives Not Designated as Hedging Instruments				
Interest rate swaps and cap contracts	$ 1,448,060	$	103,246	$ 103,260
Derivatives Designated as Cash Flow Hedge				
Interest rate swap contract	100,000		—	1,023
Total Derivatives	$ 1,548,060	$	103,246	$ 104,283
As of December 31, 2023				
Derivatives Not Designated as Hedging Instruments				
Interest rate swaps and cap contracts	$ 1,418,276	$	87,776	$ 87,801
Derivatives Designated as Cash Flow Hedge				
Interest rate swap contract	100,000		—	47
Total Derivatives	$ 1,518,276	$	87,776	$ 87,848

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 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 June 30, 2024 and December 31, 2023. The amount of collateral received from third parties was $104.3 million and $88.3 million at June 30, 2024 and 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 $104.3 million and $87.8 million at June 30, 2024 and 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 Right of Use ("ROU") assets and lease liabilities on the Consolidated Statements of Financial Condition (in thousands):

		June 30, 2024	December 31, 2023
Lease ROU Assets	**Classification**		
Operating lease ROU assets	Other assets	$ 16,955	$ 18,979
Finance lease ROU asset	Premises and equipment, net	1,188	1,304
Total lease ROU assets		$ 18,143	$ 20,283
Lease Liabilities			
Operating lease liabilities (1)	Other liabilities	$ 18,760	$ 20,018
Finance lease liability	Other borrowings	1,555	1,685
Total lease liabilities		$ 20,315	$ 21,703

(1) Operating lease liabilities excludes liabilities for future rent and estimated lease termination payments related to closed branches of $4.8 million and $5.9 million at June 30, 2024 and 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.

	June 30, 2024	December 31, 2023
Weighted-Average Remaining Lease Term		
Operating leases	6.15 years	6.52 years
Finance lease	5.10 years	5.60 years
Weighted-Average Discount Rate		
Operating leases	3.06 %	3.02 %
Finance lease	5.63	5.63

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Lease Expense				
Operating lease expense	$ 1,146	$ 1,174	$ 2,305	$ 2,319
Finance lease expense:				
Amortization of ROU assets	58	54	116	112
Interest on lease liabilities [1]	22	26	45	52
Total	$ 1,226	$ 1,254	$ 2,466	$ 2,483
Other Information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 1,021	$ 1,121	$ 2,122	$ 2,260
Operating cash flows from finance leases	22	26	45	52
Financing cash flows from finance leases	65	62	130	123

(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
For the Year Ending December 31,		
2024	$ 175	$ 2,401
2025	350	4,622
2026	350	4,054
2027	350	2,696
2028	350	1,524
Thereafter	209	5,544
Total	1,784	20,841
Less: Imputed interest	(229)	(2,081)
Total lease liabilities	$ 1,555	$ 18,760

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 June 30, 2024 and December 31, 2023 consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Cash and cash equivalents	$ 36,121	$ 22,151
Other assets	496	606
Total assets	36,617	22,757
Other liabilities	34,657	20,803
Net assets	$ 1,960	$ 1,954

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 2023 Form 10-K. There have been no material changes to risk factors relevant to the Company's operations since 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 repurchased 338,087 shares of its common stock during the three month period ended June 30, 2024. At June 30, 2024, there were 1,638,524 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
April 1, 2024 through April 30, 2024	99,029	$ 14.92	99,029	1,877,582
May 1, 2024 through May 31, 2024	50,000	14.56	50,000	1,827,582
June 1, 2024 through June 30, 2024	189,058	14.29	189,058	1,638,524

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

During the three months ended June 30, 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 June 30, 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: August 1, 2024

/s/ Christopher D. Maher
Christopher D. Maher
Chairman and Chief Executive Officer

DATE: August 1, 2024

/s/ Patrick S. Barrett
Patrick S. Barrett
Executive Vice President and Chief Financial Officer