



# Provident

## Financial Services, Inc.

2017 ANNUAL REPORT



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)

<b>At December 31,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total assets	<b>\$9,845,274</b>	\$9,500,465	\$8,911,657
Net loans outstanding	<b>7,265,523</b>	6,941,603	6,476,250
Investment securities held to maturity	<b>477,652</b>	488,183	473,684
Securities available for sale	<b>1,037,812</b>	1,040,386	964,534
Deposits	<b>6,714,166</b>	6,553,629	5,923,987
Borrowed funds	<b>1,742,514</b>	1,612,745	1,707,632
Stockholders' equity	<b>1,298,661</b>	1,251,781	1,196,065

### **At or for the year ended December 31,**

Net income	<b>\$93,949</b>	\$87,802	\$83,722
Diluted earnings per share	<b>\$1.45</b>	\$1.38	\$1.33
Net interest margin	<b>3.21%</b>	3.11%	3.20%
Average net interest rate spread	<b>3.07%</b>	2.98%	3.07%
Non-performing loans to total loans	<b>0.48%</b>	0.61%	0.68%
Allowance for loan losses to total loans	<b>0.82%</b>	0.88%	0.94%
Number of branches	<b>84</b>	86	87

### **ON THE COVER:**

On January 17, 2018, Provident celebrated its 15<sup>th</sup> anniversary as a public company by ringing the Closing Bell on the New York Stock Exchange.



*“As we build lasting relationships with our customers and prospects, we are mindful that consumer preferences and habits continue to rapidly evolve...”*

## **Christopher Martin**

*Chairman, President & Chief Executive Officer*

### **DEAR FELLOW STOCKHOLDERS:**

Being unique... being distinctive... being flexible... while maintaining consistency, continuity and an unwavering commitment to our customers, our communities and our fellow employees. These are truly aspirational goals, but they are what guide us each day at Provident as we face head-on the challenges of banking in the 21st century. As we build lasting relationships with our customers and prospects, we are mindful that consumer preferences and habits continue to rapidly evolve, driving innovation and technological enhancements to our product offerings and delivery systems. Customers want more convenience, more protection from cyber risk and easier ways to manage their finances. We view the ongoing buildout of our digital banking platform and improved use of technology as essential to remaining relevant.

With that in mind, we embarked on a new three-year strategic plan at the end of 2017 with the key pillars including:

- ▶ Leveraging customer relationships across all our lines of business
- ▶ Proactively identifying customer needs to retain and grow profitable relationships
- ▶ Developing a data analytics capability to enable quicker and more fact-based business decisions
- ▶ Exploring the opportunities an “Integrated Banking Model” affords us by deploying FinTech solutions.

### **SUCCESS IN ATTAINING THESE STRATEGIC OBJECTIVES SHOULD GENERATE SUPERIOR FINANCIAL RESULTS, IMPROVING UPON THE RECORD LEVELS YOUR COMPANY ACHIEVED IN 2017:**

- ✔ Record Net Income of \$93.9 million, even after the \$3.9 million one-time increase in tax expense recorded as a result of the Tax Cuts and Jobs Act of 2017
- ✔ Record earnings of \$1.45 per diluted share
- ✔ Return on Average Assets of 99 basis points
- ✔ Return on Average Tangible Equity of 10.82%
- ✔ Increased quarterly cash dividend, accompanied by a special cash dividend in December 2017
- ✔ Asset quality improvement
- ✔ Average core deposit growth of 6%
- ✔ Solid loan growth and diversified originations.

It's been ten years since the financial crisis, and the banking industry has emerged stronger, safer and more nimble. Looking ahead, we expect continued steady economic growth spurred by tax reform that should promote investment, consumer spending and productivity, prolonging this favorable business environment. The loan growth we achieved in the latter stages of 2017 bodes well for continued improvement in 2018 and beyond. Despite the fiscal challenges presented by high state and local taxes in New Jersey, our markets remain vibrant, with unparalleled population density and many of the most affluent communities in the nation. The attractive markets we serve in eastern Pennsylvania are also providing expanded opportunities for growth in the years ahead.

2018 will be a monumental year for Provident as we expect to cross the \$10 billion asset threshold. We are actively supporting bi-partisan legislation in Washington for regulatory relief that would address the crisis-era thresholds established under Dodd-Frank and some of the burdens associated with being a \$10 billion bank. In the meantime we continue to make the necessary investments and preparations to meet regulatory expectations.

Our balance sheet remains strong and our core deposit base exceeds our peers. The growth in our non-interest bearing deposits is one of our major successes, with an average compound annual growth rate of 12% over the last three years further supporting our low cost of funding. Our strong deposit franchise remains one of the best and provides consumers and commercial


customers with ready access through mobile banking, remote deposit capture and 84 branch locations that together enhance our client-focused relationship model.

Loan portfolio growth during 2017 was somewhat constrained by a higher than anticipated level of payoffs. Volumes improved throughout the year and, with a very strong pipeline entering 2018, we envision that increased optimism and spending attributable to tax reform will result in greater loan demand. We will also devote time and effort to improving and streamlining our underwriting and approval processes to promote a superior experience for our loan customers and prospects.

We believe credit quality will remain stable, as Provident is committed to maintaining the consistent and prudent credit underwriting standards that have served us so well all these years.

From a mergers and acquisitions perspective, we have the capital and the appetite to expand and add to our franchise with both whole bank and wealth management opportunities.

We will be deploying the Zelle® person-to-person payment system in 2018. Mobile technology and FinTech's role in the future of our service and product offerings will require additional investment to enrich the customer experience. Doing so will ensure we remain relevant in the changing payment processing space while also assuring a secure banking experience for our customers.



**“The growth in our non-interest bearing deposits is one of our major successes, with an average compound annual growth rate of 12% over the last three years further supporting our low cost of funding.”**

“Our staff and The Provident Bank Foundation continued their commitment to the communities we serve by donating their time and treasure to provide for those in need.”

Our staff and The Provident Bank Foundation continued their commitment to the communities we serve by donating their time and treasure to provide for those in need. Our Foundation alone has made over \$23 million in donations to worthwhile causes since 2003.

None of our success would be possible without our dedicated staff, committed management team and the stewardship of our Board of Directors, and I thank all of them for their tireless efforts in helping make

Provident one of Money® Magazine’s Best Banks in America for 2017.

With the prospect of higher interest rates and lower taxes, we expect to generate meaningful earnings momentum. We are confident that we will continue to deliver significant value to all of our constituencies in 2018 as further investment in our business, our clients and our employees will enhance value for years to come.

Sincerely,



**Christopher Martin**

*Chairman, President & Chief Executive Officer*



# BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

## DIRECTORS

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### 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 LLP

### 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.

\* Lead director

## MANAGEMENT

### PROVIDENT FINANCIAL SERVICES, INC.

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### 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

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### Christopher Martin

Chairman, President and Chief Executive Officer

### Joseph T. Covell

First Vice President and General Auditor

### Janet D. Krasowski

Executive Vice President and Chief Human Resources Officer

### Frank S. Muzio

Executive Vice President and Chief Accounting Officer

### Donald W. Blum

Executive Vice President and Chief Lending Officer

### Brian Giovinazzi

Executive Vice President and Chief Credit Officer

### John Kuntz

Executive Vice President and Chief Administrative Officer

### Michael A. Raimonde

Executive Vice President and Director of Retail Banking

### Robert G. Capozzoli

First Vice President and Director of Marketing

### Leonard G. Gleason

Senior Vice President and General Counsel

### Thomas M. Lyons

Executive Vice President and Chief Financial Officer

### Joseph A. Spatola

Senior Vice President and Chief Compliance Officer

### James A. Christy

Executive Vice President and Chief Risk Officer

### John R. Kamin

Executive Vice President and Chief Information Officer

### Valerie O. Murray

Senior Vice President and Chief Wealth Management Officer



## **CORPORATE INFORMATION**

### **ANNUAL MEETING**

The annual meeting of stockholders will be held on April 26, 2018 at 10:00 a.m. at the Renaissance Woodbridge Hotel, 515 U.S. Highway 1 South, Iselin, 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  
1-888-235-9148  
shareholder@broadridge.com

### **CONTACT INFORMATION**

Information regarding Provident Financial Services, Inc. and Provident Bank is available on our web site: [provident.bank](http://provident.bank)

For additional information contact:

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Investor Relations  
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1 (732) 590-9300  
[investorrelations@provident.bank](mailto:investorrelations@provident.bank)

### **INDEPENDENT PUBLIC ACCOUNTANTS**

KPMG LLP  
51 JFK Parkway  
Short Hills, New Jersey 07078

239 WASHINGTON STREET  
JERSEY CITY, NJ 07302

