

Commitment You Can Count On



Provident
Financial Services, Inc.

2013 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,	2013	2012	2011
Total assets	\$7,487,328	\$7,283,695	\$7,097,403
Net loans outstanding	5,130,149	4,834,351	4,579,158
Investment securities	357,500	359,464	348,318
Securities available for sale	1,157,594	1,264,002	1,376,119
Deposits	5,202,471	5,428,271	5,156,597
Borrowings	1,203,879	803,264	920,180
Stockholders' equity	1,010,753	981,246	952,477

At or for the year ended December 31,			
Net income	\$ 70,534	\$ 67,267	\$ 57,344
Diluted earnings per share	\$1.23	\$1.18	\$1.01
Net interest margin	3.31%	3.38%	3.49%
Average net interest rate spread	3.19%	3.25%	3.33%
Non-performing loans to total loans	1.48%	2.02%	2.63%
Allowance for loan losses to total loans	1.24%	1.43%	1.60%
Number of branches	77	78	82

DEAR FELLOW STOCKHOLDERS:



Christopher Martin
*Chairman, President and
Chief Executive Officer*

**The Provident
Bank has grown
to become one
of the strongest
community banks
in New Jersey
with more than \$5
billion in deposits.**

Humble beginnings

In February 1839, “The Provident Institution for Savings in Jersey City” was founded in hopes of helping the immigrant poor who had fled to America in search of a better life. Its original deposits barely exceeded \$250. Now, some 175 years later, The Provident Bank has grown to become one of the strongest community banks in New Jersey with more than \$5 billion in deposits. In December, we announced that the Bank would soon expand beyond the geographic boundaries of the Garden State with the acquisition of Team Capital Bank, a \$950 million, 12-branch community bank based in Bethlehem, Pennsylvania. We look forward to welcoming its experienced team of bankers and lenders in the second quarter of 2014.

We are extremely pleased with our Company’s 2013 earnings of \$70.5 million, an increase of 4.9% from 2012. Diluted earnings per share increased to \$1.23 for 2013, from \$1.18 for 2012. Our return on average assets improved to 0.97%, and return on average tangible equity was 11.04% for the year. While net interest income was relatively constant from 2012, our asset quality improved dramatically, resulting in a reduction in loan loss provisioning and reduced asset resolution costs. Our efficiency ratio held steady at 57.2%, consistent with historic levels. Most importantly, your board of directors approved two increases in the quarterly cash dividend during 2013 to \$0.15 per share, representing a total increase of 15.4%, and a dividend yield of approximately 3.11%, based on our stock’s year-end closing price of \$19.32 per share.

We realized strong loan growth during the year with loan originations of \$1.77 billion, as the total loan portfolio increased 6.1%. Our ongoing focus on expanding commercial lending continued to bear fruit, with commercial loans representing 66.3% of our loan portfolio at year end 2013. The further development of business deposit relationships, coupled with expansion in our existing relationships in the consumer sector, contributed to growth in average deposits of \$31.0 million, with continued double-digit percentage growth in average non-interest bearing deposits of \$96.6 million for 2013. Funding of asset growth was supported by borrowings as we availed ourselves of longer-term wholesale funding to alleviate interest rate risk. Our net interest margin remained relatively stable at 3.29% for 2013, versus 3.38% for 2012.

Loan quality showed steady improvement throughout 2013, with total non-performing loans of \$76.7 million, or 1.48% of total loans as of year end, down from \$99.0 million, or 2.02% in 2012. Net charge-offs were down 44% from last year, reflecting prudent underwriting, vigorous collection efforts and improving asset valuations. We also saw improvement in our internal risk ratings and decreases in early stage loan delinquencies.

With the ability to strengthen our already solid capital base and the capacity of our dedicated staff to inspire and produce consistent, predictable results... we are up to the challenges that underlie an uneven economic recovery.

Non-interest income grew nicely, as we experienced increases in prepayment fees on commercial loans, wealth management income from Beacon Trust, and deposit fees. And despite the increased burden of regulatory compliance costs, our non-interest expenses were flat as compared to 2012. We consolidated one branch location in 2013, and presently contemplate two more in 2014.

Lastly, our results were impacted by increased income tax expense as a result of a \$3.2 million charge associated with the write-off of a deferred tax asset related to the expiration of non-qualified stock options that were granted as part of the Company's 2003 IPO.

All of the foregoing resulted in continued growth in stockholders' equity. With the ability to strengthen our already solid capital base and the capacity of our dedicated staff to inspire and produce consistent, predictable results within our conservative risk parameters, we are up to the challenges that underlie an uneven economic recovery.

Assessing the Landscape

Before we look ahead to 2014, we should reflect on what the economy did, and did not do in 2013. The equity markets were dramatically stronger during 2013, as consumer and business confidence improved despite the fiscal issues being debated in Washington. With the Federal Reserve announcing the tapering of their investment in mortgage backed securities and Treasury purchases, and reaffirming their continued accommodative monetary policy stance, expectations are for moderate growth in 2014. We expect short-term interest rates to remain low through 2015, as the Fed gauges unemployment levels as elevated, while inflation remains under control. Market volatility will continue as the Fed continues to taper and eventually ends Quantitative Easing 3.

In our view, rates will rise only if economic growth accelerates and core corporate earnings increase; businesses need to invest in capital expenditures and expansion. Also, the consumer has not participated to a material degree in this lackluster recovery, yet they have been able to stabilize their balance sheets and reduce their debt burden. Businesses remain tentative, as the local economy has stabilized, but not expanded. With increased regulation and the as-yet unknown impact of the implementation of the Affordable Care Act, we remain cautiously optimistic about the business climate.

The banking industry has been faced with an unprecedented increase in regulation. Our ability to assimilate these requirements without substantially increasing costs remains a challenge. We believe we are positioned to manage through this new paradigm, and continue to actively communicate and work with our regulators. Risk management is the key watchword of the day, and we strive to stay ahead of the curve in assessing the risks inherent in our business.

Moving forward

We continue to develop innovative, customized products and solutions for our customers, such as our new SmartChecking cash-back account, and we continue to adapt to their increasing preference for interactive technology to do their banking. Our information technology investments are centered on our customer: efficient, easy-to-use, and value-added. As we continuously invest in people and systems to meet the banking needs of our customers, we are ever-mindful of the ongoing commitment to protecting their personal financial data. We will be beta-testing a “branch of now” in three locations, deploying equipment that enables the customer to self-serve. This will be accompanied by the opening in the second quarter of our new branch in Newark’s Teachers Village.

Customer feedback and engagement are essential, and through direct personal interaction, social media and targeted surveying and focus groups, we engage in a conversation with our customers to deliver satisfaction and demonstrate our commitment. We will assist all in navigating the realities of today’s economy with an eye toward capitalizing on the future, whatever it may bring.

For over 175 years, Provident has been there for its customers and its communities. Through The Provident Bank Foundation, we continue to impact people’s lives with over \$1 million in donations in 2013 alone. We are especially proud of a donation to St. Peter’s Hospital, where the Foundation provided \$100,000 for cameras that allow families to view their newborn babies in the NICU unit at any time.

What will the next 25 years bring?

As we celebrate our 175th anniversary, we’ve introduced a new logo – built upon the original beehive logo that has been synonymous with the Bank since its inception. The beehive represents strength and partnership, and we are committed to living up to that promise now and in the future. Communicating that commitment would not be possible without the tireless efforts of our valued employees. With the strategic direction of our board, we look forward to great things ahead for “The Old Beehive”.

Sincerely,



Christopher Martin
Chairman, President and Chief Executive Officer

**For over 175
years, Provident
has been there for
its customers and
its communities.**

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

DIRECTORS

Christopher Martin

*Chairman, President and
Chief Executive Officer*

Geoffrey M. Connor

*Retired Partner,
Reed Smith LLP*

Matthew K. Harding

*President and
Chief Operating Officer,
Levin Management
Corporation*

Edward O'Donnell

*Former President,
Tradelinks Transport, Inc.*

Thomas W. Berry

*Former Partner,
Goldman Sachs & Co.*

Frank L. Fekete*

*Managing Partner,
Mandel, Fekete & Bloom, CPAs*

Carlos Hernandez

*Former President,
New Jersey City University*

Jeffries Shein

*Principal,
JGT Management Co., LLC*

Laura L. Brooks

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

Terence Gallagher

*President,
Battalia Winston*

Thomas B. Hogan Jr.

*Retired Partner,
Deloitte & Touche*

***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

*Chairman, President and
Chief Executive Officer*

Brian Giovinazzi

*Executive Vice President and
Chief Credit Officer*

Thomas M. Lyons

*Executive Vice President and
Chief Financial Officer*

Jack Novielli

*Executive Vice President and
Chief Information Officer*

Donald W. Blum

*Executive Vice President and
Chief Lending Officer*

Janet D. Krasowski

*Executive Vice President and
Chief Human Resources Officer*

Frank S. Muzio

*Senior Vice President and
Chief Accounting Officer*

Michael A. Raimonde

*Executive Vice President and
Director of Retail Banking*

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*



CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held on April 24, 2014 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 Provident Financial Services, Inc. and The Provident Bank 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



239 Washington Street
Jersey City, NJ 07302
ProvidentNJ.com