Annual Report 2010

PROVIDENT FINANCIAL SERVICES, INC.

Solid Performance

Disciplined Approach

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 wealth management services through its network of 81 branches, as well as its telephone and web-based banking services.

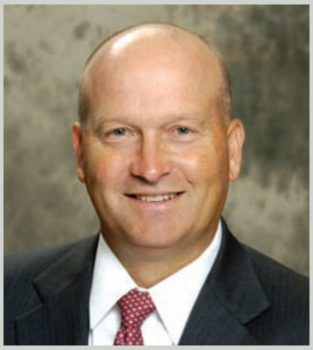
FINANCIAL HIGHLIGHTS

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

At December 31,	2010	2009	2008	2007
Total assets	$6,824,528	$6,836,172	$6,548,748	$6,359,391
Net loans outstanding	4,341,091	4,323,450	4,479,036	4,255,509
Investment securities	346,022	335,074	347,484	358,491
Securities available for sale	1,378,927	1,333,163	820,329	769,615
Deposits	4,877,734	4,899,177	4,226,336	4,224,820
Borrowings	969,683	999,233	1,247,681	1,075,104
Stockholders' equity	921,687	884,555	1,018,590	1,000,794

At or for the year ended December 31,				
Net income (loss)	$ 49,705	$ (121,824)	$ 41,642	$ 37,380
Diluted earnings (loss) per share	$0.88	$(2.16)	$0.74	$0.63
Net interest margin	3.45%	3.06%	3.11%	2.96%
Average net interest rate spread	3.27%	2.82%	2.78%	2.52%
Non-performing loans to total loans	2.21%	1.93%	1.31%	0.81%
Allowance for loan losses to total loans	1.56%	1.39%	1.05%	0.95%
Number of branches	81	82	83	85

DEAR FELLOW STOCKHOLDERS:



Christopher Martin
Chairman, President and Chief Executive Officer

The American banking industry, along with the domestic and global economies, experienced yet another difficult year in 2010. Despite record levels of home foreclosures, further declines in real estate values, bankruptcies not seen since the Great Depression, and political gridlock in Washington, Provident Financial Services, Inc. remained profitable and strong. As a community bank, The Provident Bank embodies a corporate culture of building personal relationships, and providing timely local decision-making and support to our customers and communities.

I am particularly proud of our Company's accomplishments in 2010. They included:

- Increased operating earnings over 75% from 2009;
- Grew core deposits to historically high levels as a percentage of total deposits;
- Maintained a strong liquidity and capital position without government assistance;
- Improved our net interest margin and operating efficiency in an extremely challenging market;
- Provided for education and assistance to those in need within the communities we serve;
- Recognized by *Forbes* as one of the Top 50 Banks in the United States for a second consecutive year.

With all our achievements in 2010, we still face some headwinds. The real estate market in New Jersey remains under stress, and although we have fared better than our regional peers with respect to asset quality, we remain cautious. Our commercial clients echo our conservative outlook due to economic uncertainty, and await further signs of a sustainable recovery. We have been lending, and will continue to do so, but only within our disciplined lending standards.

Despite the challenging banking environment, our financial results for 2010 were particularly strong. Earnings of $49.7 million, or $0.88 per share, represent a considerable improvement from 2009, which saw operating income of $30.7 million, or $0.55 per share. While our results reflect muted loan growth and higher credit costs, we are encouraged by recent signs of stabilization in the rate of non-performing asset formation. Earnings were impacted by loan loss provisions of $35.5 million for 2010 and $30.3 million for 2009. Total non-performing loans as a percentage of total loans were 2.21% at December 31, 2010, compared to 1.93% at December 31, 2009. Although our net charge-offs increased during the year as problem assets were liquidated or resolved, they represented just 63 basis points of

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average loans. Our loan portfolio diversification has protected us from any one asset class or concentration that would potentially expose our Company to undue levels of risk. Our outlook on credit quality is one of guarded optimism, as our commercial clients see improvements in their businesses, and expectations are that better days lie ahead for the consumer, as unemployment levels recede and debt levels retreat.

Although we originated more than $1.1 billion in loans and purchased $90.4 million in residential mortgages, our loan portfolio only grew $17.6 million to $4.34 billion at December 31, 2010. Refinance activity contributed to the decline in the residential portfolio, accompanied by the sale of 30-year conforming loans to mitigate interest rate risk. Sluggish loan growth was a by-product of soft demand from borrowers as their apprehension levels remained heightened regarding the direction of the economy. The mix of our loan portfolio now stands at 55.6% commercial versus 52.5% at December 31, 2009. Our loan pipeline is strong and growing as we enter 2011; however, competition is increasing.

Our deposit growth during the year reflects continued improvement in the level of core deposits, reaching a historic high of 73.8% at December 31, 2010, versus 69.2% as of year-end 2009. With reliance on time deposit balances decreasing, we have been able to reduce the average cost of deposits to 1.09% for 2010, versus 1.79% for 2009. Our retail branch professionals are focused on providing personal attention to our customers, while expanding the level and breadth of customer relationships. We sold the deposits of an underperforming location during 2010, a strategy that we will seek to replicate whenever a branch office is not meeting its optimal levels. Our branch network is also undergoing renovations in certain key areas, and two branch relocations are pending in 2011 to better meet the needs of our customers and the surrounding markets. Our net interest margin of 3.45% for the year ending December 31, 2010 is the widest it has been in over five years. Linking and expanding our customer relationships, especially commercial deposits in combination with corporate cash management services, has contributed to this increase.

In a slow growth environment, controlling costs and increasing productivity are essential. Our efficiency ratio continued its favorable trend to 57.7% for 2010 from 68.3% for 2009. Returns on average assets and average equity improved to 0.73% and 5.46% for 2010, from 0.46% and 3.36% for 2009, respectively. We remain committed to providing our stockholders with consistently improving returns, while maintaining our conservative business practices and risk tolerance.

With that as a backdrop, we are elated that our total return to stockholders for 2010 was 41.38%. We have maintained our cash dividend throughout the economic crisis and, since we were not a participant in any form of government assistance, we did not have to undertake a dilutive stock offering, as did many of our peers.

In the middle of the nation's worst recession since the 1930's, we continued to maintain high levels of liquidity and built capital through improved earnings. As of December 31, 2010, our Tier I leverage ratio was 8.57%, Tier I risk-based capital ratio was 13.00%, and total risk-based capital ratio was 14.26%. These ratios all remain above regulatory standards for well-capitalized status. Our strong capital position has provided a solid base during these uncertain times and affords us the flexibility to take advantage of potential opportunities that may arise as the economy recovers.

The communities in which we operate have endured the toughest economic environment in over 75 years, and the recession has impacted many local charitable organizations that are dedicated to improving the quality of life for the people who live and work there. Through our continued commitment to assisting those in need and improving the lives of the less fortunate, The Provident Bank Foundation contributed over $1.3 million in 2010. This is in addition to the dedication demonstrated by so many of our officers and employees who give their time, effort and personal commitment to worthwhile organizations and causes in all of our markets.

Our Board of Directors has guided us through this difficult period with intense scrutiny of the economic environment and adherence to the conservative principles that are ingrained throughout our organization. We would like to take this opportunity to thank two of our longest-tenured Directors, William T. Jackson and Arthur McConnell, who will be retiring in April of this year, for their intellect, leadership and camaraderie. We welcome Terence Gallagher, whose vast experience in corporate governance and human capital management will add significantly to the strength of our Board.

Looking ahead, the future appears brighter, as global financial markets refocus on reaching stability and managing their debt and fiscal obligations. The same can be said for New Jersey, our primary market. The banking industry's challenges are numerous, but the most daunting among them is regulatory reform and its impact on all banks. With the tireless help of our dedicated staff, we will develop and deploy rational strategies to implement the requisite changes of the Dodd-Frank Act, consistent with our 172-year history of providing financial solutions that meet the needs of our customers and our communities. Most importantly, by doing so, we will continue to earn the valued support of our stockholders.

Sincerely,

Christopher Martin
Chairman, President and Chief Executive Officer

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

DIRECTORS

Christopher Martin
Chairman, President and Chief Executive Officer

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Former Partner, Goldman Sachs & Co.

Laura L. Brooks
Former Vice President—Risk Management and Chief Risk Officer, PSEG

Geoffrey M. Connor
Retired Partner, Reed Smith LLP

Frank L. Fekete*
Managing Partner, Mandel, Fekete & Bloom, CPAs

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President, Amrop Battalia Winston

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President, New Jersey City University

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Former Executive Director, Bayview/New York Cemetery

Katharine Laud
Chief Financial Officer, Homeless Solutions, Inc.

Arthur McConnell
President, McConnell Realty

Edward O'Donnell
President, Tradelinks Transport, Inc.

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
General Counsel and Corporate Secretary

Thomas M. Lyons
Executive Vice President and Chief Financial Officer

Leonard G. Gleason
Investor Relations Officer

MANAGEMENT
THE PROVIDENT BANK

Christopher Martin
Chairman, President and Chief Executive Officer

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

Donald W. Blum
Executive Vice President and Chief Lending 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

Michael A. Raimonde
Executive Vice President and Director of Retail Banking

Janet D. Krasowski
Senior Vice President and Chief Human Resources Officer

James D. Nesci
Senior 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 28, 2011 at 10:00 a.m. at the Sheraton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey. Notice of the meeting and a proxy statement are included with this mailing to stockholders of record as of March 8, 2011.

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 change address or 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.rtco.com
info@rtco.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 regarding PFS 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

PROVIDENT FINANCIAL SERVICES, INC.
239 Washington Street
Jersey City, NJ 07302
www.providentnj.com