PROVIDENT FINANCIAL SERVICES INC
Form DEF 14A
March 14, 2014
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant þ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Provident Financial Services, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

239 Washington Street

Jersey City, New Jersey 07302

March 14, 2014

Dear Fellow Stockholder:

I am pleased to invite you to attend the 2014 Annual Meeting of Stockholders of Provident Financial Services, Inc., which will be held on Thursday, April 24, 2014, at 10:00 a.m., local time, at the DoubleTree by Hilton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey.

At our Annual Meeting you will be asked to elect three directors, approve on an advisory (non-binding) basis the compensation paid to our named executive officers, approve our amended and restated long-term equity incentive plan, and ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Your vote is very important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, I encourage you to promptly submit your vote by Internet, telephone or mail, as applicable to ensure that your shares are represented at our Annual Meeting.

On behalf of the board of directors, officers and employees of Provident Financial Services, Inc., I thank you for your continued support.

Sincerely,

Chairman, President and

Chief Executive Officer

Table of Contents

239 Washington Street

Jersey City, New Jersey 07302

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN THAT the 2014 Annual Meeting of Stockholders of Provident Financial Services, Inc. will be held at the DoubleTree by Hilton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey, on Thursday, April 24, 2014, at 10:00 a.m., local time, to consider and vote upon the following matters:

1. The election of three persons named in the attached Proxy Statement to serve as directors, each for a three-year term.

2. An advisory (non-binding) vote to approve the compensation paid to our named executive officers.

3. The approval of our Amended and Restated Long-Term Equity Incentive Plan.

4. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.

5. The transaction of such other business as may properly come before the Annual Meeting, and any adjournment or postponement of the Annual Meeting.

The board of directors of Provident Financial Services, Inc. established March 3, 2014 as the record date for determining the stockholders who are entitled to notice of, and to vote at the Annual Meeting and any adjournment or postponement of the Annual Meeting.

Your vote is very important. Please submit your proxy as soon as possible via the Internet, telephone or mail, as applicable. Stockholders of record who attend the Annual Meeting may vote in person, even if they have previously mailed or delivered a signed proxy or voted by Internet or telephone.

By Order of the Board of Directors

John F. Kuntz, Esq.

Corporate Secretary

Jersey City, New Jersey

March 14, 2014

Table of Contents

Internet Availability of Proxy Materials

We are relying upon a U.S. Securities and Exchange Commission rule that allows us to furnish proxy materials to stockholders over the Internet. As a result, beginning on or about March 14, 2014, we sent by mail or e-mail a Notice Regarding the Availability of Proxy Materials containing instructions on how to access our proxy materials, including our Proxy Statement and Annual Report to Stockholders, over the Internet and how to vote. Internet availability of our proxy materials is designed to expedite receipt by stockholders and lower the cost and environmental impact of our Annual Meeting. However, if you received such a notice and would prefer to receive paper copies of the proxy materials, please follow the instructions included in the Notice Regarding the Availability of Proxy Materials.

If you received your proxy materials via e-mail, the e-mail contains voting instructions, including a control number required to vote your shares, and links to the Proxy Statement and the Annual Report to Stockholders on the Internet. If you received your proxy materials by mail, the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report to Stockholders are enclosed.

If you hold our common stock through more than one account, you may receive multiple copies of these proxy materials and will have to follow the instructions for each in order to vote all of your shares of our common stock.

Important Notice Regarding the Availability of Proxy Materials

For the 2014 Annual Meeting of Stockholders to be Held on April 24, 2014:

Our Proxy Statement and 2013 Annual Report to Stockholders are available at

www.proxyvote.com

TABLE OF CONTENTS

	Page
General Information	1
The 2014 Annual Meeting of Stockholders	1
Who Can Vote	2
How Many Votes You Have	2
Matters to Be Considered	2
How to Vote	2
Participants in Provident Benefit Plans	3
Quorum and Vote Required	3
Revocability of Proxies	3
Solicitation of Proxies	4
Householding	4
Recommendation of the Board of Directors	4
Security Ownership of Certain Beneficial Owners and Management	4
Section 16(a) Beneficial Ownership Reporting Compliance	7
Proposal 1 Election of Directors	7
General	7
Board of Directors	8
Executive Officers	10
Corporate Governance Matters	11
Audit Committee Matters	16
Compensation Committee Matters	17
Compensation Discussion and Analysis	18
Executive Compensation	28
Director Compensation	37
Proposal 2 Advisory Vote to Approve Executive Compensation	40
Proposal 3 Approval of the Amended and Restated Long-Term Equity Incentive Plan	41
Proposal 4 Ratification of the Appointment of the Independent Registered Public Accounting Firm	47
Submission of Stockholder Proposals	48
Advance Notice of Business to be Conducted at an Annual Meeting	48
Other Matters	49
Appendix	A-1

Table of Contents

PROVIDENT FINANCIAL SERVICES, INC.

PROXY STATEMENT FOR THE

2014 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on April 24, 2014

GENERAL INFORMATION

The board of directors of Provident Financial Services, Inc. (Provident or company) is soliciting proxies for our 2014 Annual Meeting of Stockholders, and any adjournment or postponement of the meeting (Annual Meeting). The Annual Meeting will be held on Thursday, April 24, 2014 at 10:00 a.m., local time, at the DoubleTree by Hilton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey.

A Notice Regarding the Availability of Proxy Materials is first being sent to stockholders of Provident on March 14, 2014.

The 2014 Annual Meeting of Stockholders

Date, Time and Place	Our Annual Meeting of Stockholders will be held on April 24, 2014, 10:00 a.m., local time, at the DoubleTree by Hilton Newark Airport Hotel, 128 Frontage Road, Newark, New Jersey.
Record Date	March 3, 2014.
Shares Entitled to Vote	60,188,279 shares of Provident common stock were outstanding on the record date and are entitled to vote at the Annual Meeting.
Purpose of the Annual Meeting	To consider and vote on the election of three directors, an advisory (non-binding) vote to approve the compensation paid to our named executive officers, to approve our amended and restated long-term equity incentive plan, and the ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.
Vote Required	Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which authority to vote for the nominees proposed is withheld. The advisory vote to approve executive compensation, the approval of our amended and restated long-term equity incentive plan, and the ratification of KPMG LLP as our independent registered public accounting firm are each determined by a majority of the votes cast, without regard to broker non-votes or proxies marked ABSTAIN.
Our Board of Directors Recommends You Vote in Favor of the Proposals	Our board of directors unanimously recommends that stockholders vote **FOR** each of the nominees for director listed in this Proxy Statement, **FOR** approval of the compensation paid to our named executive officers, **FOR** approval of our amended and restated long-term equity incentive plan, and **FOR** the ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Table of Contents

Provident	Provident is a Delaware corporation and the bank holding company for The Provident Bank, an FDIC-insured New Jersey-chartered capital stock savings bank that operates a network of full-service branch offices throughout 11 counties in northern and central New Jersey. Provident had $7.49 billion in total assets at December 31, 2013. Our principal executive offices are located at 239 Washington Street, Jersey City, New Jersey 07302. Our telephone number is (732) 590-9200.

Who Can Vote

March 3, 2014 is the record date for determining the stockholders of record who are entitled to vote at the Annual Meeting. On March 3, 2014, 60,188,279 shares of Provident common stock, par value of $0.01 per share, were outstanding and held by approximately 5,400 holders of record. The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the Annual Meeting.

How Many Votes You Have

Each holder of shares of our common stock outstanding on March 3, 2014 will be entitled to one vote for each share held of record. However, our certificate of incorporation provides that stockholders of record who beneficially own in excess of 10% of the then outstanding shares of our common stock are not entitled to vote any of the shares held in excess of that 10% limit. A person or entity is deemed to beneficially own shares that are owned by an affiliate of, as well as by any person acting in concert with, such person or entity.

Matters to Be Considered

The purpose of the Annual Meeting is to elect three directors, vote on an advisory basis on executive compensation, approve our amended and restated long-term equity incentive plan, and ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014. We may adjourn or postpone the Annual Meeting for the purpose of allowing additional time to solicit proxies.

Our board of directors is not aware of any other matters that may be presented for consideration at the Annual Meeting. If other matters properly come before the Annual Meeting, we intend that shares represented by properly submitted proxies will be voted, or not voted, by the persons named as proxies in their best judgment.

How to Vote

You may vote your shares:

- **In person at the Annual Meeting**. All stockholders of record may vote in person at the Annual Meeting. Beneficial owners may vote in person if they have a legal proxy from their bank or broker.

- **By telephone or Internet (see the instructions at www.proxyvote.com).** Beneficial owners may also vote by telephone or Internet if their bank or broker makes those methods available, in which case the bank or broker will include the instructions with the proxy materials.

- **By written proxy.** All stockholders of record can vote by written proxy card. If you received a printed copy of this Proxy Statement, you may vote by signing, dating and mailing the enclosed Proxy Card, or if you are a beneficial owner, you may request a voting instruction form from your bank or broker.

Table of Contents

If you return an executed Proxy Card without marking your instructions, your executed Proxy Card will be voted FOR the election of the three nominees for director, FOR approval of the executive compensation paid to our named executive officers, FOR approval of our amended and restated long-term equity incentive plan, and FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Participants in Provident Benefit Plans

If you are a participant in our Employee Stock Ownership Plan or 401(k) Plan, or any other benefit plans sponsored by us through which you own shares of our common stock, you will have received a Notice Regarding the Availability of Proxy Materials by e-mail. Under the terms of these plans, the trustee or administrator votes all shares held by the plan, but each participant may direct the trustee or administrator how to vote the shares of our common stock allocated to his or her plan account. If you own shares through any of these plans and you do not vote, the respective plan trustees or administrators will vote your shares in accordance with the terms of the respective plans.

Quorum and Vote Required

The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of our common stock is necessary to constitute a quorum at the Annual Meeting. Abstentions and broker non-votes (unvoted proxies submitted by a banker or broker) will be counted for the purpose of determining whether a quorum is present.

Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which authority to vote for the nominees proposed is Withheld. The advisory vote on executive compensation, the approval of our amended and restated long-term equity incentive plan, and the ratification of the appointment of our independent registered public accounting firm are each determined by a majority of the votes cast, without regard to broker non-votes or proxies marked Abstain.

Revocability of Proxies

You may revoke your proxy at any time before the vote is taken at the Annual Meeting. You may revoke your proxy by:

- submitting a written notice of revocation to the Corporate Secretary of Provident prior to the voting of such proxy;
- submitting a properly executed proxy bearing a later date;
- voting again by telephone or Internet (provided such new vote is received on a timely basis); or
- voting in person at the Annual Meeting; however, simply attending the Annual Meeting without voting will not revoke an earlier proxy.

Written notices of revocation and other communications regarding the revocation of your proxy should be addressed to:

Provident Financial Services, Inc.

239 Washington Street

Jersey City, New Jersey 07302

Attention: John F. Kuntz, Esq.

Corporate Secretary

If your shares are held in street name, you should follow your bank s or broker s instructions regarding the revocation of proxies.

Table of Contents

Solicitation of Proxies

Provident will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, we will request that banks, brokers and other holders of record send proxies and proxy materials to the beneficial owners of our common stock and secure their voting instructions, if necessary. We will reimburse such holders of record for their reasonable expenses in taking those actions. AST Phoenix Advisors will assist us in soliciting proxies and we have agreed to pay them a fee of $7,000 plus reasonable expenses for their services. If necessary, we may also use several of our employees, who will not be specially compensated, to solicit proxies from stockholders, personally or by telephone, facsimile, e-mail or letter.

Householding

Unless you have provided us contrary instructions, we have sent a single copy of these proxy materials to any household at which one or more stockholders reside if we believe the stockholders are members of the same household. Each stockholder in the household will receive a separate Proxy Card. This process, known as householding, reduces the volume of duplicate information received by you and helps reduce our expenses. If you would like to receive your own set of proxy materials, please follow these instructions:

- If your shares are registered in your own name, contact our transfer agent and inform them of your request to revoke householding by calling them at 1-800-368-5948, or by writing them at Registrar and Transfer Company, 10 Commerce Drive, Cranford, New Jersey 07016, Attention: Investor Relations Department.

- If a bank, broker or other nominee holds your shares, contact your bank, broker or other nominee directly.

Recommendation of the Board of Directors

Your board of directors unanimously recommends that you vote **FOR** each of the nominees for director listed in this Proxy Statement, **FOR** approval of the compensation paid to our named executive officers, **FOR** approval of our amended and restated long-term equity incentive plan, and **FOR** the ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014.

Security Ownership of Certain Beneficial Owners and Management

Persons and groups who beneficially own in excess of five percent of the issued and outstanding shares of Provident common stock are required to file certain reports with the Securities and Exchange Commission regarding such beneficial ownership. Based on such reports, the following table shows, as of March 3, 2014, certain information as to the shares of our common stock owned by persons who beneficially own more than five percent of the issued and outstanding shares of our common stock. We know of no persons, except as listed below, who beneficially owned more than five percent of the issued and outstanding shares of our common stock as of March 3, 2014.

Table of Contents

Principal Stockholders

Name and Address of Beneficial Owner	Number of Shares Owned and Nature of Beneficial Ownership	Percent of Shares of Common Stock Outstanding[(1)]
The Provident Bank Employee Stock Ownership Plan Trust GreatBanc Trust Company, Trustee 801 Warrenville Road, Suite 500 Lisle, Illinois 60532	4,373,192[(2)]	7.27%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	5,078,442[(3)]	8.44%
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	5,074,157[(4)]	8.43%
The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	3,638,649[(5)]	6.05%

(1) Based on 60,188,279 shares of Provident common stock outstanding as of March 3, 2014.

(2) This information is based on Amendment No. 10 to Schedule 13G filed with the Securities and Exchange Commission on February 10, 2014 by GreatBanc Trust Company, as Trustee on behalf of The Provident Bank Employee Stock Ownership Plan Trust. According to the filing, The Provident Bank Employee Stock Ownership Plan Trust had: (i) sole power to vote or direct the vote of 2,853,559 shares of Provident common stock; (ii) shared power to vote or direct the vote of 1,519,633 shares of Provident common stock; (iii) sole power to dispose or direct the disposition of 4,373,192 shares of Provident common stock; and shared power to dispose or direct the disposition of 53,647 shares of Provident common stock.

(3) This information is based on Amendment No. 6 to Schedule 13G filed with the Securities and Exchange Commission on February 10, 2014 by Dimensional Fund Advisors LP.

(4) This information is based on Amendment No. 4 to Schedule 13G filed with the Securities and Exchange Commission on January 30, 2014 by BlackRock, Inc.

(5) This information is based on Amendment No. 2 to Schedule 13G filed with the Securities and Exchange Commission on February 12, 2014 by The Vanguard Group, Inc.

Table of Contents

Management

The following table shows certain information about shares of our common stock owned by each nominee for election as director, each incumbent director whose term will continue following the Annual Meeting, each named executive officer identified in the summary compensation table included elsewhere in this Proxy Statement, and all nominees, incumbent directors and executive officers as a group, as of March 3, 2014.

Name	Position(s) held with Provident Financial Services, Inc. and/or The Provident Bank	Shares Owned Directly and Indirectly(1)	Shares Subject to Stock Options(2)	Beneficial Ownership	Percent of Class(3)	Unvested Stock Awards included in Beneficial Ownership
NOMINEES						
Laura L. Brooks	Director	33,910	15,000	48,910	*	
Terence Gallagher	Director	21,602		21,602	*	
Carlos Hernandez	Director	77,976	7,000	84,976	*	
INCUMBENT DIRECTORS						
Thomas W. Berry	Director	69,102	22,000	91,102	*	
Geoffrey M. Connor	Director	71,243	7,000	78,243	*	
Frank L. Fekete	Director	71,652	7,000	78,652	*	
Matthew K. Harding	Director	8,602		8,602	*	
Thomas B. Hogan Jr.	Director	25,702(4)		25,702	*	
Christopher Martin	Chairman, President and Chief Executive Officer	437,853(5)	212,036	649,889	1.08%	18,334
Edward O Donnell	Director	98,488	7,000	105,488	*	
Jeffries Shein	Director	800,549(6)	14,000	814,549	1.35%	
EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS						
Donald W. Blum**	Executive Vice President and Chief Lending Officer	63,121	61,641	124,762	*	4,121
John F. Kuntz	Executive Vice President, General Counsel and Corporate Secretary	66,012	59,845	125,857	*	4,847
Thomas M. Lyons	Executive Vice President and Chief Financial Officer	81,243	46,722	127,965	*	5,255
James D. Nesci**	Executive Vice President and Chief Wealth Management Officer	23,086	26,598	49,684	*	5,096
All directors and executive officers as a group (21 persons)		2,223,855	659,430	2,883,285	4.74%	58,398

* Less than 1%

** Messrs. Blum and Nesci are not officers of Provident Financial Services, Inc.

(1) The amounts shown for executive officers include shares held in our 401(k) Plan and shares allocated to the executive officer in our Employee Stock Ownership Plan (ESOP) as follows:

Name	401(k) Plan Shares	ESOP Shares
Christopher Martin	126,455	9,292
Donald W. Blum	4,352	12,740
John F. Kuntz	1,375	12,486
Thomas M. Lyons	30,061	7,727
James D. Nesci	13,291	2,340
All executive officers as a group (11 persons)	206,788	79,061

(2) Includes shares underlying stock options that are presently exercisable or will become exercisable within 60 days of March 3, 2014.
(3) Based on 60,188,279 shares of Provident common stock outstanding as of March 3, 2014. Shares subject to stock options that are presently exercisable or will become exercisable within 60 days of March 3, 2014 are deemed outstanding for computing the percentage ownership of the person holding such stock options, but are not deemed outstanding for purposes of computing the percentage ownership of other persons.
(4) Includes 100 shares held by Mr. Hogan s adult son, for which he disclaims beneficial ownership.
(5) Includes 17,785 shares held by Mr. Martin in the First Savings Bank Directors Deferred Fee Plan.
(6) Includes 383,819 shares held by Mr. Shein in the First Savings Bank Directors Deferred Fee Plan.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended requires our directors, executive officers and anyone holding 10% or more of our common stock (reporting persons) to file reports with the Securities and Exchange Commission showing the holdings of, or transactions in, our common stock. Based solely on a review of copies of such reports, and written representations from each such reporting person that no other reports are required, we believe that in 2013 all reporting persons filed the required reports on a timely basis under Section 16(a).

PROPOSAL 1 ELECTION OF DIRECTORS

General

Our board of directors currently consists of 11 members and is divided into three classes, with one class of directors elected each year. Each of the members of our board of directors also serves as a director of The Provident Bank. Directors are elected to serve for a three-year term and until their respective successors shall have been elected and qualified. A director is not eligible to be elected or appointed to either board of directors after reaching age 73.

Three directors will be elected at the Annual Meeting to serve for a three-year term and until their respective successors shall have been elected and qualified. On the recommendation of our Governance/Nominating Committee, our board of directors nominated Laura L. Brooks, Terence Gallagher and Carlos Hernandez for election as directors at the Annual Meeting.

All of the nominees for election at the Annual Meeting currently serve as directors of Provident and The Provident Bank, and each of them was previously elected by our stockholders. No arrangements or understandings exist between any nominee and any other person pursuant to which any such nominee was selected. **Unless authority to vote for the nominees is withheld, it is intended that the shares represented by each fully executed Proxy Card will be voted FOR the election of all nominees.**

Each of the nominees has consented to be named a nominee. In the event that any nominee is unable to serve as a director, the persons named as proxies will vote with respect to a substitute nominee designated by our current board of directors. At this time, we know of no reason why any of the nominees would be unable or would decline to serve, if elected.

Table of Contents

PROVIDENT S BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE NOMINEES FOR DIRECTOR NAMED IN THIS PROXY STATEMENT.

Board of Directors

Our board of directors is comprised of individuals with considerable and varied business experiences, backgrounds, skills and qualifications. Collectively, they have a strong knowledge of our company s business and markets and are committed to enhancing long-term stockholder value. Our Governance/Nominating Committee is responsible for identifying and selecting director candidates who meet the evolving needs of our board of directors. Director candidates must have the highest personal and professional ethics and integrity. Additional criteria weighed by the Governance/Nominating Committee in the director identification and selection process include the relevance of a candidate s experience to our business, enhancement of the diversity of experience of our board, the candidate s independence from conflict or direct economic relationship with our company, and the candidate s ability and willingness to devote the proper time to prepare for and attend meetings. The Governance/Nominating Committee also takes into account whether a candidate satisfies the criteria for independence under our Independence Standards and the New York Stock Exchange listing rules, and if a nominee is sought for service on the Audit Committee, the financial and accounting expertise of a candidate, including whether the candidate qualifies as an Audit Committee financial expert. While the Governance/Nominating Committee does not have a formal policy respecting diversity on our board of directors, consideration is given to nominating persons with different perspectives and experience to enhance the deliberation and strategic decision-making processes of our board of directors.

The following table shows certain information, as of March 3, 2014, regarding the nominees for election as directors and the incumbent directors whose terms will continue following the Annual Meeting, including the terms of office of each director.

Name	Position(s) held with Provident Financial Services, Inc. and The Provident Bank	Age	Director Since (1)	Expiration of Term
NOMINEES				
Laura L. Brooks	Director	61	2006	2014
Terence Gallagher	Director	58	2010	2014
Carlos Hernandez	Director	64	1996	2014
INCUMBENT DIRECTORS				
Thomas W. Berry	Director	66	2005	2016
Geoffrey M. Connor	Director	67	1996	2015
Frank L. Fekete	Director	62	1995	2016
Matthew K. Harding	Director	50	2013	2016
Thomas B. Hogan Jr.	Director	68	2010	2016
Christopher Martin	Chairman, President and Chief Executive Officer	57	2005	2015
Edward O Donnell	Director	63	2002	2015
Jeffries Shein	Director	74	2004(2)	2015

(1) Includes initial appointment to the board of directors of The Provident Bank, the wholly owned subsidiary of Provident.
(2) Mr. Shein s service as a director of First Sentinel Bancorp, Inc. and First Savings Bank, acquired by Provident in 2004, commenced in 1985.

Table of Contents

The business experience of each of our directors and the nominees for election as directors and directorships held by them with other public companies during the past five years, as well as their qualifications, attributes and skills that led our board of directors to conclude that each such person should serve as a director are as follows:

Thomas W. Berry. Mr. Berry retired from investment banking in 1998 after a 26-year career with Goldman Sachs & Co. where he served as a partner since 1986. Mr. Berry was a founding director of Red Oak Bank, a New Jersey bank, which was acquired by another financial institution in 2005. He is a director of the Hyde and Watson Foundation. Mr. Berry has considerable experience in investment banking and a strong knowledge of the capital markets, which are valuable to our board of directors in its assessment of Provident s sources and uses of capital.

Laura L. Brooks. Ms. Brooks is retired. She previously served as Vice President-Risk Management and Chief Risk Officer of PSEG in Newark, New Jersey since November 2002. Prior to November 2002, she was Vice President-Risk Management of PG&E in San Francisco, California. She serves on the Advisory Board for the Enterprise Risk Management Program at North Carolina State University and for the Quantitative Finance Program at Rutgers University. She is a member of the board of directors of the National Association of Corporate Directors, New Jersey Chapter and Chair of the board of trustees of Philip s Education Partners. Ms. Brooks extensive background in enterprise risk management provides a valuable resource to our board of directors in meeting its responsibility for risk management oversight.

Geoffrey M. Connor. Mr. Connor is retired. He previously was a partner of the international law firm of Reed Smith LLP where his practice concentrated on banking and corporate matters. Mr. Connor served as Commissioner of the New Jersey Department of Banking from 1990 to 1994. He serves on the board of trustees of Bloomfield College. His knowledge of bank regulatory and corporate law matters provides our board of directors with an important perspective on corporate governance and regulatory compliance issues.

Frank L. Fekete. Mr. Fekete is a certified public accountant and the Managing Partner of the accounting firm of Mandel, Fekete & Bloom, CPAs, located in Jersey City, New Jersey. He serves on the board of trustees of St. Peter s University. He has over 35 years of public accounting experience, including supervision of audits of public companies. This experience benefits our board of directors in its oversight of financial reporting and disclosure issues.

Terence Gallagher. Mr. Gallagher is President and a member of the board of directors of Battalia Winston, a national executive search firm headquartered in New York, New York. He has served on the Americas Board for the Association of Executive Search Consulting Firms and the Advisory Committee for the National Association of Corporate Directors, New Jersey Chapter. Mr. Gallagher s considerable background in human resources, management succession planning, executive recruitment and retention and executive compensation provides our board of directors valuable experience.

Matthew K. Harding. Mr. Harding is President and Chief Operating Officer and a member of the board of directors of Levin Management Corporation, a leading retail real estate services firm. Prior to 2001, he served as the firm s Senior Vice President and Deputy Chief Operating Officer. Mr. Harding serves as Vice President of The Philip and Janice Levin Foundation. Mr. Harding s considerable experience provides our board of directors with a comprehensive understanding of the real estate market from a competitive and a credit risk perspective.

Carlos Hernandez. Dr. Hernandez is retired. He previously served as President of New Jersey City University, located in Jersey City, New Jersey. As a local civic leader, he has served, and continues to serve on many local not-for-profit boards and brings to our board of directors an extensive knowledge of local markets and the communities served by Provident.

Thomas B. Hogan Jr. Mr. Hogan is retired. He had a 40-year career with the international public accounting and consulting firm of Deloitte & Touche where he served as the chief operating officer of that firm s northeast practice area prior to his retirement. Mr. Hogan serves on the board of directors of Supreme Industries, Inc. He formerly served on the board of directors of Energy East Corporation before its acquisition by Iberdrola, SA in 2008. Mr. Hogan is a certified public accountant and his background in public accounting enhances our board of directors oversight of financial reporting and disclosure issues.

Christopher Martin. Mr. Martin has served as Chairman since April 2010 and as President and Chief Executive Officer of Provident and The Provident Bank since September 2009. Prior to that time, he was President and Chief Operating Officer of The Provident Bank since January 2007, and he was President of Provident and The Provident Bank since July 2004. Mr. Martin s extensive banking experience and knowledge of financial markets enhance the breadth of experience of our board of directors.

Edward O Donnell. Mr. O Donnell is retired. He previously served as President of Tradelinks Transport, Inc., a transportation consulting company located in Westfield, New Jersey from 1999 to 2012. Previously, he was the Director and Executive Vice President of NPR, Inc. (Navieras de Puerto Rico), a transportation company located in Edison, New Jersey. He is a member of the board of directors of Pacific Crane Maintenance Company, L.P. Mr. O Donnell s business experience in sales, marketing and the capital markets provides a broad business perspective to our board of directors.

Jeffries Shein. Mr. Shein is a former member of the board of directors of First Sentinel Bancorp, Inc. and First Savings Bank. He is a principal with JGT Management Co., LLC, a real estate management and investment company. Mr. Shein is a member of the board of directors of Middlesex Water Company. Mr. Shein s real estate investment and management experience provides an important perspective to our board of directors in its oversight of credit risk.

Executive Officers

The business experience of each of Provident s executive officers who are not directors is as follows:

Donald W. Blum. Mr. Blum, age 57, has been Executive Vice President and Chief Lending Officer of The Provident Bank since January 2005. He previously served as Senior Vice President and Chief Lending Officer of The Provident Bank since December 2001.

James A. Christy. James A. Christy, age 46, has been Senior Vice President and Chief Risk Officer of The Provident Bank since January 2012 and was previously Senior Vice President & General Auditor since January 2009. He was First Vice President and General Auditor since May 2005 and he was Vice President and General Auditor since September 2001.

Brian Giovinazzi. Mr. Giovinazzi, age 59, has been Executive Vice President and Chief Credit Officer of The Provident Bank since December 2008, and prior to that, he was Executive Vice President-Corporate Administration since April 2007. Prior to that time, he was President and Chief Executive Officer of First Morris Bank & Trust and a member of its board of directors.

Janet D. Krasowski. Ms. Krasowski, age 61, has been Executive Vice President and Chief Human Resources Officer of The Provident Bank since January 2012 and prior to that time she was Senior Vice President and Chief Human Resources Officer of The Provident Bank since May 2006.

John F. Kuntz. Mr. Kuntz, age 58, has been Executive Vice President, General Counsel and Corporate Secretary of Provident since January 2003, and has been Executive Vice President, Chief Administrative Officer and General Counsel of The Provident Bank since January 2011, and prior to that time Executive Vice President and General Counsel since May 2005. Prior to that time, he was Senior Vice President and General Counsel of The Provident Bank since November 2002, and Vice President and General Counsel of The Provident Bank since September 2001.

Table of Contents

Thomas M. Lyons. Mr. Lyons, age 49, has been Executive Vice President and Chief Financial Officer of Provident and The Provident Bank since January 2011. Prior to that time he was Senior Vice President and Chief Financial Officer of Provident and The Provident Bank since September 2009, and previously was First Vice President and Chief Accounting Officer of The Provident Bank since February 2005 and First Vice President, Finance of The Provident Bank since July 2004.

Frank S. Muzio. Mr. Muzio, age 60, has been Senior Vice President and Chief Accounting Officer of The Provident Bank since January 2011. Prior to that time, he was First Vice President and Chief Accounting Officer of The Provident Bank since June 2010. Prior to joining The Provident Bank, he was Senior Vice President and Controller for the New York Division of Sovereign Bank since June 2006.

James D. Nesci. Mr. Nesci, age 41, has been President of Beacon Trust Company, a wholly owned subsidiary of The Provident Bank since August 2011 and Executive Vice President and Chief Wealth Management Officer of The Provident Bank since January 2013, and Senior Vice President and Chief Wealth Management Officer since March 2009. Prior to that time, he served as Chief Operating Officer of National Wealth Management for Wilmington Trust Corporation.

Jack Novielli. Mr. Novielli, age 54, has been Executive Vice President and Chief Information Officer of The Provident Bank since December 2008. Prior to that time, he was Senior Vice President and Chief Information Officer of The Provident Bank since January 2006, and previously was First Vice President and Chief Information Officer of The Provident Bank.

Michael A. Raimonde. Mr. Raimonde, age 61, has been Executive Vice President and Director of Retail Banking of The Provident Bank since January 2011. Prior to that time he was Senior Vice President and Director of Retail Banking of The Provident Bank since April 2007. He was Executive Vice President of the Community Banking Division and Market President of the New York Retail System of Sovereign Bank prior to that time.

Corporate Governance Matters

We are committed to maintaining sound corporate governance principles and the highest standards of ethical conduct and we are in compliance with applicable corporate governance laws and regulations.

Board of Directors Meetings and Committees

Our board of directors meets quarterly, or more often as may be necessary. The board of directors met ten times in 2013. There are four standing committees of the board of directors: the Compensation, Audit, Risk and Governance/Nominating Committees. The board of directors of The Provident Bank meets monthly at least 11 times a year, as required by New Jersey banking law.

All directors attended no fewer than 75% of the total number of meetings held by the board of directors and all committees of the board on which they served (during the period they served) in 2013. When the Provident and The Provident Bank board of directors and committee meetings are aggregated, all directors attended no fewer than 75% of the aggregated total number of meetings in 2013. We have a policy requiring each director to attend the Annual Meeting of Stockholders. All persons serving on the board of directors at the time of the Annual Meeting of Stockholders held on April 25, 2013 attended the meeting.

Board Leadership Structure

Our board of directors believes that combining the Chairman and Chief Executive Officer positions, together with the appointment of an independent Lead Director is the appropriate board leadership structure for our company. Our board of directors believes that the Chief Executive Officer is most knowledgeable about our business and corporate strategy and is in the best position to lead the board of directors, especially in relation to its oversight of corporate strategy formation and execution. Management accountability and our board s

Table of Contents

independence from management are best served by maintaining a super majority of independent directors, electing an independent Lead Director, and maintaining standing board committees, including a Risk Committee, that are comprised of independent leadership and members. The Lead Director plays an important role on our board of directors and has the following responsibilities:

- Schedules executive sessions of the non-management directors without management present at least twice each year and advises the Chairman of the schedule for such executive sessions.
- With input from the non-management directors, develops agendas for, and presides over the executive sessions. The Lead Director provides the Chairman with timely feedback from the executive sessions where appropriate.
- Acts as the principal liaison between the non-management directors and the Chairman on issues relating to the working relationship between our board and management, including providing input as to the quality, quantity and timeliness of information provided by management to ensure that the conduct of board meetings allows adequate time for discussion of important issues and that appropriate information is made available to our board on a timely basis.
- Provides input to the Chairman regarding board meeting agendas and meeting materials based on requests from the non-management directors.
- Attends board committee meetings as a non-member at the invitation of the respective committee chair.

Risk Oversight/Risk Committee

Our entire board of directors is engaged in risk management oversight. A separate standing Risk Committee of the board was established to facilitate our board s risk oversight responsibilities. The current members of the Risk Committee are: Ms. Brooks (Chair) and Messrs. Berry, Connor and Shein. Each member of the Risk Committee is considered independent as defined in the New York Stock Exchange corporate governance listing standards. The Risk Committee s charter is posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com. The Committee met seven times during 2013.

The Risk Committee oversees the overall risk management activities employed by management in pursuit of:

- maintaining a culture of discipline that enforces and provides proper incentives to employees for a sound, effective and coordinated enterprise risk management process designed to identify potential events that may affect our business and to appropriately manage risks in order to provide reasonable assurance that our stated objectives will be achieved; and
- identifying potential emerging risks in a routine and systematic manner, assessing the implications of those risks to our business, and managing those risks in a manner consistent with the probability of their occurrence and potential consequences to us.

Our Risk Committee receives regular reports from management and other standing board committees regarding relevant risks and the actions taken by management to adequately address those risks.

Table of Contents

Corporate Governance Principles

Our board of directors has adopted Corporate Governance Principles, which are posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com. These Corporate Governance Principles cover the general operating policies and procedures followed by our board of directors including:

- establishing the size and composition of our board of directors and the desired qualifications of directors;
- setting a minimum stock ownership requirement for directors at 15,000 shares of our common stock to be achieved over six years;
- providing for director orientation, continuing education and an annual performance assessment of our board of directors;
- selecting board committee membership; and
- reviewing annual compensation paid to the non-management directors.

The Corporate Governance Principles provide for our board of directors to meet in regularly scheduled executive sessions without management at least two times a year. Four executive sessions were conducted in 2013. Mr. Fekete, who served as Lead Director in 2013, presided over these executive sessions conducted by the non-management directors, all of whom are independent.

Director Independence

The New York Stock Exchange rules provide that a director does not qualify as independent unless the board of directors affirmatively determines that the director has no direct or indirect material relationship with the company. The New York Stock Exchange rules require our board of directors to consider all relevant facts and circumstances in determining the materiality of a director s relationship with Provident and permit the board of directors to adopt and disclose standards to assist the board in making independence determinations. Accordingly, our board of directors has adopted Independence Standards to assist the board in determining whether a director has a material relationship with the company. These Independence Standards, which should be read with the New York Stock Exchange rules, are available on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com.

Our board of directors conducted an evaluation of director independence, based on the Independence Standards and the New York Stock Exchange rules. In connection with this review, our board of directors considered all relevant facts and circumstances relating to relationships that each director and his or her immediate family members and their related interests had with Provident.

After its evaluation, our board of directors affirmatively determined that each of Mr. Berry, Ms. Brooks, Mr. Connor, Mr. Fekete, Mr. Gallagher, Mr. Harding, Dr. Hernandez, Mr. Hogan, Mr. O Donnell and Mr. Shein is an independent director. The board of directors determined that Mr. Martin is not independent because he has served as a Provident employee in the last three years.

Governance/Nominating Committee

The current members of our Governance/Nominating Committee are: Messrs. O Donnell (Chair), Gallagher, Hernandez, and Shein. Each member of the Committee is considered independent as defined in the New York Stock Exchange corporate governance listing standards. The Committee s charter is posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com. The Committee met six times during 2013.

Table of Contents

The functions of our Governance/Nominating Committee include, among other things:

- evaluating and making recommendations to the board concerning the number of directors and committee assignments;
- establishing the qualifications, relevant background, and selection criteria for board members;
- making recommendations to the board concerning board nominees;
- conducting evaluations of the effectiveness of the operation of the board;
- developing and maintaining corporate governance principles;
- recommending revisions to the code of business conduct and ethics;
- making recommendations to the board regarding director orientation and continuing education; and
- evaluating the Governance/Nominating Committee s performance on an annual basis.

Our Governance/Nominating Committee identifies nominees for director by first assessing the performance of the current members of our board of directors willing to continue service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue service are first considered for re-nomination, balancing the value of continuity of service by existing members of the board with that of obtaining a new perspective. If a vacancy should exist on our board, or if the size of the board is increased, the Committee will solicit suggestions for director candidates from all board members. In addition, the Committee is authorized by its charter to engage a third party to assist in the identification of director nominees. Persons under consideration to serve on our board of directors must have the highest personal and professional ethics and integrity.

Procedures for the Nomination of Directors by Stockholders

If a determination is made that an additional candidate is needed for our board, the Governance/Nominating Committee will consider candidates properly submitted by our stockholders. Stockholders can submit the names of qualified candidates for director by writing to the Corporate Secretary at Provident Financial Services, Inc., 239 Washington Street, Jersey City, New Jersey 07302. The Corporate Secretary must receive a submission not less than 120 days prior to the date of Provident s proxy materials for the preceding year s Annual Meeting. If the date of our Annual Meeting is advanced by more than 30 days prior to, or delayed by more than 30 days after, the anniversary of the preceding year s Annual Meeting, a stockholder s submission must be so delivered not later than the close of business on the tenth day following the day on which public announcement of the date of such Annual Meeting is first made. A stockholder s submission must be in writing and include the following information:

- the name and address of the stockholder as they appear on our books, and the number of shares of our common stock that are beneficially owned by such stockholder (if the stockholder is not a holder of record, appropriate evidence of the stockholder s ownership should be provided);

the name, address and contact information for the candidate, and the number of shares of our common stock that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the candidate s ownership should be provided);

a statement of the candidate s business and educational experience;

such other information regarding the candidate as would be required to be included in our proxy statement pursuant to Securities and Exchange Commission Regulation 14A;

a statement detailing any relationship between the candidate and Provident, The Provident Bank and any subsidiaries of The Provident Bank;

a statement detailing any relationship between the candidate and any customer, supplier or competitor of Provident and The Provident Bank;

detailed information about any relationship or understanding between the proposing stockholder and the candidate; and

a statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

Stockholder submissions that are timely and that meet the criteria outlined above will be forwarded to the Chair of our Governance/Nominating Committee for further review and consideration. A nomination submitted by a stockholder for presentation at an Annual Meeting of our stockholders must comply with the procedural and informational requirements described later in this Proxy Statement under the heading Advance Notice Of Business To Be Conducted at an Annual Meeting.

Stockholder and Interested Party Communications with the Board

Our stockholders and any other interested party may communicate with the board of directors, the non-management directors, the Lead Director or with any individual director by writing to the Chair of the Governance/Nominating Committee, c/o Provident Financial Services, Inc., 239 Washington Street, Jersey City, New Jersey 07302. A communication from a stockholder should indicate that the author is a stockholder and, if shares of our common stock are not held of record, the letter should include appropriate evidence of stock ownership.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including the principal executive officer, principal financial officer, principal accounting officer, and all persons performing similar functions. Our Code of Business Conduct and Ethics is posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com. Amendments to and waivers from our Code of Business Conduct and Ethics will also be disclosed on The Provident Bank s website.

Transactions With Certain Related Persons

Federal laws and regulations generally require that all loans or extensions of credit to directors and executive officers must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public and must not involve more than the normal risk of repayment or present other unfavorable features. However, regulations also permit directors and executive officers to receive the same terms through benefit or compensation plans that are widely available to other employees, as long as the director or executive officer is not given preferential treatment compared to participating employees. Pursuant to such a program, loans may be extended to executive officers on substantially the same terms as those prevailing at the time for comparable transactions with the general public, except as to the interest rate charged, so long as such rate is generally available to participating employees. These loans may not involve more than the normal risk of repayment or present other unfavorable features. As of December 31, 2013, The Provident Bank had aggregate loans and loan commitments totaling $277,000 to its executive officers. The Provident Bank does not make loans to members of the board of directors or to their immediate family members and their related interests, as such terms are defined in The Provident Bank s Lending Policy.

Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (1) extending or maintaining credit; (2) arranging for the extension of credit; or (3) renewing an extension of credit in the form of a personal loan for a director or officer. There are several exceptions to this general prohibition, one of which is applicable to us. The provisions of the Sarbanes-Oxley Act of 2002 that prohibit loans do not apply to loans made by a depository institution, such as The Provident Bank, that is insured by the Federal Deposit Insurance Corporation and is subject to the insider lending restrictions of the Federal Reserve Act. Any loans to our officers are made in conformity with the Federal Reserve Act and Regulation O.

Table of Contents

Our Code of Business Conduct and Ethics requires directors and executive officers to promptly disclose any interest they may have in any proposed transaction involving Provident or The Provident Bank, and any such director or executive officer shall abstain from any deliberation or voting on the transaction. Any such transaction would require approval of a majority of the directors who have no interest in the proposed transaction. In addition, our directors and executive officers annually disclose any transactions, relationships or arrangements they or their related interests may have with Provident or The Provident Bank. These disclosures, together with information obtained from each director s annual statement of interest form, are used to monitor related party transactions and make independence determinations.

Anti-Hedging Policy

Our stock trading policy prohibits our directors and executive officers from engaging in or effectuating any transaction designed to hedge or offset the economic risk of owning shares of our common stock. Accordingly, any hedging, derivative or other similar transaction that is specifically designed to reduce or limit the extent to which declines in the trading price of our common stock would affect the value of the shares of common stock owned by a director or executive officer is prohibited. In addition, the policy provides that directors and executive officers should avoid pledging their shares of our common stock as collateral for a margin account or loan.

Audit Committee Matters

Audit Committee

The current members of our Audit Committee are: Messrs. Hogan (Chair), Fekete and Harding, and Ms. Brooks. Each member of the Audit Committee is considered independent as defined in the New York Stock Exchange corporate governance listing standards and under Securities and Exchange Commission Rule 10A-3.

The duties and responsibilities of the Audit Committee include, among other things:

- sole authority for retaining, overseeing and evaluating a firm of independent registered public accountants to audit Provident s annual financial statements;
- in consultation with the independent registered public accounting firm and the internal auditor, reviewing the integrity of Provident s financial reporting processes, both internal and external;
- reviewing the financial statements and the audit report with management and the independent registered public accounting firm;
- reviewing earnings and financial releases and quarterly and annual reports filed with the Securities and Exchange Commission; and
- approving all engagements for audit and non-audit services by the independent registered public accounting firm.

Our Audit Committee met ten times during 2013. The Audit Committee reports to our board of directors on its activities and findings. The board of directors believes that Frank L. Fekete and Thomas B. Hogan Jr. each qualify as an Audit Committee financial expert as that term is used in the rules and regulations of the Securities and Exchange Commission.

Audit Committee Report

Pursuant to rules and regulations of the Securities and Exchange Commission, this Audit Committee Report shall not be deemed incorporated by reference to any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Provident specifically incorporates this information by reference, and otherwise shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission subject to Regulation 14A or 14C of the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Table of Contents

Our Audit Committee operates under a written charter approved by our board of directors, which is posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com.

Management has primary responsibility for the internal control and financial reporting process, and for making an assessment of the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm is responsible for performing an independent audit of our company s consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue an opinion on those financial statements, and for providing an attestation report on management s assessment of internal control over financial reporting. The Audit Committee s responsibility is to monitor and oversee these processes.

As part of its ongoing activities, our Audit Committee has:

- reviewed and discussed with management, and our independent registered public accounting firm, the audited consolidated financial statements of Provident for the year ended December 31, 2013;

- discussed with our independent registered public accounting firm the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as amended, and as adopted by the Public Company Accounting Oversight Board; and

- received the written disclosures and the letter from our independent registered public accounting firm mandated by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the Audit Committee concerning independence, and has discussed with our independent registered public accounting firm its independence from Provident.

Based on the review and discussions referred to above, the Audit Committee recommended to our board of directors that the audited consolidated financial statements for the year ended December 31, 2013 and related footnotes be included in Provident s Annual Report on Form 10-K for the year ended December 31, 2013 and filed with the Securities and Exchange Commission. In addition, the Audit Committee approved the re-appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014, subject to the ratification of this appointment by our stockholders.

The Audit Committee of Provident Financial Services, Inc.

Thomas B. Hogan Jr. (Chair)

Laura L. Brooks

Frank L. Fekete

Matthew K. Harding

Compensation Committee Matters

Compensation Committee

The current members of our Compensation Committee are: Messrs. Gallagher (Chair), Berry, Hogan, and O Donnell. Each member of the Compensation Committee has been determined to be independent as defined in the current New York Stock Exchange corporate governance listing standards. The Compensation Committee is responsible for executive management development and succession planning, and for reviewing and evaluating compensation programs and policies and risks associated with such programs and policies, including setting performance measures and goals consistent with principles of safety and soundness, approving awards under existing compensation plans and administering long-term equity awards. On at least an annual basis, our Compensation Committee meets to review the performance of, and the compensation payable to the named executive officers, including the Chief Executive Officer. The basic elements of our executive compensation

17

program include base salary, an annual cash incentive and a long-term equity award primarily tied to corporate financial targets, and certain other benefit arrangements, such as retirement benefits. The Compensation Committee s charter is posted on the Governance Documents section of the Investor Relations page of The Provident Bank s website at www.providentnj.com. The Compensation Committee met 13 times during 2013.

Our Compensation Committee determines the compensation payable to the Chief Executive Officer based on corporate financial performance against established goals and the Chief Executive Officer s individual performance. Each year the Compensation Committee establishes corporate financial performance goals and individual goals for the Chief Executive Officer, and members of the Compensation Committee periodically meet with the Chief Executive Officer during the year to review progress against those goals. The Compensation Committee also sets performance goals for, and determines the compensation payable to, the named executive officers, based in part on the Chief Executive Officer s assessment and recommendations. Input provided by the Compensation Committee s independent compensation consultant and other executive compensation data sources are available to the Compensation Committee to assist it in these determinations.

In addition to evaluating our company s overall financial performance in its review of the named executive officers, the Compensation Committee considers the performance of each named executive officer s business line or area of responsibility. Several key management competencies and behaviors are assessed, including the named executive officer s effectiveness as a leader and his or her role in building a cohesive executive team, as well as other strategic core competencies such as accountability, analytical ability and decision making, communication, cooperation and teamwork, creativity and problem-solving, and integrity. The named executive officer s performance relating to these competencies forms the basis of a performance review discussion with the named executive officer that reinforces his or her role in achieving our business plan and short- and long-term strategies.

The Compensation Committee assesses risks posed by the compensation plans maintained for the benefit of, and incentive compensation paid to, officers and employees. This comprehensive risk assessment is performed by our Chief Risk Officer and the General Auditor and is presented to, and reviewed by, the Compensation Committee. The risk assessment conducted in 2013 concluded that our incentive compensation plans do not pose significant risk or promote excessive risk taking that are reasonably likely to have a material adverse effect on Provident.

Director compensation is established by our board of directors upon the recommendation of the Compensation Committee and is discussed in this Proxy Statement under the heading Director Compensation.

Compensation Committee Interlocks and Insider Participation

Messrs. Berry, Fekete, Gallagher, Hogan and O Donnell served as members of the Compensation Committee during 2013. None of these directors has ever been an officer or employee of Provident. In addition, none of these directors is an executive officer of another entity where one of our executive officers serves on the compensation committee or the board of directors, or which had any transactions or relationships with us in 2013 requiring specific disclosures under Securities and Exchange Commission rules.

Compensation Discussion and Analysis

Overview

The following discussion provides an overview and analysis of our Compensation Committee s philosophy and objectives in designing compensation programs as well as the compensation determinations and the rationale relating to our Chief Executive Officer, Chief Financial Officer, and the next three most highly compensated executive officers, to whom we refer collectively as our named executive officers. Our named executive officers for 2013 were Messrs. Martin, Lyons, Blum, Kuntz, and Nesci.

This discussion should be read together with the compensation tables for our named executive officers, which can be found following this discussion.

Table of Contents

Financial and Strategic Highlights

As discussed in detail below, our Compensation Committee believes that the compensation of its executives should reflect Provident s overall performance and the contribution of its executives to that performance. Highlights of Provident s performance through December 31, 2013 are noted below:

- Annual net income 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;
- Strong loan growth with loan originations of $1.77 billion, as the total loan portfolio increased 6.1%;
- Steady improvement in loan quality, 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;
- Growth in non-interest income due to increases in prepayment fees on commercial loans, wealth management income and deposit fees; and
- Despite the increased cost of regulatory compliance, non-interest expenses were flat as compared to 2012.

Compensation Structure

Our executive compensation program is designed to align pay with performance in a manner consistent with safe and sound business practices and sustainable financial performance consistent with stockholder interests. The key features of the program, which are discussed in more detail below, are:

- Active oversight by the Compensation Committee consisting solely of independent directors;
- Assistance regularly provided to the Compensation Committee by an independent compensation consultant selected by the Compensation Committee;
- Our executive compensation program is focused on pay for performance in order to align compensation with business strategies and to enhance stockholder value;
- The major components of our executive compensation program are salary, annual cash incentives and long-term equity;
- Executive salaries are evaluated based on data from a regional peer group of publicly-traded banks of comparable size, performance, and business model;

Annual cash incentive compensation opportunities are tied to key corporate performance metrics;

Long-term incentive compensation opportunities are tied to key corporate performance metrics and performance against peer group metrics over a period beyond one year;

No dividends are paid on stock awards subject to performance-vesting conditions unless and until the awards have vested;

Our incentive compensation plans provide for risk mitigation and accountability authorizing the Compensation Committee to condition incentive compensation awards with clawback, deferral, and adjustment provisions, and settlement in stock subject to holding periods;

Executives are subject to share ownership guidelines; and

Perquisites are limited.

Key Compensation Actions

The Compensation Committee regularly reviews the components of our executive compensation program with advice from its independent compensation consultant and after giving due consideration to the most recent non-binding stockholder advisory vote on executive compensation which resulted in a favorable vote of approximately 96% of the votes cast.

Table of Contents

In light of strong stockholder support, the Compensation Committee concluded that no material revisions were necessary to our executive compensation program. Highlights of key compensation actions in 2013 were:

2013 Base Salary: Mr. Martin s base salary increased to $610,000 in 2013, representing an 8.9% increase. The other named executive officers received salary increases that ranged from 4.3% to 10%.

2013 Cash Incentives: Mr. Martin received a formulaic cash bonus of 105% of base salary or $642,925. This represented attainment of overall corporate results that were above Target against established performance metrics for 2013. The remaining named executive officers received formulaic cash incentives between 62% and 64% of base salary.

2013 Long-Term Incentives: The Compensation Committee has granted two forms of long-term equity, formulaic and discretionary equity awards. Under the 2008 Long-Term Equity Incentive Plan, Mr. Martin was granted 32,772 stock options and 22,530 restricted stock shares which vest over two years based upon achievement of both total shareholder return and earnings per share goals. In recognition of financial performance, to maintain competitive compensation and as a retention incentive, discretionary equity awards were granted to Mr. Martin. He received 35,000 stock options and 10,000 restricted stock awards that vest between one and five years. The other named executive officers receive 75% of their equity in restricted stock that vests based upon the same total shareholder return and earnings per share goals and 25% of their equity in restricted stock that vests in two years.

Compensation Consultants

Our Compensation Committee retained the services of McLagan, an Aon Hewitt Company (McLagan) during 2013. McLagan has served as the independent compensation consultant for the Compensation Committee since 2005. McLagan was retained by and reported directly to the Compensation Committee and did not perform any other services for Provident, The Provident Bank or their affiliates or their management. The Compensation Committee regularly meets with its compensation consultant in executive session without management.

The Compensation Committee considered the independence of McLagan, an Aon Hewitt company, in light of Securities and Exchange Commission rules and New York Stock Exchange listing standards. The Compensation Committee requested and received a report from McLagan addressing the independence of McLagan and its consultants, including the following factors: (1) other services provided to Provident by McLagan; (2) fees paid by Provident as a percentage of Aon s total revenue; (3) policies or procedures maintained by McLagan that are designed to prevent a conflict of interest; (4) any business or personal relationships between the consultants and a member of the Compensation Committee; (5) any company stock owned by the consultants; and (6) any business or personal relationships between Provident s executive officers and the consultants. The Compensation Committee discussed these considerations and concluded that the work performed by McLagan and its consultants involved in the engagements did not raise any conflict of interest and concluded that McLagan continues to be an independent Compensation Committee consultant.

In 2013, McLagan was engaged by the Compensation Committee to review and recommend changes to the compensation peer group, then compare our executive compensation practices and compensation payments with those of our peers, evolving industry best practices and regulatory guidance.

Executive Compensation Philosophy

Our Compensation Committee believes that our executive compensation program is consistent with promoting sound risk management and long-term value creation for our stockholders. The program is intended to align the interests of our executive officers and employees with stockholders by rewarding performance against established corporate financial goals, and by rewarding strong executive leadership and superior individual performance. By offering annual cash incentives, long-term equity compensation and competitive benefits, we strive to attract, motivate and retain a highly qualified and talented team of executives who will help maximize long-term financial performance and earnings growth.

Table of Contents

The compensation paid to each named executive officer is based on the executive s level of job responsibility, corporate financial performance measured against annual goals, an assessment of the executive s individual performance and the competitive market. For the named executive officers and other members of executive management, annual incentive compensation is linked more directly to corporate financial performance, because these executives are in leadership roles that influence corporate financial results.

Consistent with past practice, McLagan was engaged to review our executive compensation program in 2013, which included a review and recomm%" style="PADDING-LEFT: 0pt; MARGIN-LEFT: 446pt">

Accumulated other comprehensive income	87,000	96,000
Retained earnings	8,244,000	8,587,000
Minority interest in subsidiary	203,000	219,000
Total shareholders’ equity	19,145,000	19,502,000
Total liabilities and shareholders’ equity	$21,867,000	$21,420,000

See accompanying notes to consolidated financial statements.

- 16 -

Index

TAITRON COMPONENTS INCORPORATED

Consolidated Statements of Operations

	Year Ended December 31, 2010	2009
Net sales	$7,189,000	$5,540,000
Cost of goods sold	4,992,000	4,175,000
Gross profit	2,197,000	1,365,000
Selling, general and administrative expenses	2,641,000	2,441,000
Operating loss	(444,000)	(1,076,000)
Interest expense, net	(44,000)	(9,000)
Other income, net	132,000	126,000
Loss before income taxes	(356,000)	(959,000)
Income tax provision	(7,000)	(2,000)
Net loss	(363,000)	(961,000)
Net loss attributable to noncontrolling interest in subsidiary	(20,000)	(32,000)
Net loss attributable to Taitron Components Inc.	$(343,000)	$(929,000)
Net loss per share: Basic & Diluted	$(0.07)	$(0.17)
Weighted average common shares outstanding: Basic & Diluted	5,539,756	5,539,756

See accompanying notes to consolidated financial statements.

- 17 -

Index

TAITRON COMPONENTS INCORPORATED

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31, 2010	2009
Net loss	$(363,000)	$(961,000)
Other Comprehensive (loss)income:		
Foreign currency translation adjustment	(9,000)	4,000
Comprehensive loss	(372,000)	(957,000)
Comprehensive loss attributable to noncontrolling interest in subsididary	(16,000)	(30,000)
Comprehensive loss attributable to Taitron Components Inc.	$(356,000)	$(927,000)

See accompanying notes to consolidated financial statements.

Index

TAITRON COMPONENTS INCORPORATED

Consolidated Statements of Shareholders' Equity

Two years ended December 31, 2010

	Class A common stock		Class B common stock		Additional Paid-in	Accumulated Other Comprehensive Income	Retained	Minority Interest	Total Shareholders'
	Shares	Amount	Shares	Amount	capital	(Loss)	Earnings	in Sub	Equity
Balances at December 31, 2008	4,777,144	$ 5,000	762,612	$ 1,000	$ 10,569,000	$ 92,000	$ 9,792,000	$ 251,000	$ 20,710,000
Minority interest in subsidary	-	-	-	-	-	-	-	(32,000)	(32,000)
Amortization of stock based compensation	-	-	-	-	25,000	-	-	-	25,000
Dividend payments	-	-	-	-	-	-	(276,000)	-	(276,000)
Comprehensive loss:									
Foreign currency translation adjustment	-	-	-	-	-	4,000	-	-	4,000
Net loss	-	-	-	-	-	-	(929,000)	-	(929,000)
Balances at December 31, 2009	4,777,144	$ 5,000	762,612	$ 1,000	$ 10,594,000	$ 96,000	$ 8,587,000	$ 219,000	$ 20,427,000
Minority interest in subsidary	-	-		-	-	-	-	(16,000)	(16,000)
Amortization of stock based compensation	-	-	-	-	11,000	-	-	-	11,000
Comprehensive loss:									
Foreign currency translation adjustment	-	-	-	-	-	(9,000)	-	-	(9,000)
Net loss	-	-	-	-	-	-	(343,000)	-	(343,000)
Balances at December 31, 2010	4,777,144	$ 5,000	762,612	$ 1,000	$ 10,605,000	$ 87,000	$ 8,244,000	$ 203,000	$ 20,422,000

See accompanying notes to consolidated financial statements.

- 19 -

Index

TAITRON COMPONENTS INCORPORATED

Consolidated Statements of Cash Flows

	Year ended December 31, 2010	2009
Cash flows from operating activities:		
Net loss	$(363,000)	$(961,000)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	227,000	226,000
Provision for inventory reserves	600,000	600,000
Provision for sales returns and doubtful accounts	32,000	39,000
Stock based compensation	11,000	25,000
Changes in assets and liabilities:		
Restricted cash	(100,000)	(100,000)
Trade accounts receivable	(238,000)	304,000
Inventory	(707,000)	1,019,000
Prepaid expenses and other current assets	154,000	320,000
Other assets	(19,000)	(8,000)
Trade accounts payable	256,000	(207,000)
Accrued liabilities	48,000	(13,000)
Total adjustments	264,000	2,205,000
Net cash (used in) provided by operating activities	(99,000)	1,244,000
Cash flows from investing activities:		
Acquisition of property & equipment	(65,000)	(45,000)
Net cash used in investing activities	(65,000)	(45,000)
Cash flows from financing activities:		
Borrowings on notes payable	500,000	500,000
Payments on notes payable	-	(421,000)
Dividend payments	-	(276,000)
Net cash provided by (used in) financing activities	500,000	(197,000)
Impact of exchange rates on cash	(9,000)	4,000
Net increase in cash and cash equivalents	327,000	1,006,000
Cash and cash equivalents, beginning of period	2,768,000	1,762,000
Cash and cash equivalents, end of year	$3,095,000	$2,768,000
Supplemental disclosures of cash flow information:		
Cash paid for interest	$47,000	$31,000
Cash paid for income taxes, net	$7,000	$1,000

See accompanying notes to consolidated financial statements.

- 20 -

Index

TAITRON COMPONENTS INCORPORATED

Notes to Consolidated Financial Statements

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview of business

We are a national distributor of brand name electronic components and supplier of original designed and manufactured (ODM) electronic components ("ODM Components"), with our product offerings ranging from discrete semiconductors through small electronic devices. We also offer value-added engineering and turn-key services, focusing on providing contract electronic manufacturers (CEMs) and original equipment manufacturers (OEMs) with ODM services for their multi-year turn-key projects. We are incorporated in California, and were originally formed in 1989. We maintain a majority-owned subsidiary in Mexico and three divisions in each of Taiwan, Brazil and China.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its various wholly-owned subsidiaries and its 60% majority-owned subsidiary, Taitron Components Mexico, SA de CV. All significant intercompany transactions and balances have been eliminated in consolidation. The ownership interests of the minority investors in Taitron Components Mexico, SA de CV are recorded in the accompanying consolidated balance sheet as minority interests, which have a balance of $203,000 and $219,000 as of December 31, 2010 and 2009, respectively.

Concentration of Risk

A significant number of the products distributed by the Company are manufactured in Taiwan, Hong Kong, China, South Korea and the Philippines. The purchase of goods manufactured in foreign countries is subject to a number of risks, including economic disruptions, transportation delays and interruptions, foreign exchange rate fluctuations, imposition of tariffs and import and export controls and changes in governmental policies, any of which could have a material adverse effect on the Company's business and results of operations.

The ability to remain competitive with respect to the pricing of imported components could be adversely affected by increases in tariffs or duties, changes in trade treaties, strikes in air or sea transportation, and possible future U.S. legislation with respect to pricing and import quotas on products from foreign countries. For example, it is possible that political or economic developments in China, or with respect to the relationship of the United States with China, could have an adverse effect on the Company's business. The Company's ability to remain competitive could also be affected by other government actions related to, among other things, anti-dumping legislation and international currency fluctuations. While the Company does not believe that any of these factors adversely impact its business at present, the Company cannot provide assurance that these factors will not materially adversely affect the Company in the future. Any significant disruption in the delivery of merchandise from the Company's suppliers, substantially all of whom are foreign, could also have a material adverse impact on the Company's business and results of operations. Management estimates that over 90% of the Company's products purchased were produced in Asia.

Samsung Electro-Mechanics Co. accounted for approximately 17% and 13% of all Taitron's net purchases for fiscal years 2010 and 2009, respectively. However, Taitron does not regard any one supplier as essential to its operations, since equivalent replacements for most of the products Taitron markets are either available from one or more of Taitron's other suppliers or are available from various other sources at competitive prices. Taitron believes that, even if it loses its direct relationship with a supplier, there exist alternative sources for a supplier's products.

For the year ended December 31, 2010 two customers accounted for 12% and 8% of our net sales. For the year ended December 31, 2009 two customers accounted for 13% and 8% of our net sales. As of December 31, 2010, two customers accounted for 14% and 11% of our trade receivables. As of December 31, 2009, two customers accounted for 19.6% and 8.6% of our trade receivables.

Index

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents and maintains cash balances in multiple accounts at multiple banks. Accounts at our primary domestic financial institution are non-interest-bearing transaction accounts with unlimited insurance coverage by the Federal Deposit Insurance Corporation through December 31, 2012. Our cash held in a money market investment account exceeds insurance limits. Our foreign accounts are not insured, however, management does not believe that there is a significant credit risk with respect to the non-performance of these institutions based on their respective creditworthiness and liquidity. At December 31, 2010 and 2009, the Company had no cash equivalents.

Revenue Recognition

The Company will recognize revenue on arrangements in accordance with FASB ASC No. 605, "Revenue Recognition". In all cases, revenue is recognized when it has evidence of an arrangement, a determinable fee, and when collection is considered to be probable and products are delivered. This occurs upon shipment of the merchandise, which is when legal transfer of title occurs. Reserves for sales allowances and customer returns are established based upon historical experience and management's estimates of future returns. Sales returns for the years ended December 31, 2010 and 2009 amounted to $26,000 and $24,000, respectively.

Allowance for Sales Returns and Doubtful Accounts

On a case-by-case basis, the Company accepts returns of products from its customers, without restocking charges, when they can demonstrate an acceptable cause for the return. Requests by a distributor to return products purchased for its own inventory generally are not included under this policy. The Company will, on a case-by-case basis, accept returns of products upon payment of a restocking fee, which is generally 10% to 30% of the net sales price. The Company will not accept returns of any products that were special-ordered by a customer or that otherwise are not generally included in our inventory. The allowance for sales returns and doubtful accounts at December 31, 2010 and 2009 amounted to $96,000 and $89,000, respectively.

Inventory

Inventory, consisting principally of products held for resale, is stated at the lower of cost, using the first-in, first-out method, or market. The amount presented in the accompanying consolidated balance sheet is net of valuation allowances of $3,700,000 and $3,615,000 at December 31, 2010 and 2009, respectively. The Company uses a systematic methodology that includes regular evaluations of inventory to identify costs in excess of the lower of cost or market and slow-moving inventory.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment are computed principally using accelerated and straight-line methods using lives from 5 to 7 years for furniture, machinery and equipment and 31.5 years for building and building improvements. Property and equipment amortized using an accelerated method does not result in a material difference over the straight-line method. Renewals and betterments, which extend the life of an existing asset, are capitalized while normal repairs and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

In accordance with ASC 350-30, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. The Company's management currently believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Company's products under development will continue. Either of these could result in future impairment of long-lived assets.

Index

Marketing

Marketing costs consist primarily of payroll and related expenses for personnel engaged in marketing, business development, and selling activities. Advertising and other promotional costs, are expensed as incurred, and were $5,000 and $3,000 for the years ending December 31, 2010 and 2009, respectively.

Shipping Activities

Outbound shipping charges to customers are included in “Net sales.” Outbound shipping-related costs are included in “Cost of goods sold.”

Stock-Based Compensation

The Company accounts for its share-based compensation in accordance ASC 718-20. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite vesting period.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded, when necessary, to reduce deferred tax assets to the amount expected to be realized.

As a result of the implementation of certain provisions of ASC 740, Income Taxes (“ASC 740”), which clarifies the accounting and disclosure for uncertainty in tax positions, as defined, ASC 740 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. We adopted the provisions of ASC 740 as of January 1, 2007, and have analyzed filing positions in each of the federal and state jurisdictions where required to file income tax returns, as well as all open tax years in these jurisdictions. We have identified the U.S. federal and California as our "major" tax jurisdictions. Generally, we remain subject to Internal Revenue Service examination of our 2007 through 2009 U.S. federal income tax returns, and remain subject to California Franchise Tax Board examination of our 2006 through 2009 California Franchise Tax Returns. However, we have certain tax attribute carryforwards which will remain subject to review and adjustment by the relevant tax authorities until the statute of limitations closes with respect to the year in which such attributes are utilized.

We believe that our income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change to our financial position. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740. In addition, we did not record a cumulative effect adjustment related to the adoption of ASC 740. Our policy for recording interest and penalties associated with income-based tax audits is to record such items as a component of income taxes.

Fair Value of Financial Instruments

The fair value accounting guidance defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. This guidance also establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The estimated fair values of our financial assets and liabilities that are recognized at fair value on a recurring basis, using available market information and other observable data are as follows:

Index

	December 31, 2010				December 31, 2009			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets or Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input		Quoted Prices in Active Markets or Identical Assets	Significant Other Observable Inputs	Significant Unobservable Input	
Cash	$3,095,000	$-	$ -	$3,095,000	$2,768,000	$-	$ -	$2,768,000
Restricted cash	200,000	-	-	200,000	100,000	-	-	100,000
Other assets	-	263,000	-	263,000	-	244,000	-	244,000
Total Assets	$3,295,000	$263,000	$ -	$3,558,000	$2,868,000	$244,000	$ -	3,112,000
Current portion of long-term debt	$1,500,000	$-	$ -	$1,500,000	$-	$-	$ -	$-
Long term debt - non current	-	-	-	-	1,000,000			1,000,000
Total Liabilities	$1,500,000	$-	$ -	$1,500,000	$1,000,000	$-	$ -	$1,000,000

Other assets includes the Company’s two cash investments in separate unrelated businesses and their fair values are accounted for under the cost basis of accounting with significant observable inputs.

The carrying value of the Company’s long-term debt for year ending December 31, 2010, is considered to approximate fair market value, due to its short-term maturity as well as the interest rate of the instrument is based predominantly on variable reference rates.

The carrying value of accounts receivable, inventory, trade payables and accrued liabilities approximates their fair values due to their short-term maturities.

Net Loss Per Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share includes potentially dilutive securities such as outstanding options and warrants, using various methods such as the treasury stock or modified treasury stock method in the determination of dilutive shares outstanding during each reporting period. Common equivalent shares, consisting primarily of stock options, of approximately 316,000 and 339,000 for the years ended December 31, 2010 and 2009, respectively, are excluded from the computation of diluted loss per share as their effect is anti-dilutive.

Foreign Currency Translation

The financial statements of the Company’s majority-owned subsidiary in Mexico and divisions in Taiwan, Brazil and China, which were established in 1998, 1997, 1996 and 2005, respectively, are translated into U.S. dollars for financial reporting purposes. Balance sheet accounts are translated at year-end or historical rates while income and expenses are translated at weighted-average exchange rates for the year. Translation gains or losses related to net assets are shown as a separate component of shareholders’ equity as accumulated other comprehensive income. Gains and losses resulting from realized foreign currency transactions (transactions denominated in a currency other than the entities’ functional currency) are included in operations. The transactional gains and losses are not significant to the consolidated financial statements.

Use of Estimates

The Company’s management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates have a significant impact on the Company’s valuation and reserve accounts relating to the allowance for sales returns, doubtful accounts and inventory reserves. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the prior years’ financial statements in order to conform to the current year presentation. Such reclassifications are immaterial to both current and all previously issued financial statements taken as a whole and had no effect on previously reported results of operations.

Business Segments

We operate in one industry, the business of providing distribution and value-added services for electronic components. Management designates the internal reporting used by the chief executive officer for making decisions and assessing performance as the source of our reportable segments. See Note 12 to the consolidated financial statements Geographic Information, for additional information.

Index

Recent Adopted Accounting Pronouncements

In June 2009, the FASB issued changes to the consolidation guidance applicable to a variable interest entity (VIE). FASB ASC Topic 810, "Consolidation," (“ASC 810”) amends the guidance governing the determination of whether an enterprise is the primary beneficiary of a VIE, and is, therefore, required to consolidate an entity, by requiring a qualitative analysis rather than a quantitative analysis. The qualitative analysis will include, among other things, consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. This standard also requires continuous reassessments of whether an enterprise is the primary beneficiary of a VIE. FASB ASC 810 also requires enhanced disclosures about an enterprise's involvement with a VIE. Topic 810 is effective as of the beginning of interim and annual reporting periods that begin after November 15, 2009. The adoption of ASC 810 did not have an impact on the Company’s financial position, results of operations or cash flows.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the United States Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

2 - RESTRICTED CASH

At December 31, 2010 and 2009, we had $200,000 and $100,000, respectively, of restricted cash on deposit as collateral for our $200,000 and $100,000, respectively, irrevocable letter of credit in favor of a trade vendor for inventory purchasing.

3 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, is summarized as follows:

	December 31,	
	2010	2009
Land	$ 1,297,000	$ 1,297,000
Buildings and improvements	5,125,000	5,125,000
Furniture and equipment	740,000	978,000
Computer software and equipment	443,000	2,364,000
Total Property and Equipment	7,605,000	9,764,000
Less: Accumulated depreciation and amortization	(2,628,000)	(4,629,000)
Property and Equipment, net	$ 4,977,000	$ 5,135,000

4 - OTHER ASSETS

Other assets is summarized as follows:

	December 31,	
	2010	2009
Investment in securitites	$ 68,000	$ 68,000
Investment in joint venture	147,000	147,000
Other	48,000	29,000
Other Assets	$ 263,000	$ 244,000

Our $68,000 investment in securities as of December 31, 2010 remained unchanged from 2009 and relates to 154,808 shares of Zowie Technology Corporation, a manufacturer of discrete semiconductors and also a supplier of our electronic component products. This investment is accounted for under the cost method basis of accounting.

Index

Our $147,000 investment in joint venture as of December 31, 2010 remained unchanged from 2009 and relates to our 49% ownership of Taiteam (Yangzhou) Technology Corporation Limited, a joint venture with its 51% owner, Full Harvest Development Limited. This joint venture is not considered to be a "Variable Interest Entity", as defined under ASC 810 (formerly FAS Interpretation No. 46R), and as such, is accounted for under the equity method basis of accounting. This joint venture is not operational and as such, there has been no activity in this joint venture during 2010.

5 - LONG-TERM DEBT

Long-term debt consists of the following:

	December 31,	
	2010	2009
Secured credit facility - related party	1,500,000	1,000,000
Less current portion	(1,500,000)	-
Long-term debt, less current portion	$ -	$ 1,000,000

Secured credit facility - On April 21, 2008 we entered into a $3,000,000 credit facility, collateralized by real property, from K.S. Best International Co. Ltd., a company controlled by the brother of our Chief Executive Officer, maturing on April 21, 2011. Credit is available in $500,000 advances, each advance payable in monthly interest only installments, at the rate of Prime + 0.25% per annum with the entire principal amount outstanding due two years from the date of each advance or April 21, 2011, whichever is earlier. As of December 31, 3010 the aggregate outstanding balance on this credit facility was $1,500,000 as on June 3, 2008 we borrowed $500,000 due April 21, 2011, on April 3, 2009 we borrowed $500,000 due April 3, 2011 and on April 1, 2010, we borrowed $500,000 due April 21, 2011.

6 - SHAREHOLDER'S EQUITY

Preferred Stock - There are 5,000,000 shares of authorized preferred stock, par value $0.001 per share, with no shares of preferred stock issued or outstanding. The terms of the shares are subject to the discretion of the Board of Directors.

Class A Common Stock - There are 20,000,000 shares of authorized Class A common stock, par value $0.001 per share, with 4,777,144 issued and outstanding as of December 31, 2010 and 2009. Each holder of Class A common stock is entitled to one vote for each share held. During 2010 and 2009, the Company did not repurchase, nor issue, any shares of its Class A common stock.

Class B Common Stock - There are 762,612 shares of authorized Class B common stock, par value $0.001 per share, with 762,612 shares issued and outstanding as of December 31, 2010 and 2009. Each holder of Class B common stock is entitled to ten votes for each share held. The shares of Class B common stock are convertible at any time at the election of the shareholder into one share of Class A common stock, subject to certain adjustments. The Company's Chief Executive Officer is the sole beneficial owner of all the outstanding shares of Class B common stock.

Dividends – During 2010, the Company did not declare any dividends. On June 2, 2009, the Board of Directors declared an annual cash dividend of $0.05 per share of Class A and Class B common stock, payable to shareholders of record at the close of business on June 15, 2009. The total dividend amount paid for the year ended December 31, 2009 was $276,000.

Index

7 - INCOME TAXES

Income tax provision is summarized as follows:

	Year Ended December 31, 2010	2009
Current:		
Federal	$ -	$ -
State	7,000	2,000
	7,000	2,000
Deferred:		
Federal	(81,000)	(249,000)
State	(21,000)	(64,000)
Increase in valuation allowance	102,000	313,000
	-	-
Income tax provision	$ 7,000	$ 2,000

The actual income tax provision differs from the "expected" tax computed by applying the Federal corporate tax rate of 34% to the loss before income taxes as follows:

	Year Ended December 31, 2010	2009
"Expected" income tax expense (benefit)	$ (93,000)	$ (313,000)
State tax expense, net of Federal benefit	2,000	2,000
Foreign (income) loss	-	-
Increase in valuation allowance	102,000	313,000
Other	(4,000)	-
Income tax provision	$ 7,000	$ 2,000

The tax effects of temporary differences which give rise to significant portions of the deferred taxes are summarized as follows:

	December 31, 2010	2009
Deferred tax assets:		
Inventory reserves	$ 1,585,000	$ 1,549,000
Section 263a adjustment	82,000	82,000
Allowances for bad debts and returns	33,000	33,000
Accrued expenses	21,000	20,000
Asset valuation reserve	57,000	57,000
State net operating loss carry forward	239,000	182,000
Other	45,000	34,000
Total deferred tax assets	2,062,000	1,957,000
Valuation allowance	(1,906,000)	(1,804,000)
	156,000	153,000
Deferred tax liabilities:		
Deferred state taxes	(156,000)	(153,000)
Net deferred tax assets	$ -	$ -

As of December 31, 2010, the Company had approximately $435,000 and $1,146,000 in net operating loss carryforwards for federal and state income tax purposes, respectively. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax assets, the level of historical taxable income and tax planning strategies in making the assessment of the realizability of deferred tax assets. We have identified the U.S. federal and California as our "major" tax jurisdiction and generally, we remain subject to Internal Revenue Service examination of our 2007 through 2009 U.S. federal income tax returns, and remain subject to California Franchise Tax Board examination of our 2006 through 2009 California Franchise Tax Returns.

Index

As a result of the implementation of ASC 740, we recognized no material adjustment to unrecognized tax benefits. At the adoption date of January 1, 2007, we had $795,000 of unrecognized tax benefits, all of which would affect our effective tax rate if recognized. At December 31, 2010 and 2009, we have $1,906,000 and $1,804,000 of unrecognized tax benefits, respectively. The Company will continue to classify income tax penalties and interest, if any, as part of interest and other expenses in its statements of operations. The Company has incurred no interest or penalties as of December 31, 2010 and 2009.

8 - 401(k) PROFIT SHARING PLAN

In January 1995, the Company implemented a defined contribution profit sharing plan pursuant to Section 401(k) of the Internal Revenue Code (the Code) covering all employees of the Company. Participants once eligible, as defined by the plan, may contribute up to the maximum allowed under the Code. The plan also provides for safe harbor matching contributions, vesting immediately, at the discretion of the Company. For each of the years ended December 31, 2010 and 2009, employer matching contributions aggregated approximately $40,000 and 33,000, respectively.

Participants in the plan, through self-directed brokerage accounts, held 237,939 and 228,939 shares in Class A common stock of the Company as of December 31, 2010 and 2009, respectively. The Plan does not offer new issues of common stock of the Company as an investment option.

9 - STOCK OPTIONS

The Company's 2005 Stock Incentive Plan (the "Plan") authorizes the issuance of up to 1,000,000 shares pursuant to options or awards granted under the plan. Under the Plan, incentive stock and nonstatutory options were granted at prices equal to at least the fair market value of the Company's Class A common stock at the date of grant. Outstanding options vest in three equal annual installments beginning one year from the date of grant and are subject to termination provisions as defined in the Plan. The fair value of options using the Black-Scholes option-pricing model with the following weighted average assumptions was as follows for 2010 and 2009: dividend yield of 2%; expected volatility of 33%; a risk free interest rate of approximately 4.4% and an expected holding period of five years.

Stock option activity during the periods indicated is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Years Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2008	453,167	$ 1.81	3.6	$ -
Granted	42,000	0.87	8.1	
Forfeited	(99,667)	1.62		
Outstanding at December 31, 2009	395,500	1.75	4.3	$ 19,000
Granted	3,000	1.19	9.2	
Forfeited	(32,000)	3.19		
Outstanding at December 31, 2010	366,500	$ 1.62	3.4	$ 69,000
Exercisable at December 31, 2010	315,499	$ 1.69	3.0	$ 48,000

At December 31, 2010, the range of individual weighted average exercise prices was $0.84 to $1.92.

Index

10 - NET LOSS PER SHARE

The following data shows a reconciliation of the numerators and the denominators used in computing loss per share and the weighted average number of shares of potentially dilutive common stock.

	Year ended December 31, 2010	2009
Net loss available to common shareholders used in basic and diluted loss per share	$ (363,000)	$ (961,000)
Weighted average number of common shares used in basic loss per share (Class A and B shares)	5,539,756	5,539,756
Basic loss per share (Class A and B shares)	$ (0.07)	$ (0.17)
Effect of dilutive securities:		
Options	-	-
Weighted average number of common shares and dilutive potential common shares used in diluted loss per share (Class A and B shares)	5,539,756	5,539,756
Diluted loss per share	$ (0.07)	$ (0.17)

11 - COMMITMENTS AND CONTINGENCIES

Legal and Regulatory Proceedings
The Company is engaged in various legal and regulatory proceedings incidental to its normal business activities, none of which, individually or in the aggregate, are deemed to be a material risk to its financial condition.

Inventory Purchasing
Outstanding commitments to purchase inventory from suppliers aggregated $1,114,000 as of December 31, 2010.

Regulation
Effective July 1, 2006, the European Union (“EU”) directive relating to the Restriction of Certain Hazardous Substance (“RoHS”) restricted the distribution of products within the EU containing certain substances, including lead. At the present time, much of our inventory contains substances prohibited by the RoHS directive and some of our inventory may become obsolete and unsaleable and, as a result, have to be written off.

Index

12 - GEOGRAPHIC INFORMATION

The following table presents summary geographic information about revenues and long-lived assets (land and property, net of accumulated depreciation) attributed to countries based upon location of our customers or assets:

	Year ended December 31,		December 31,	
	2010	2009	2010	2009
	Revenues	Revenues	Long-lived Assets	Long-lived Assets
United States	$ 5,834,000	$ 3,873,000	$ 3,357,000	$ 3,454,000
Mexico	607,000	667,000	160,000	172,000
Brazil	351,000	231,000	-	-
Taiwan	120,000	90,000	286,000	285,000
China	22,000	48,000	1,174,000	1,224,000
Canada	88,000	29,000	-	-
Other foreign countries	167,000	602,000	-	-
Total	$ 7,189,000	$ 5,540,000	$ 4,977,000	$ 5,135,000

14 - SUBSEQUENT EVENTS

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 31, 2011, the date the financial statements were issued.

Through the filing date of this report, the Company has funded $196,000 out of a total amount of $245,000 to an unrelated third party in anticipation of acquiring a 49% non-controlling interest in a People's Republic of China (PRC) based manufacturer of electronic parts and devices. This joint venture will further the Company's capabilities in the ODM services it provides to customers. The acquisition is scheduled to be fully funded and closed by June 30, 2011 and is subject to satisfactory due diligence and standard representations and warranties by the selling third party.

On March 7, 2011, we extended the maturity date of our secured credit facility borrowings for two additional years, now expiring June 30, 2013. All other terms and conditions remain unchanged. See Note 5.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our principal executive and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, our principal executive and principal financial officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting.

a) Management's Annual Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) for the Company. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent nor detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Index

Our internal controls framework is based on the criteria set forth in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and includes those policies and procedures that: (i) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Based on such criteria, our management, with the participation of our principal executive and principal financial officer, evaluated the effectiveness of the Company’s internal control over financial reporting as of December 31, 2010 and 2009 and concluded that, as of December 31, 2010 and 2009, our internal control over financial reporting was effective.

Management's assessment report was not subject to attestation by the Company's independent registered public accounting firm and as such, no attestation was performed pursuant to SEC Final Rule Release Nos. 33-8934; 34-58028 that permit the Company to provide only management's assessment report for the year ended December 31, 2010 and 2009.

b) Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting that occurred in our fiscal quarter ended December 31, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION. None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

The information required by this section, with the exception of the information provided below concerning the Company’s Code of Ethics, will appear in the Proxy Statement for the 2011 Annual Meeting of Shareholders (the “Proxy Statement”) under the captions “Election of Directors”, “Compliance with Section 16(a) - Beneficial Ownership Reporting” and “Report of the Audit Committee” and is incorporated herein by this reference. The Proxy Statement will be filed with the Securities and Exchange Commission within 120 days following December 31, 2010.

The Company has adopted a Code of Ethics that applies to all officers (including its principal executive officer, principal financial officer, controller and any person performing similar functions). The Code of Ethics is available on the Company’s website at www.taitroncomponents.com.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this section will appear in the Proxy Statement under the caption “Executive Compensation” and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this section will appear in the Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

The information required by this section will appear in the Proxy Statement under the caption “Certain Relationships and Related Transactions” and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this section will appear in the Proxy Statement under the caption “Principal Accounting Fees and Services” and is incorporated herein by this reference.

Index

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Financial Statement Schedules. Not Applicable.

Exhibits

21.1*	List of Subsidiaries. (1)
23.1*	Consent of Independent Registered Public Accounting Firm – Anton & Chia LLP.
24.1*	Power of Attorney (contained on the signature page hereof).
31.1*	Principal Executive Officer - Section 302 Certification.
31.2*	Principal Financial Officer - Section 302 Certification.
32*	Principal Executive and Principal Financial Officer - Section 906 Certification.

* Filed herewith.

(1) Incorporated by reference from the Exhibit 21.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 filed on March 31, 2010.

Index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TAITRON COMPONENTS INCORPORATED

Dated: March 31, 2011	By:	/s/ Stewart Wang Stewart Wang Director, Chief Executive Officer and President
Dated: March 31, 2011	By:	/s/ David Vanderhorst David Vanderhorst Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Stewart Wang and David Vanderhorst and each of them singly, as attorneys-in-fact and agents, with full power of substitution, for him in any and all capacities, to sign any amendments to this Annual Report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or his substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated below.

Signature	Title	Date
/s/ Johnson Ku Johnson Ku	Chairman of the Board	March 31, 2011
/s/ Stewart Wang Stewart Wang	Director, Chief Executive Officer and President	March 31, 2011
/s/ Richard Chiang Richard Chiang	Director	March 31, 2011
/s/ Craig Miller Craig Miller	Director	March 31, 2011
/s/ Felix Sung Felix Sung	Director	March 31, 2011