



Provident
Financial Services, Inc.

Commitment
You Can Count On.

CORPORATE PROFILE

Provident Financial Services, Inc. is the holding company for Provident Bank. Established in 1839, Provident Bank emphasizes “Commitment You Can Count On” in attending to the financial needs of businesses, individuals and families throughout northern and central New Jersey and Bucks County

and the Lehigh Valley in Pennsylvania. The Bank offers a broad array of deposit, loan and investment products, as well as wealth management, trust and fiduciary 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, | 2016 | 2015 | 2014 |
|--|--------------------|-------------|-------------|
| Total assets | \$9,500,465 | \$8,911,657 | \$8,523,377 |
| Net loans outstanding | 6,941,603 | 6,476,250 | 6,023,771 |
| Investment securities held to maturity | 488,183 | 473,684 | 469,528 |
| Securities available for sale | 1,040,386 | 964,534 | 1,074,395 |
| Deposits | 6,553,629 | 5,923,987 | 5,792,523 |
| Borrowed funds | 1,612,745 | 1,707,632 | 1,509,851 |
| Stockholders' equity | 1,251,781 | 1,196,065 | 1,144,099 |
| At or for the year ended December 31, | | | |
| Net income | \$87,802 | \$83,722 | \$ 73,631 |
| Diluted earnings per share | \$1.38 | \$1.33 | \$1.22 |
| Net interest margin | 3.11% | 3.20% | 3.30% |
| Average net interest rate spread | 2.98% | 3.07% | 3.18% |
| Non-performing loans to total loans | 0.61% | 0.68% | 0.88% |
| Allowance for loan losses to total loans | 0.88% | 0.94% | 1.01% |
| Number of branches | 86 | 87 | 86 |

A YEAR IN REVIEW

Commitment in the face of significant change and conflict produces character. Few could have predicted the wholesale political and economic changes we witnessed during 2016 which began with the Brexit vote that created uncertainty and turmoil in the financial markets, and ended with a Presidential election in our country that surprised many, and was greeted by record performance in our equity markets. Adapting to these changes and their impact on the business climate is a challenge that we readily accept, consistent with our 178-year history of commitment to our customers.

At Provident, we have navigated these unpredictable, ever changing waters to produce superior results in the past year:

- ✓ Record Net Income of \$87.8 million and Earnings per Share of \$1.38
- ✓ Return on Average Assets of 95 basis points
- ✓ Return on Average Tangible Equity of 10.86%
- ✓ Continued increase in our quarterly cash dividend of 11.8%, after giving consideration to the increase we announced in January of 2017
- ✓ Record loan originations totaling \$3.09 billion
- ✓ Loan portfolio growth of over 7%
- ✓ Strong deposit growth of \$629.6 million, or 10.6%
- ✓ Continued improvement in asset quality



Christopher Martin
*Chairman, President and
Chief Executive Officer*

“At Provident, we have navigated these unpredictable, ever changing waters to produce superior results in the past year.”

Our performance continues to be consistent and predictable, as we understand the community banking business and our team conducts our business professionally and efficiently. Our bankers focus on the customer experience and effectively adapt to changing technologies and market demographics,

as well as regulatory mandates. We remain well positioned to meet the market's needs, continuing our focus on eastern Pennsylvania with the opening of a loan production office in Wayne, Pennsylvania in 2016 to meet the growing prospects of the Bucks and Montgomery counties and into Philadelphia.

“We continue to research and invest in digital technologies and improvements in our mobile, on-line banking, ATMs and branch distribution channels.”

As our business continues to grow, another challenge arises as we approach the \$10 billion asset threshold, a line in the sand established by the Dodd-Frank Act. What does this mean to our business and to you, our stockholders?

Under Dodd-Frank, at or around the time we cross \$10 billion in assets we will experience:

- ✓ *A reduction in debit card interchange fees;*
- ✓ *Enhanced regulatory stress testing;*
- ✓ *Increased FDIC Large-Bank insurance assessment;*
- ✓ *Additional cost of mandatory central clearing of swap activity; and*
- ✓ *An additional regulator, the Consumer Financial Protection Bureau.*

In preparing for these changes, we have already begun incurring costs to meet the regulatory burdens of being a \$10 billion bank, and we will continue our dialogue with regulators, elected officials and professional trade associations to work toward positive change in the narrative and spirit of Dodd-Frank and its impact on community banking institutions like Provident.

The data-dependent Federal Reserve appears poised to raise interest rates in 2017 and our balance sheet is well positioned for this change. Our loan portfolio is over 75% commercial and 60% of loans have variable or adjustable interest rates. Furthermore, our deposit base is over 90% core and we believe that we have minimized the impact of increases in rates by reducing the level of time deposits.

Our assessment of our customers' experiences and preferences is ongoing, enabling us to make the necessary adjustments and additions to our products and services to meet their needs and financial goals. We continue to research and invest in digital technologies and improvements in our mobile, on-line banking, ATMs and branch distribution channels. Our electronic channels handled over 1.3 million transactions in 2016 alone. Innovation is ongoing, and investing in protecting our customers from cyber risk, and assurance of their data integrity and privacy are paramount, both now and in the future. Provident and its employees are committed to serving our customers with honesty, integrity and trust.

“It is so rewarding to see the results of the good work that The Provident Bank Foundation performs, including commitments of more than \$1 million in donations in 2016 alone.”

Beacon Trust, our wealth management business, continued to achieve strong results, driven by listening to our clients and providing engaged and multi-threaded relationships, accompanied by solid investment performance, access to wealth strategists, trust and estate services, and tax planning and preparation. We will continue to invest in new technologies, people and processes to provide our wealth management clients with a level of personal service not available from the large investment and brokerage houses.

And within the markets we serve, we are actively seeking out ways to demonstrate an ongoing commitment to our communities. It is so rewarding to see the results of the good work that The Provident Bank Foundation performs, including commitments of more than \$1 million in donations in 2016 alone, not to mention the hours of public service by our employees who are personally engaged in many aspects of philanthropy and community volunteerism.

As I commented in last year’s stockholder letter, we were “hopeful that the 2016 Presidential election will begin the changes needed to promote growth and stability in the U.S.” At this moment, we have that opportunity with proposed initiatives to reduce corporate and individual taxes, remove unnecessary regulations and restrictions, and provide sorely needed infrastructure funding. The economy is producing positive results and the equity markets are reaching record highs every day... we are encouraged by the prospects of growth and strength for our clients.

Many thanks go out to our board of directors, our employees and members of management for their dedication to making Provident Bank the best community bank in the region, as evidenced by being named by Forbes as one of the Top Banks in the U.S. for the second year in a row. And we thank you, our stockholders, for your continued support.

Sincerely,



Christopher Martin

Chairman, President and Chief Executive Officer

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

DIRECTORS

Christopher Martin

Chairman, President and Chief Executive Officer

Laura L. Brooks

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

Matthew K. Harding

President and Chief Operating Officer, Levin Management Corporation

John Pugliese

President, Motors Management Corporation

Robert Adamo

Former Partner, Deloitte & Touche

Frank L. Fekete

Managing Partner, Mandel, Fekete & Bloom, CPAs

Carlos Hernandez*

Former President, New Jersey City University

Thomas W. Berry

Former Partner, Goldman Sachs & Co.

Terence Gallagher

President, Battalia Winston

Edward O'Donnell

Former President, Tradelinks Transport, Inc.

MANAGEMENT

PROVIDENT FINANCIAL SERVICES, INC.

Christopher Martin

Chairman, President and Chief Executive Officer

John 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

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

Michael A. Raimonde

Executive Vice President and Director of Retail Banking

Donald W. Blum

Executive Vice President and Chief Lending Officer

Janet D. Krasowski

Executive Vice President and Chief Human Resources Officer

Valerie O. Murray

Senior Vice President and Chief Wealth Management Officer

James A. Christy

Senior Vice President and Chief Risk Officer

John Kuntz

Executive Vice President and Chief Administrative Officer

Frank S. Muzio

Senior Vice President and Chief Accounting Officer



Provident Financial Services, Inc.

CORPORATE INFORMATION

ANNUAL MEETING

The annual meeting of stockholders will be held on April 27, 2017 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:

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, New York 11717
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shareholder@broadridge.com

CONTACT INFORMATION

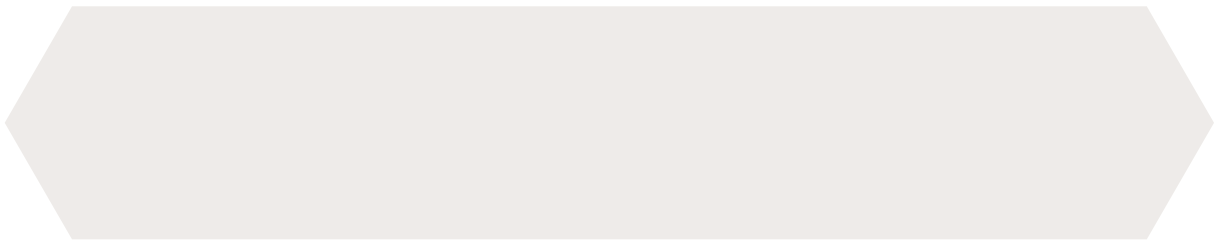
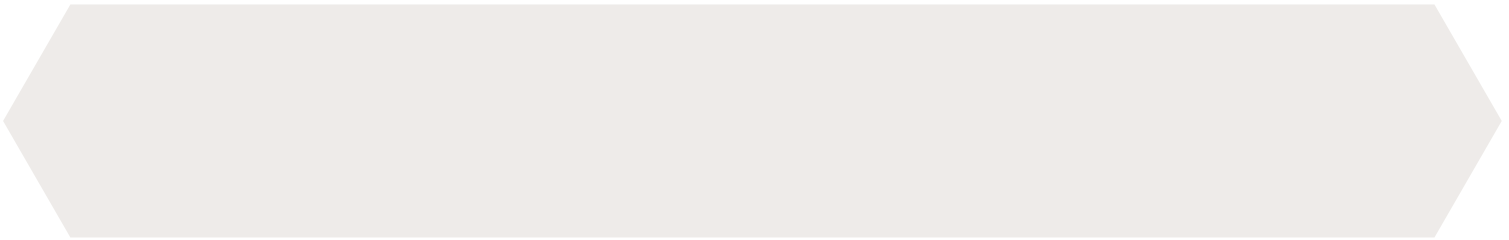
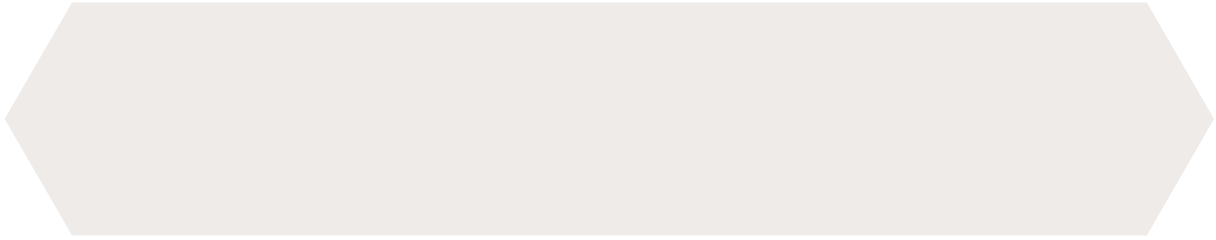
Information regarding Provident Financial Services, Inc. and Provident Bank is available on our web site: provident.bank

For additional information contact:

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INDEPENDENT PUBLIC ACCOUNTANTS

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 **Provident**
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