



PROVIDENT FINANCIAL SERVICES, INC.

COMMITMENT YOU CAN COUNT ON.

2012 ANNUAL REPORT

CORPORATE PROFILE

Provident Financial Services, Inc. is the holding company for The Provident Bank. Established in 1839, The Provident Bank emphasizes personal service and customer convenience in attending to the financial needs of businesses, individuals and families in northern and central New Jersey. The Bank offers a broad array of deposit, loan and investment products, as well as trust, fiduciary and wealth management services through its wholly owned subsidiary, Beacon Trust Company.

FINANCIAL HIGHLIGHTS

(In thousands, except branch data, per share data and percent data)

At December 31,	2012	2011	2010
Total assets	\$7,283,695	\$7,097,403	\$6,824,528
Net loans outstanding	4,834,351	4,579,158	4,341,091
Investment securities	359,464	348,318	346,022
Securities available for sale	1,264,002	1,376,119	1,378,927
Deposits	5,428,271	5,156,597	4,877,734
Borrowings	803,264	920,180	969,683
Stockholders' equity	981,246	952,477	921,687
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At or for the year ended December 31,			
Net income	\$ 67,267	\$ 57,344	\$ 49,075
Diluted earnings per share	\$1.18	\$1.01	\$0.88
Net interest margin	3.38%	3.49%	3.45%
Average net interest rate spread	3.25%	3.33%	3.27%
Non-performing loans to total loans	2.02%	2.63%	2.21%
Allowance for loan losses to total loans	1.43%	1.60%	1.56%
Number of branches	78	82	81

DEAR FELLOW STOCKHOLDERS:



Christopher Martin
*Chairman, President and
Chief Executive Officer*

**Our earnings
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Looking Back

The end of each year is a time for assessing the accomplishments of an organization and its leadership, and their ability to optimize a company's long-term return to its stockholders. I am pleased to report that despite numerous obstacles presented by a distressed economy and a disjointed political process, we were able to achieve record earnings of \$67 million, or \$1.18 per share, up 17% from last year.

Our results were especially impressive given the backdrop of a struggling New Jersey economy battered by an unprecedented storm, and with a protracted foreclosure process forestalling a more robust recovery. With the national election over, we were optimistic that things in Washington would improve; however, we continue to be disappointed. Unemployment remains high, and while the housing market has stabilized somewhat, depressed home values have significantly impacted consumer wealth, which in turn has affected confidence and spending habits. There are positive signs as housing starts have increased, but they are nowhere near their historical norms. And while consumer spending has recovered from the Great Recession, it is likewise well below its historical average.

Financial Highlights

Despite these challenges, our earnings and operating results have set records over the last three years, with excellent loan growth, improving asset quality, increased levels of core deposits, and decreased funding costs.

Net interest income increased slightly, despite a reduction in our net interest margin to 3.38%. The continued improvement in our return on average assets to 0.94% reflects our efforts to attain above-peer results without the use of excessive leverage. Return on tangible equity increased to 10.9%, exceeding our expectations in this prolonged low interest rate environment.

Our credit quality showed substantial improvement across all loan segments. The Bank's non-performing loans at the end of 2012 improved to \$99 million versus \$123 million at the end of the prior year. The pace of loan delinquencies has declined and our foreclosed assets have remained stable over the last two years. We have effectively managed the level of real estate owned without bulk sales, while sustaining relatively low net charge-offs, which have averaged 0.43% over the last five years.

Due to our improved credit profile and performance, our provision for loan losses decreased to \$16 million for 2012 versus \$29 million for 2011. Continued improvement in credit trends, accompanied by our ongoing emphasis on loan origination quality in 2012, should allow for lower provisions and reduced credit costs in the future, absent any further downturns in the economic recovery.

Our capital strength affords us the flexibility to pursue those strategies and opportunities that improve our performance and long-term returns.

Our average net loans outstanding increased to \$4.7 billion for 2012 as originations hit an all time high of \$1.7 billion. Over the last two quarters of 2012, we experienced loan growth of over 7% annualized. This strong growth was primarily in the multi-family and commercial and industrial loan categories. With additions to leadership and staffing in our lending teams in the Middle Market, Healthcare, Consumer and Commercial Real Estate areas, we look forward to increased volume and expanding our market share. We also introduced our Private Banking initiative in 2012, which we believe will help build and solidify our wealth management relationships in the future.

During 2012, we consolidated four limited service branches that resulted in additional banking services for our customers and improved our average deposits per location. Strong deposit growth continued as the level of non-interest bearing deposits increased by over 24%, with core deposits now representing 82% of total deposits. Our funding mix continued to improve, with growth in core deposits and reductions in borrowings and time deposits accompanied by a reduction in the average cost of funds to 0.73% for 2012, versus 1.01% for 2011.

We were extremely pleased with the improvement in our non-interest income, which increased 34% over the prior year. This was driven by increases in wealth management and trust fees, net gains on sales of investment securities and loans, and increased prepayment fees on commercial loans. Our wealth management business conducted through Beacon Trust remains an excellent opportunity for us to further enhance and expand fee income.

Non-interest expense totaled \$149 million, a 4.5% increase from 2011, reflecting increased compensation and benefits costs due to merit increases and personnel added as a result of the August 2011 Beacon Trust acquisition, accompanied by costs attributable to the impact of Superstorm Sandy, and investments in technology. These increases were partially offset by lower FDIC insurance premiums and reduced intangible asset amortization. Importantly, our efficiency ratio improved to 57%, as we continue to achieve the best from our staff and management to enhance our processes and meet the changing needs of our clients and the market.

Capital and Stockholder Value

Our capital strength affords us the flexibility to pursue those strategies and opportunities that improve our performance and long-term returns. We have built and maintain a strong capital base and we remain well-capitalized as defined by our regulators. Our focus on returns to our stockholders was evident in 2012, as we increased our regular quarterly cash dividend and, in December, announced a special cash dividend of 20 cents per share. Our dividend strategy underscores our commitment to our stockholders by maintaining a regular payout ratio in the 45–55% range.

Looking Forward

We are genuinely excited about several recent initiatives we've undertaken, including the introduction of our Mobile Banking platform in January of this year, which addresses the ever-changing dynamics of consumers in our increasingly connected world. Our social media strategy resulted in "likes" on Facebook that surpassed our expectations. We are also opening a new branch location in the third quarter of 2013 in a redevelopment zone in Newark, and a loan production office in Bergen County is now staffed with an experienced commercial lender.

Most notably, during 2012 we embarked on renewing our brand promise and message to our customers. Throughout our organization, "Commitment You Can Count On" has been universally embraced as more than just a tag line. It is what drives us, motivates us, and focuses us on our customers, both internally and externally. The change in media, marketing and approach has redefined both our mission and value promise.

All the while, we are mindful of our commitment to the communities in which we operate, work and live. In light of the wide-spread devastation and destruction caused by Superstorm Sandy, The Provident Bank Foundation committed \$250,000 to assist organizations and small businesses in their rebuilding efforts, and we have volunteered in numerous outreach efforts to help those displaced by the storm. Through our Foundation, we have continued to make an impact, having donated over \$1.2 million in 2012 alone, and over \$15 million since its inception in 2003. Among those initiatives, we committed to improving the financial literacy of middle and high school students, and we piloted a computerized program in Bayonne to assist in this endeavor.

In closing, I am extremely proud and humbled to lead such an engaged organization under the strategic guidance of our Board of Directors. All of my colleagues, managers and staff are incredibly talented and are keenly focused on meeting our customers' needs. Our community banking model continues to produce positive results and has proven to be resilient in any economic environment. And with the approaching 175-year anniversary of the Bank in 2014, we remain committed to our vision and the values that will enrich our stockholders, our customers and our communities.

Sincerely,



Christopher Martin
Chairman, President and Chief Executive Officer

"Commitment You Can Count On" ... is what drives us, motivates us, and focuses us on our customers.

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

DIRECTORS

Christopher Martin
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*Retired Partner,
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Corporation*

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*Associate Vice President for
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University of Vermont Foundation*

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Mandel, Fekete & Bloom, CPAs*

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*Former Vice President—
Risk Management and
Chief Risk Officer, PSEG*

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*President,
Battalia Winston*

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Deloitte & Touche*

Jeffries Shein
*Principal,
JGT Management Co., LLC*

*Lead Director

MANAGEMENT

PROVIDENT FINANCIAL SERVICES, INC.

Christopher Martin
*Chairman, President and
Chief Executive Officer*

John F. Kuntz
*Executive Vice President,
General Counsel and
Corporate Secretary*

Thomas M. Lyons
*Executive Vice President and
Chief Financial Officer*

Leonard G. Gleason
*Senior Vice President and
Investor Relations Officer*

THE PROVIDENT BANK

Christopher Martin
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Chief Executive Officer*

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*Executive Vice President and
Chief Credit Officer*

Thomas M. Lyons
*Executive Vice President and
Chief Financial Officer*

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*Executive Vice President and
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Chief Lending Officer*

Janet D. Krasowski
*Executive Vice President and
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*Executive Vice President and
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James A. Christy
*Senior Vice President and
Chief Risk Officer*

John F. Kuntz
*Executive Vice President,
Chief Administrative Officer
and General Counsel*

James D. Nesci
*Executive Vice President and
Chief Wealth Management
Officer*



PROVIDENT FINANCIAL SERVICES, INC.

CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held on April 25, 2013 at 10:00 a.m. at the DoubleTree by Hilton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey.

STOCK LISTING

The common stock of Provident Financial Services, Inc. is listed on the New York Stock Exchange and trades under the ticker symbol PFS.

TRANSFER AGENT

Stockholders wishing to update their address, transfer ownership of stock certificates, report lost certificates or inquire regarding other stock registration matters should contact:

Registrar and Transfer Company
Investor Relations Department
10 Commerce Drive
Cranford, NJ 07016-3572
1 (800) 368-5948
www.rtc.com
info@rtc.com

CONTACT INFORMATION

Information regarding The Provident Bank and Provident Financial Services, Inc. is available on our web site: www.providentnj.com

Those seeking additional information should contact:

Investor Relations
239 Washington Street
Jersey City, NJ 07302
1 (732) 590-9300
investorrelations@providentnj.com

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP
150 JFK Parkway
Short Hills, NJ 07078



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239 Washington Street
Jersey City, NJ 07302
ProvidentNJ.com