



PROVIDENT FINANCIAL SERVICES, INC.

2008 Annual Report

BUILDING UPON STABILITY

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, trust and investment products through its network of 82 branches and its internet and telephone banking services.

FINANCIAL HIGHLIGHTS

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

At December 31,	2008	2007	2006	2005
Total assets	\$6,548,748	\$6,359,391	\$5,742,964	\$6,052,374
Net loans outstanding	4,479,036	4,255,509	3,751,230	3,707,142
Investment securities	347,484	358,491	389,656	410,914
Securities available for sale	820,329	769,615	790,894	1,082,957
Deposits	4,226,336	4,224,820	3,826,463	3,921,458
Borrowings	1,247,681	1,075,104	840,990	970,108
Stockholders' equity	1,018,590	1,000,794	1,019,156	1,076,295
Number of branches	83	85	75	76
For the year ended December 31,				
Net income	\$ 41,642	\$ 37,380	\$ 53,685	\$ 58,499
Diluted earnings per share	\$0.74	\$0.63	\$0.87	\$0.88
Return on average assets	0.65%	0.62%	0.92%	0.94%
Return on average equity	4.12%	3.63%	5.17%	5.32%
Non-performing loans to total loans	1.31%	0.81%	0.20%	0.16%
Non-interest expense to average assets	2.04%	2.19%	2.02%	2.00%



DEAR FELLOW STOCKHOLDERS:

Throughout every period in our 170-year history, we have managed our balance sheet, liquidity and capital with a view toward long-term stability and profitable growth.

2008 distinguished itself as the most economically turbulent year in more than a generation. On a national and global scale, manufacturing and retail activity declined, unemployment levels rose, and whole classes of assets, from real estate to equities, decreased in value. Financial institutions were particularly vulnerable since, in many ways, they were at the center of the turmoil, and some of the most well-recognized names in the financial services industry ceased to exist.

Throughout this period, as with every other period in the 170-year history of our franchise, we at Provident sought to adhere to our conservative principles by managing our balance sheet, liquidity and capital with a view toward long-term stability and profitable growth. Our balance sheet is free of the exotic assets that have proven to be the root cause of the current economic crisis. We have never originated or held sub-prime loans or the securities derived from them, nor do we hold any trust-preferred securities, the impairment to which has negatively impacted the earnings of many of our competitors and peers.

We have chosen, rather, to pursue the fundamentals of our business, namely, building strong relationships with individual and business customers by offering products and services that are fairly priced and that



Paul M. Pantozzi
*Chairman of the Board and
Chief Executive Officer*

genuinely meet their financial needs in a personal manner. Despite the stressed economy, this approach bore positive results. As compared to the prior year-end, our total assets at December 31, 2008 increased 3.0% to \$6.55 billion, total capital increased 1.8% to \$1.02 billion, core deposits increased 4.2% to \$2.69 billion, and net loans outstanding increased 5.3% to \$4.48 billion. This growth was strictly organic, and it was accomplished through the efforts of our talented management and staff as they diligently expanded our quality customer relationships.

Earnings per diluted share for 2008 totaled \$0.74, as compared to \$0.63 for 2007. The main contributors to this performance were an increase in our net interest margin to 3.11% in 2008 from 2.96% in 2007 and a decrease in the ratio of non-interest expense to

In 2008, we reported growth in net income, total assets, deposits and loans, and we improved our operating efficiency.

We will continue to uphold our traditions of prudent financial management, exceptional customer care and responsible corporate citizenship.

BUILDING UPON STABILITY

average assets to 2.04% from 2.19% reported in the prior year. It should also be noted that, to preserve capital in a time of mounting economic uncertainty, we curtailed our stock repurchase activity in 2008 by limiting stock buybacks to 101,000 shares as compared to 7.3 million shares repurchased in 2007.

As of December 31, 2008, our regulatory capital ratios continued to exceed all thresholds for us to be considered well-capitalized, and we anticipate that our capital position will continue to support profitable growth. As a result, after careful consideration, we announced in November our determination not to participate in the Capital Purchase Plan offered under the U.S. Treasury's Troubled Asset Relief Program (TARP). These funds were designed to spur further lending efforts at participating banks, but it is our belief that we can responsibly meet the loan demand within our markets without government assistance.

In evidence of this, 2008 marked another milestone for us as we originated a record \$1.33 billion in new loans, 75% of which were to business and commercial real estate borrowers. We have continued to see loan demand within our marketplace, and we have consistently originated loans that meet our conservative credit quality standards and contribute to growth in net interest income.

To help fund loan growth, we continued to grow our core deposit balances. On the commercial side, we achieved particular success with our Business Money Market account, as balances increased fourfold year over year to \$245 million, and, on the consumer side, the introduction of our Smart Checking product generated \$89 million in balances in little over eight months. We have long recognized that lasting customer relationships are best supported by services such as these, and our ratio of core deposits to total deposits rose to 63.7% at year-end 2008 from 61.2% at the end of the prior year.

We continued to improve our operating efficiency in 2008, both by driving more business with fewer employees and by closing and consolidating underperforming branches. In the face of a deepening economic downturn, however, the principal challenge to our operating results has been the actual and potential impact of increases in non-performing loans. As of year-end 2008, the ratio of non-performing loans to total loans was 1.31% as compared to 0.81% at year-end 2007, and the ratio of all non-performing assets to total assets was 0.96% as compared to 0.56% at the end of 2007. While we believe these ratios continue to compare favorably to our industry peers, our strictly adhered-to risk management processes prompted substantial additions to our provision for possible loan losses in 2008, which totaled



\$15.1 million as compared to \$6.5 million in 2007. We have continued to build our loan loss reserves, and at year-end 2008, the allowance for loan losses stood at 1.05% of total loans outstanding, as compared to 0.95% at the end of 2007.

Our long tradition of financial stability is matched by our tradition of responsible corporate citizenship. I remain especially pleased by the ongoing ability of The Provident Bank Foundation to enhance the quality of life in our communities. The healthcare, educational, cultural and civic activities of New Jerseyans were enriched in 2008 by nearly \$1.7 million of Foundation donations, supplemented by over \$300,000 of direct support from the Company and countless hours of volunteer service from our employees.

As we journey into 2009 and beyond, we continue to see stress and uncertainty in the economy at large, but we also see opportunity. We know our markets and our customers well, and we find them to be both resilient and appreciative of the value that a stable, conservatively managed bank offers them. Especially now, we view this as a competitive advantage. We plan to open a minimum of three new branches in 2009 in markets with strong potential for deposit and loan growth. We will continue to improve and innovate our product line with ongoing emphasis on the needs of

our business customers. We will enhance our efforts to partner with municipalities to effectively serve their banking needs. In addition, we will reaffirm our commitment to our “One Team” approach to all customer sales and service activities.

Finally, our strongest commitment must and shall remain to our stockholders. At this writing, there is a nearly unprecedented lack of confidence in the ability of financial institutions to return meaningful long-term value to their owners and potential investors. It remains our conviction that, by vigorously upholding our traditions of prudent financial management and exceptional customer care, our Company will both survive and ultimately thrive as it has through every prior period of economic distress.

On behalf of our dedicated Board of Directors, management and staff, I want to thank you for your continued confidence and support.

Paul M. Pantozzi
*Chairman of the Board and
Chief Executive Officer*

BOARD OF DIRECTORS AND CORPORATE MANAGEMENT

Directors

Paul M. Pantozzi
*Chairman of the Board and
Chief Executive Officer*

Thomas W. Berry
Former Partner, Goldman, Sachs & Co.

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

John G. Collins
Former President, Fleet NJ

Geoffrey M. Connor
Retired Partner, Reed Smith LLP

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

Carlos Hernandez
President, New Jersey City University

William T. Jackson
*Former Executive Director,
Bayview/New York Cemetery*

Katharine Laud
*Chief Financial Officer,
Homeless Solutions, Inc.*

Christopher Martin
President

Arthur McConnell
President, McConnell Realty

John P. Mulkerin
*Retired President and
Chief Executive Officer,
First Sentinel Bancorp, Inc.*

Edward O'Donnell
President, Tradelinks Transport, Inc.

Jeffries Shein
Principal, JGT Management Co., LLC

Management

PROVIDENT FINANCIAL SERVICES, INC.

Paul M. Pantozzi
*Chairman of the Board and
Chief Executive Officer*

Christopher Martin
President

John F. Kuntz
*General Counsel and
Corporate Secretary*

Linda A. Niro
*Executive Vice President and
Chief Financial Officer*

Kenneth J. Wagner
*Senior Vice President—
Investor Relations*

Management

THE PROVIDENT BANK

Paul M. Pantozzi
*Chairman of the Board and
Chief Executive Officer*

Christopher Martin
*President and
Chief Operating Officer*

Donald Blum
*Executive Vice President and
Chief Lending Officer*

John F. Kuntz
*Executive Vice President and
General Counsel*

Linda A. Niro
*Executive Vice President and
Chief Financial Officer*

Brian Giovinazzi
*Executive Vice President and
Chief Credit Officer*

Giacamo Novielli
*Executive Vice President and
Chief Information Officer*

Michael A. Raimonde
*Senior Vice President and
Director of Retail Banking*

Janet D. Krasowski
*Senior Vice President—
Human Resources*

Corporate Information

ANNUAL MEETING

The annual meeting of stockholders will be held on April 22, 2009 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 2, 2009.

STOCK LISTING

Provident Financial Services, Inc. is listed on the New York Stock Exchange (NYSE) 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 are instructed to contact:

Registrar and Transfer Company
Investor Relations Department
10 Commerce Drive
Cranford, NJ 07016-3572
1 (800) 368-5948
www.rtco.com
e-mail: 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:

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Senior Vice President—Investor Relations
830 Bergen Avenue
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INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP
150 JFK Parkway
Short Hills, NJ 07078