

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000.**

**If you have sold or transferred all your ordinary shares in Provident Financial plc, please send this document and the form of proxy to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.**

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## **ANNUAL GENERAL MEETING 2006**

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Notice of the annual general meeting is set out on pages 4 to 8 of this document. You will find accompanying this document a proxy form for use at the annual general meeting. The proxy form should be returned as soon as possible but, in any event, so as to be received by the company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 12 noon on Monday 15 May 2006.

**Provident Financial plc**

Registered office: Colonnade, Sunbridge Road, Bradford, West Yorkshire BD1 2LQ  
(Registered in England No: 668987)

5 April 2006

*To shareholders, members of the Provident Financial Company Nominee Scheme and, for information only, to option-holders under the Provident Financial share option schemes*

Dear shareholder

**Annual general meeting**

I am pleased to send you details of the annual general meeting (“the AGM”) of Provident Financial plc (“the company”) which will be held on Wednesday 17 May 2006 at the Cedar Court Hotel in Bradford. The meeting will start at 12 noon. The formal Notice of the AGM is on pages 4 to 8 of this document.

**1. The business to be considered at the AGM**

The AGM will cover the usual business, which is dealt with in resolutions 1 to 13, as follows:

- Receipt of the directors’ report and the financial statements.
- Approval of the directors’ remuneration report.
- Declaration of a final dividend.
- Election of two directors.
- Re-election of six directors retiring under the company’s Articles of Association.
- Reappointment of auditors and the directors’ authority to pay them.

Resolutions 14 to 18 deal with additional matters. Resolution 14 confers authority to enable the company to purchase its own shares. Resolution 15 gives the directors authority to allot shares in the company in certain circumstances. Resolution 16 confers authority on the company to make certain donations. Resolutions 14 to 16 are similar to the resolutions which shareholders have passed in previous years. Resolution 17 relates to the proposed establishment of the Provident Financial Executive Share Option Scheme 2006 and Resolution 18 relates to the proposed establishment of the Provident Financial Long Term Incentive Scheme 2006. We have explained the effect of each proposed resolution in the text contained in the Notice of the AGM.

**2. Recommendation**

The directors believe that all the resolutions to be considered at the AGM are in the best interests of the company and its shareholders. The directors will be voting in favour of the proposed resolutions in respect of their beneficial shareholdings in the company amounting to 151,788 shares, which represent approximately 0.06% of the issued share capital of the company. They recommend that you vote in favour of them all.

**3. What to do next**

If you hold shares in the company, you are entitled to attend the AGM and vote on the resolutions proposed. It is important to us that our shareholders have the opportunity to vote even if they are unable to come to the meeting. If you are unable to come to the AGM, you can use a proxy voting form to nominate someone else to come to the meeting and vote for you (this person is called a proxy). You can, if you wish, nominate me to vote on your behalf. To appoint a proxy, you need to send back the proxy voting form enclosed with this letter to the company’s registrar, Capita Registrars, by 12 noon on Monday 15 May 2006, or you can appoint a proxy electronically via the internet. In addition, members of CREST may use the CREST electronic proxy appointment service. There is further information on what you

need to do if you want to appoint a proxy in Schedule 1 on page 9 of this document. Detailed instructions for CREST members are contained in Schedule 2 on page 10 of this document. Even if you appoint a proxy you can still come to the AGM and vote instead of your proxy.

If you are a member of the Provident Financial Company Nominee Scheme, you should request Capita IRG Trustees Limited to appoint you as a proxy if you wish to attend and vote on the resolutions at the AGM. If you are unable to come to the AGM, you may instruct Capita IRG Trustees Limited to vote in accordance with your instructions. In both cases, you should send back the proxy request form enclosed with this letter (or appoint a proxy or give instructions electronically) by 12 noon on Friday 12 May 2006. There is further information on how to do this in Schedule 1 on page 9 of this document.

Yours faithfully

**John van Kuffeler**

Chairman

# Provident Financial plc

(Registered in England No: 668987)

## NOTICE OF ANNUAL GENERAL MEETING

The forty-sixth annual general meeting (“the AGM”) of Provident Financial plc (“the company”) will be held at 12 noon on Wednesday 17 May 2006 at the Cedar Court Hotel, Mayo Avenue, off Rooley Lane, Bradford, West Yorkshire BD5 8HZ for the following purposes.

### Directors’ report and financial statements

*Resolution 1 will be proposed as an ordinary resolution.*

1. To receive the directors’ report and the audited financial statements of the company for the year ended 31 December 2005.

*The directors’ report and the audited financial statements of the company for the year ended 31 December 2005 are enclosed (“the annual report”) and will be presented to shareholders at the AGM. The annual report may also be accessed on the company’s website at [www.providentfinancial.com](http://www.providentfinancial.com).*

### Directors’ remuneration report

*Resolution 2 will be proposed as an ordinary resolution.*

2. To approve the directors’ remuneration report for the year ended 31 December 2005.

*The directors’ remuneration report is contained in the annual report. It may also be accessed on the company’s website at [www.providentfinancial.com](http://www.providentfinancial.com).*

### Dividend

*Resolution 3 will be proposed as an ordinary resolution.*

3. To declare a final dividend of 21.37p per share on the ordinary shares of 10 $\frac{1}{4}$ p each in respect of the year ended 31 December 2005 payable on 26 May 2006 to the holders of such ordinary shares on the register of members of the company on 7 April 2006.

*Shareholders must approve the final dividend for each ordinary share. However, the final dividend cannot be more than the amount which the directors recommend (which is 21.37p for each ordinary share). Under the Articles of Association of the company the directors can pay interim dividends (these are dividend payments made during the year). The final dividend proposed in this resolution is in addition to the interim dividend of 14.06p for each ordinary share which was paid on 14 October 2005.*

### Election of directors

*Resolutions 4 and 5 will be proposed as ordinary resolutions.*

4. To elect Peter Crook.
5. To elect Andrew Fisher.

*Peter Crook was appointed to the board on 8 March 2006. Under the Articles of Association he will hold office only until the AGM when he will be eligible for election.*

*It is proposed to appoint Andrew Fisher to the board to become Finance Director in place of John Harnett, who will remain a director but become Managing Director of the international division. David Swann, the current Managing Director, is retiring at the end of May 2006 and will cease to be a director after the AGM.*

*Both Peter Crook and Andrew Fisher have confirmed that they will stand for election. There is further information about Peter Crook and Andrew Fisher in Schedule 3 on page 11 of this document.*

## **Re-election of directors who are retiring under the Articles of Association**

*Resolutions 6, 7, 8, 9, 10 and 11 will be proposed as ordinary resolutions.*

6. To re-elect Robin Ashton.
7. To re-elect Charles Gregson.
8. To re-elect John Maxwell.
9. To re-elect Ray Miles.
10. To re-elect Graham Pimlott.
11. To re-elect John van Kuffeler.

*The Articles of Association of the company state that a third of the directors must retire at the AGM. (This does not include directors appointed by the board since the last AGM). Furthermore, each director must offer himself for re-election every three years and annually once he has served for nine years. All these directors have confirmed that they will stand for re-election. There is information about them and the board committees on which they sit in Schedule 3 on pages 11 to 12 of this document.*

*In accordance with the Combined Code it is confirmed that formal performance evaluation has been carried out and that each of these directors continues to be an effective member of the board and to demonstrate commitment to the role.*

*Charles Gregson was first elected to the board as a non-executive director on 19 April 1995 and thus on 19 April 2006 eleven years will have elapsed since his first election. Notwithstanding this, the board has determined him to be independent in character and judgement. In coming to this decision the board considered all the relevant circumstances but ultimately concluded that a term of office of eleven years had not changed Charles Gregson's status, given that independence is ultimately determined by state of mind. He continues to make a distinct and strong contribution to strategy discussions and his experience of international businesses is a particular asset to the group as it continues with international expansion. In 2005 the nomination committee reviewed the structure and composition of the board. It took the view that the four current non-executive directors bring an appropriate balance of skills and expertise to the board. Furthermore, although Charles Gregson has served for eleven years, two of the non-executive directors have served for less than three years; these more recent appointments have ensured that the board has been refreshed and remains appropriately balanced.*

## **Reappointment and remuneration of auditors**

*Resolutions 12 and 13 will be proposed as ordinary resolutions.*

12. THAT PricewaterhouseCoopers LLP be reappointed auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company.
13. THAT the directors be authorised to determine the auditors' remuneration.

*The company is obliged by law to reappoint its auditors annually. The audit committee considered the reappointment of PricewaterhouseCoopers LLP at its meeting in March 2006 and recommended this to the board.*

## **Authority for the company to purchase its own shares**

*Resolution 14 will be proposed as a special resolution.*

14. THAT the company is authorised, generally and without conditions, to make market purchases (within the meaning of section 163 of the Companies Act 1985) of its own ordinary shares of 10<sup>1</sup>/<sub>11</sub>p each ("ordinary shares"), provided that:

- 14.1 the company may not purchase more than 25,550,000 ordinary shares;
- 14.2 the minimum price which the company may pay for each ordinary share is the nominal value;
- 14.3 the maximum price (excluding expenses) which the company may pay for each ordinary share is 5% over the average of the middle-market price of an ordinary share, based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the company agrees to purchase the ordinary shares;
- 14.4 this authority will last from the date of this annual general meeting until the end of the next annual general meeting or, if earlier, 16 May 2007; and

14.5 the company may agree, before the authority ends, to purchase ordinary shares even though the purchase is, or may be, completed after the authority ends.

*This resolution renews the resolution that was passed at the 2005 annual general meeting giving the company authority to purchase its own shares in the market up to a maximum of approximately 10% of the issued ordinary share capital of the company. No shares were purchased pursuant to that authority. The resolution sets out the maximum number of shares which may be purchased, which is approximately 10% of the issued share capital of the company as at 31 March 2006, the highest and lowest prices which may be paid and the date when this authority runs out. If any shares are purchased, they will be either cancelled or held in treasury. Any such decision will be made by the directors at the time of purchase on the basis of the shareholders' best interests. If the directors decide to hold such shares as treasury shares, any subsequent issue of these treasury shares for the purposes of equity based incentive schemes will be treated as being included in the 10% dilution limit in those schemes.*

*The directors are committed to managing the capital of the company effectively. Any purchases would be made only if to do so would result in an increase in earnings per share of the company and would be in the best interests of shareholders generally. Earnings per share is the profit after tax of the company divided by the weighted average number of shares in issue during the year. The directors have no present intention of making purchases of the company's shares pursuant to this authority.*

### **Power to allot shares for cash**

*Resolution 15 will be proposed as a special resolution.*

15. THAT the directors be authorised pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the Companies Act 1985) for cash pursuant to the general authority conferred by Resolution 7 as set out in the notice of meeting in relation to the 2003 annual general meeting (which gave the directors power to allot shares up to an aggregate nominal amount of £8,780,000 up until 29 April 2008) and sell relevant shares (as defined in section 94 of the Companies Act 1985) held by the company as treasury shares (as defined in section 162A of the Companies Act 1985) for cash, as if section 89(1) of the Companies Act 1985 did not apply to such allotment or sale, provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:

15.1 in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares in the capital of the company in proportion (as nearly as may be) to the number of ordinary shares then held by them (subject to any exceptions which the directors believe are necessary or expedient in relation to fractional entitlements or legal and practical problems under the laws of any country or the requirements of any regulatory body or stock exchange of any country); and

15.2 otherwise than pursuant to section 15.1 above, up to an aggregate nominal amount of £1,323,955;

and shall expire on 16 May 2007, provided that the company may before that date make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after that date and the directors shall be entitled to allot such securities or sell treasury shares accordingly in pursuance of such offer or agreement as if the power conferred by this agreement had not expired; and provided further that the outstanding authority conferred by Resolution 11 as set out in the notice of meeting in relation to the 2005 annual general meeting is hereby revoked.

*Resolution 7 passed at the 2003 annual general meeting gave the directors power to allot shares up to an aggregate nominal amount of £8,780,000 up until 29 April 2008. Resolution 11 passed at the 2005 annual general meeting gave the directors authority to allot shares for cash up to an aggregate nominal amount of £1,322,269 up until 23 May 2006. No shares were issued pursuant to these authorities. It is now proposed to seek further authority to allot shares for cash.*

*This resolution gives the directors power to allot equity securities in exchange for cash and to sell treasury shares other than to existing holders of ordinary shares in proportion to their holdings. Equity securities are ordinary shares in the company (but do not include shares which are allotted under employees' share schemes). This power is limited to an offer of equity securities by way of a rights issue or an open offer or similar procedure under which a company offers existing shareholders the chance to acquire new shares. The number of shares they can acquire depends on the number of shares they already own. This is one way by which companies can raise extra capital. However, the rules in some countries make it difficult to include shareholders in those countries in such offers. The power given by this resolution means that the directors can make separate arrangements for those shareholders. The directors may also make separate arrangements for any fractions of shares which are left over.*

*In addition, this power allows the directors to issue ordinary shares for cash or sell treasury shares without first having to offer the shares to existing shareholders, up to a maximum of 12,775,000 shares. This is 5% of the issued ordinary share capital of the company on 31 March 2006.*

*The Association of British Insurers have issued guidelines recommending that a company should not issue shares for cash (without first offering them to existing shareholders) in any one year in excess of 5% of the issued ordinary share capital of the company as shown in its last accounts and in excess of an aggregate of 7.5% in any rolling period of three years. It is the company's intention to comply with these guidelines.*

*The company does not currently hold any treasury shares.*

## **Authority pursuant to the Political Parties, Elections and Referendums Act 2000**

*Resolution 16 will be proposed as an ordinary resolution.*

16. THAT the company be authorised to:

16.1 make donations to EU political organisations; and

16.2 incur EU political expenditure;

in an aggregate amount not exceeding £50,000 during the period beginning on the date of the passing of this resolution and ending on the date of the annual general meeting of the company in 2007. For the purposes of this resolution, "donations", "EU political organisations" and "EU political expenditure" have the meanings given to them in Part XA of the Companies Act 1985 (as amended by the Political Parties, Elections and Referendums Act 2000).

*This resolution renews the resolution that was passed at the 2005 annual general meeting and seeks approval from shareholders to enable the company to make donations or incur expenditure which it would otherwise be prohibited from making or incurring by the Political Parties, Elections and Referendums Act 2000 ("the Act").*

*Amongst other things, the Act prohibits companies from making donations or incurring expenditure in excess of an aggregate of £5,000 in relation to political organisations situated within the European Union in the 12 month period following the date of their first annual general meeting after the new legislation came into effect (and in each succeeding 12 month period), unless such donations and expenditure have been approved in advance by the company's shareholders.*

*The company does not currently make donations to political parties situated within the European Union and does not intend to do so in the future. However, the Act contains wide definitions of "donations", "EU political expenditure" and "EU political parties" and, as a result, it is possible that the company may be prohibited from supporting bodies which it is in the shareholders' interests for the company to support; for example, bodies concerned with policy review or law reform, with the representation of the business community or sections of it or special interest groups. If this resolution is passed the company will be authorised to make donations and incur expenditure which might otherwise be prohibited by the legislation, up to a limit of, in aggregate, £50,000. The directors consider that the authority is necessary to provide the company with comfort that it will not, because of uncertainties as to the scope and interpretation of the legislation, unintentionally commit a technical breach of it. It will also allow the company to provide financial and other support to organisations which it is in shareholders' interests for the company to support.*

## **Approval of new equity incentive schemes**

*Resolutions 17 and 18 will be proposed as ordinary resolutions.*

17. THAT the Provident Financial Executive Share Option Scheme 2006 ("the ESOS") be approved and that the directors be authorised to do all such things as are necessary or desirable to implement the ESOS.

18. THAT the Provident Financial Long Term Incentive Scheme 2006 ("the LTIS") be approved and that the directors be authorised to do all such things as are necessary or desirable to implement the LTIS.

*As the company's existing executive share option schemes were approved in 1995 (the Revenue approved scheme) and 1996 (the unapproved scheme), the authority from shareholders for their use has expired. Accordingly, the remuneration committee of the board ("the Committee"), all of whose members are non-executive directors, has*

conducted a review of the remuneration policy for executive directors and senior managers. In carrying out that review, the Committee has been advised by Kepler Associates (see note).

The Committee has recommended to the directors that a further executive share option scheme should be introduced, albeit with more stretching performance conditions, as the Provident Financial Executive Share Option Scheme 2006 ("the ESOS") and that the Provident Financial Long Term Incentive Scheme 2006 ("the LTIS") be introduced. These will be operated with the existing Performance Share Plan and the savings-related share option schemes. The proposed long-term incentive arrangements would together reward total shareholder return (TSR) percentage outperformance against a tailored peer group of financial services and absolute earnings per share (eps) growth performance. The Committee believes that relative TSR is the most objective measure of Provident Financial's success, it is a fair measure of management performance and helps align the interests of managers and shareholders. The Committee believes that eps is the best measure of Provident Financial's financial performance, and would complement the use of relative TSR in the LTIS.

As part of its review of arrangements the Committee considered it to be appropriate to seek shareholder approval for a proposed replacement executive share option scheme which will contain both a Revenue approved and unapproved section. The ESOS will be administered by the Committee. All options will be subject to a performance target, the achievement of which will in normal circumstances be a condition precedent to the exercise of the option. Careful consideration will be given by the Committee to the design of appropriate performance targets. Initially, it is intended that options will be granted with a target which will require average annual growth in earnings per share to exceed RPI plus 3% averaged over a three year period. At that level 25% of the shares under option would be exercisable with the option becoming fully exercisable at average growth in earnings per share in excess of RPI plus 6% over the three year period. A sliding scale for vesting will apply between these levels. Earnings per share for this purpose means the earnings per ordinary share calculated in accordance with the company's accounting principles but adjusted to exclude such exceptional items as the Committee deems to be appropriate. A summary of the ESOS is set out in Schedule 4 on pages 13 to 15 of this document.

The LTIS will be administered by the Committee. Participation in the LTIS will initially be limited to the executive directors of the company but other senior managers may also be included at a later date. All the awards under the LTIS will be subject to a performance target, the achievement of which under normal circumstances will be a condition precedent to the vesting of the award. It is intended that the initial target will require the company's total shareholder return over a three year performance period, when measured against a group of sixteen comparator companies, to be at least median (25% vesting) with full vesting if total shareholder return exceeds the median by 8.5% a year and straight line vesting in between these two levels. Awards will take the form of forfeitable shares or nil cost options. A summary of the LTIS is set out in Schedule 5 on pages 16 to 18 of this document.

Each scheme may be operated in conjunction with an employee benefit trust and the resolutions confer authority on the directors to establish a new trust, if desirable, to facilitate the operation of the schemes. The rules of both schemes allow the Committee to make such amendments as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the group. In certain circumstances, it may be desirable to set up separate schemes for employees working overseas. The resolutions give the directors the authority to set up such schemes, subject to the same limits that apply to the relevant schemes.

Note: Kepler Associates have given and not withdrawn their written consent to the inclusion of the reference to their name in the form and context in which it is included.

Registered office:  
Colonnade  
Sunbridge Road  
Bradford  
West Yorkshire  
BD1 2LQ

By order of the board:  
Rosamond J Marshall Smith  
General Counsel  
and Company Secretary  
5 April 2006

## Schedule 1

### Important information about the annual general meeting ("the AGM")

#### 1. General

This is the formal Notice to shareholders of the AGM and gives you information as to the date, time and place and the business to be considered at the meeting (resolutions 1 to 18). **It is an important document. If there is anything you do not understand, please talk to an appropriate professional adviser.** If you attend the AGM, please bring with you the admission card which is attached to the proxy voting form.

#### 2. What to do if you have recently sold or transferred all your Provident Financial shares

Please send this Notice and the proxy form to the person who sold the shares for you. He/she can then send them to the new owner of the shares. To have the right to come and vote at the AGM, you must hold shares in the company and your shareholding must be entered on the register of members by 5.00 pm on Monday 15 May 2006. If you are a member of the Provident Financial Company Nominee Scheme, please read paragraph 4 below.

#### 3. How to appoint a proxy

If you cannot come to the AGM, you can appoint another person or persons (your proxy or proxies) to come to the meeting and vote for you. A proxy does not have to be a shareholder. To appoint a proxy, you need to fill in the proxy voting form enclosed in accordance with the instructions contained in the form. If the proxy voting form is returned without an indication as to how your proxy should vote on any particular resolution, then the proxy is entitled to exercise his/her discretion as to whether and, if so, how to vote. Send the form to the company's registrar, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to reach them by **12 noon on Monday 15 May 2006. Please allow sufficient time for your proxy to be delivered.** Alternatively, you can appoint a proxy electronically via the internet. To do this, you should log on to the company's website at [www.providentfinancial.com](http://www.providentfinancial.com) and follow the instructions. Even if you appoint a proxy you can still come to the AGM and vote instead of your proxy. Detailed instructions for CREST members wishing to utilise the CREST electronic proxy appointment service are contained in Schedule 2 on page 10 of this document.

#### 4. The Provident Financial Company Nominee Scheme

The shares of members of the Provident Financial Company Nominee Scheme are held by Capita IRG Trustees Limited. Members who wish to attend the meeting, speak and vote should request Capita IRG Trustees Limited to appoint them as a proxy by completing the proxy request form which is enclosed. Members who are unable to attend the AGM may complete the proxy request form to indicate to Capita IRG Trustees Limited how they wish them to vote. Send the form to Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to reach them by **12 noon on Friday 12 May 2006.** If you come to the AGM, please bring with you the admission card which is attached to the proxy request form.

#### 5. CREST

If your shares are held through the CREST system, your shareholding must be on the register not later than 5.00 pm on Monday 15 May 2006 for you to have the right to attend and vote at the meeting in respect of the number of shares registered in your name at that time.

#### 6. Documents you can look at

You can look at the directors' service contracts (or, in the case of the non-executive directors, letters of appointment), the register of their interests in the shares of the company and the rules of the proposed new equity incentive schemes (the ESOS and LTIS) during normal business hours (9.00 am to 5.00 pm on weekdays) at the company's registered office, Colonnade, Sunbridge Road, Bradford, West Yorkshire BD1 2LQ. You can also see the above documents at the AGM from 11.00 am prior to the meeting and during the meeting. Copies of the rules of the ESOS and the LTIS may also be inspected at the offices of Slaughter and May, One Bunhill Row, London EC1Y 8YY during normal business hours.

## Schedule 2

### Instructions for electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ("CREST proxy instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The CREST proxy instruction must, in order to be valid, be transmitted so as to be received by the company's agent, Capita Registrars (ID RA10) by **12 noon on Monday 15 May 2006**. The time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. Please refer to the CREST Manual for further guidance.

**Please allow sufficient time for transmission of the CREST proxy instruction.**

## Schedule 3

### Biographical details of the directors standing for election and re-election

#### **Peter Crook**

Managing director, UK home credit, age 42

Qualified as a chartered accountant in 1988, having graduated in economics. Between 1990 and 1997 he held a number of different roles within Halifax plc. He then moved to Barclays plc, becoming UK Managing Director of Barclaycard in 2000 and Managing Director of UK Consumer Finance in 2004. He joined Provident Financial in September 2005 as Managing Director of UK home credit and was appointed to the board on 8 March 2006. He is a member of the executive committee.

#### **Andrew Fisher**

Proposed Finance Director, age 48

Qualified as a chartered accountant in 1983, having graduated in economics and accounting. He joined PricewaterhouseCoopers in 1979 and became a partner in 1990. In 1994 he became Group Finance Director at Premier Farnell plc. Subject to his appointment, he will become a member of the executive committee.

#### **Robin Ashton**

Chief Executive, age 48

Qualified as a chartered accountant in 1982 having graduated in economics and law. He joined the group in 1983 as Finance Director of Provident Insurance and subsequently became Deputy Managing Director of H T Greenwood and Managing Director of Provident Investments. He became Group Treasurer in 1989 and joined the board as Finance Director in 1993. In 1999 he was appointed Deputy Chief Executive and in 2001 was appointed Chief Executive. He is Chairman of the executive committee and a member of the nomination committee and the risk advisory committee.

#### **Charles Gregson**

Deputy Chairman and independent non-executive director, age 58

Qualified as a solicitor in 1972 having graduated in history and law. He joined the board of Provident Financial in 1995 as a non-executive director and was appointed Deputy Chairman in 1997. He is a director of United Business Media plc and has had responsibility for a number of its businesses (including film studio management, consumer finance, stock photography, market research and news distribution). In addition, he is non-executive Chairman of ICAP plc, which provides specialist intermediary broking services to commercial banks and investment banks. He is a member of the nomination committee and the risk advisory committee.

#### **John Maxwell**

Independent non-executive director, age 61

Qualified as a chartered accountant in 1967. He joined the board of Provident Financial in 2000. He is a non-executive director of Royal & Sun Alliance Insurance Group PLC and Homeserve plc. He is also Chairman of DX Services plc and Chairman of the Institute of Advanced Motorists. He is Chairman of the remuneration committee and a member of the audit committee, the nomination committee and the risk advisory committee.

#### **Ray Miles**

Senior independent non-executive director, age 61

Graduated with a degree in economics and an MBA. He joined the board of Provident Financial in 2004. He was formerly Chairman of CP Ships Limited. He is Chairman of Box Club and the World Shipping Council and is a trustee of the National Maritime Museums at Greenwich and Cornwall and of Garden Opera. He is Chairman of the risk advisory committee and a member of the audit committee, the nomination committee and the remuneration committee.

#### **Graham Pimlott**

Independent non-executive director, age 56

Qualified as a solicitor in 1976. He joined the board of Provident Financial in 2003. He is Chairman of the Export Credit Guarantee Department and a member of the Auditing Practices Board. He is

Chairman of the audit committee and a member of the nomination committee, the remuneration committee and the risk advisory committee.

**John van Kuffeler**

Chairman, age 57

Graduated with a degree in economics and qualified as a chartered accountant in 1973. He joined Provident Financial in 1991 as Chief Executive and was appointed Executive Chairman in 1997. He became non-executive Chairman in 2002. He was formerly group Chief Executive of Brown Shipley Holdings PLC. He is Chairman of Huveaux PLC. He is Chairman of the nomination committee.

## Schedule 4

### Summary of the main provisions of the Provident Financial Executive Share Option Scheme 2006 ("the ESOS")

#### 1. Administration

Overall responsibility for the operation and administration of the ESOS will be vested in the remuneration committee of the board of directors of the company ("the Committee"), all of whose members are non-executive directors.

#### 2. Sub-schemes

The ESOS is divided into two sub-schemes as follows:

- a share option scheme which has been designed to qualify for approval under the Income Tax (Earnings and Pensions) Act 2003; and
- a share option scheme which is not so designed and which therefore allows options to be granted above the limit required by the Income Tax (Earnings and Pensions) Act 2003.

The Committee may set up further sub-schemes including ones for employees working overseas. In particular, the Committee may set up a sub-scheme under which participants will be granted share appreciation rights which will entitle them to a cash payment calculated by reference to the growth in value of the shares. For the purposes of the limits on an individual's participation, such rights will be treated as options.

#### 3. Eligibility

Participants in the ESOS will be selected by the Committee. Participants will be limited to directors and employees of the company and its subsidiaries ("the Group"). Individuals who are directors may, however, participate only if they are required to devote substantially the whole of their working time to their duties to the Group.

#### 4. Options

Options will entitle the holder to acquire ordinary shares in the company ("Shares"). Options may be either options to subscribe for new Shares to be issued by the company or options to purchase existing Shares from an employee benefit trust ("the Employee Trust"). Options may be granted either by the company or by the Employee Trust. In the latter case, the company may grant the Employee Trust a corresponding option to subscribe for new Shares or the Employee Trust may purchase the necessary Shares in the market. Options will be personal to the participant and may not be transferred. No payment will be required for the grant of an option.

#### 5. Timing

Options may be granted within six weeks of the date on which the ESOS is approved by shareholders. Thereafter, options may normally only be granted in the six weeks following the announcement of the results of the company for any period and when, or shortly after, an executive becomes eligible to participate in the ESOS.

#### 6. Exercise price

The exercise price may not be less than an amount equal to the market value of a Share on the dealing day immediately preceding either the date of grant or, where options are granted pursuant to an invitation, the date of the invitation.

#### 7. Individual limit

The maximum number of Shares over which an employee may be granted an option on any date, when added to those in respect of which he has been granted options under the ESOS and any similar scheme in the same financial year of the company, will be limited so that the aggregate cost of exercise does not exceed his annual salary (or twice annual salary in the case of the first grant of options to an executive who has been recruited externally).

## **8. Scheme limits**

The ESOS will be subject to the following scheme limits:

- on any date, the aggregate number of new Shares in respect of which options may be granted under the ESOS may not, when added to the number of new Shares allocated in the previous ten years under all employee share schemes of the group, exceed 10% of the equity share capital of the company; and
- on any date, the aggregate number of new Shares in respect of which options may be granted under the ESOS may not, when added to the number of new Shares allocated in the previous ten years under the ESOS and any other employee share scheme of the group established for the benefit of selected employees, exceed 5% of the equity share capital of the company.

For these purposes, Shares are allocated when rights to acquire or obtain them are granted and otherwise when they are issued. Rights which lapse, by reason of non-exercise or otherwise, cease to count. No account is taken of Shares which are acquired by purchase rather than by subscription except where such Shares were first issued to an employee trust for the purpose of satisfying a participant's rights. No account is taken of Shares which an employee purchases at market value using his own funds.

## **9. Performance targets**

All options must be granted subject to a performance target which, in normal circumstances, will be measured over a period of not less than three years. The achievement of the performance target will normally be a condition precedent to the right of exercise. The Committee may also change the performance target from time to time if events happen which make it fair and reasonable to do so but not so as to make the performance target, in the opinion of the Committee, materially easier or more difficult to satisfy than it was when the option was first granted. A summary of the performance targets for options granted to the executive directors of the company will be disclosed in the annual report each year. The Committee may set different targets from year to year.

## **10. Exercise of options**

Options will normally be exercisable in whole or in part not earlier than three years and not later than ten years after grant and only if and to the extent that they have vested (that is, the performance target has been met).

## **11. Termination of employment**

If the participant dies, the performance target will not apply and his personal representatives may exercise his options (but only on a time pro rated basis) in the 12 months following his death.

If a participant ceases to be employed within the Group for a permitted reason, vested options may be exercised within 12 months following the termination of employment. A permitted reason includes ill-health, injury, disability, redundancy, retirement, the sale outside the Group of the company or business in which the participant works or such other reasons as the Committee may decide. If a participant ceases to be employed in any other circumstances, his vested options will lapse unless the Committee decides otherwise.

If a participant ceases to be employed within the Group for any reason (other than death, and only, in the case of retirement at the normal retirement age, if he has held the option for at least 12 months) the unvested option will lapse unless the Committee decides otherwise. If the Committee so decides then the option may be exercised at the end of the performance period to the extent that the performance conditions are satisfied, but on a time apportioned basis.

## **12. Change of control**

In the event of a change of control, a scheme of arrangement, or a voluntary winding up of the company unvested options may be exercised, to the extent that performance targets are met, on a pro rated basis measured to the date of the relevant event, or to such greater extent as the Committee may decide. In the event of certain corporate events, the Committee may require participants to surrender their options in return for substitute options over shares in another company.

### **13. Listing**

Application will be made to the UK Listing Authority for admission to the Official List of new Shares issued under the ESOS and to the Stock Exchange for permission to trade in those Shares. Shares issued on the exercise of options will rank equally in all respects with existing Shares, except for rights attaching to Shares by reference to a record date prior to the date of allotment. The company will at all times keep available sufficient authorised and unissued share capital to satisfy options which are to be met by the issue of Shares.

### **14. Variation of capital**

In the event of a variation in the share capital of the company or in such other circumstances as the Committee considers appropriate, it may adjust options (by reference to the nominal value, number of Shares and exercise price) in such manner as it determines to be appropriate.

### **15. Benefits non-pensionable**

Benefits under the ESOS will not form part of a participant's remuneration for pension purposes.

### **16. Amendments**

The Committee may make amendments to the ESOS to take account of changes to the Income Tax (Earnings and Pensions) Act 2003 or other applicable legislation. The Committee may also make such amendments to the scheme and to any option as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

Except as described above or for amendments designed to ease the administration of the ESOS or to correct clerical errors, no amendment which is to the advantage of employees or participants may be made to those provisions dealing with eligibility, individual or plan limits, the terms of options or the adjustment of options without the prior approval of the company in general meeting.

### **17. Duration**

No options may be granted after 16 May 2016.

## Schedule 5

### Summary of the main provisions of the Provident Financial Long Term Incentive Scheme 2006 ("the LTIS")

#### 1. Administration

The LTIS will be administered by the remuneration committee of the board ("the Committee"). All the members of the Committee are non-executive directors and are not eligible to participate in the LTIS.

#### 2. Eligibility

Participants in the LTIS will be selected by the Committee. Participation will initially be limited to the executive directors of the company but may be extended to other senior managers of the Company and its subsidiaries. Individuals who are directors of the company or any of its subsidiaries ("the Group") may, however, only participate if they are required to devote substantially the whole of their working time to their duties to the Group.

#### 3. Awards

Awards will be in the form of fully-paid ordinary shares in the company ("Shares") which may be forfeited or options to acquire for a nil or nominal consideration such Shares ("Awards"). Awards will be personal to the participant and his personal representatives and may not be transferred. No payment will be required for the grant of an Award. The maximum annual value of an Award will not exceed the participant's basic annual salary, unless the Committee determines in the case of the first award to an executive who has been recruited from another company that a greater Award of up to twice annual salary is appropriate. An Award will be subject both to the achievement of performance targets at the date of grant and also to continued employment.

#### 4. Performance targets

Each Award will be subject to a performance target which will determine whether and to what extent the participant will receive Shares under the LTIS. The performance target(s) will be established at the start of the performance period. In normal circumstances, the performance period will be three consecutive financial years. The first performance period will be the financial years 2006 - 2008.

For the initial awards, the Committee intends that each Award will be subject to total shareholder return (TSR) performance based on the company's performance measured against a group of 16 comparator companies comprising Alliance & Leicester, Barclays, Bradford & Bingley, Cattles, Close Brothers, Debt Free Direct, HBOS, HSBC, Kensington Group, Lloyds TSB, London Scottish Bank, Northern Rock, Paragon Group, Park Group, Royal Bank of Scotland and S&U. Performance will be measured by comparing the percentage increase in TSR achieved by the company with that of comparator companies. If the percentage increase in the company's TSR is equal to the median percentage increase in the TSR of the comparator companies, 25% of the Award will vest, rising, on a straight line basis, to 100% vesting if the percentage increase in the company's TSR is equal to the median percentage increase in the TSR of the comparator companies plus 8.5% a year. No Award will vest if the percentage increase in the company's TSR is below the median percentage increase in the TSR of the comparator companies.

In addition the Committee has to satisfy itself that the company's TSR performance is a genuine reflection of underlying business performance of the company in order for an Award to vest.

The Committee has the discretion on the occurrence of an event to alter a performance target but not so as to make the performance target materially easier or more difficult to achieve than it was when the award was first granted.

The Committee has the right to set different targets each year. Those applicable to Awards granted to the executive directors of the company will be disclosed in the annual report each year.

#### 5. Entitlement to dividends

To the extent that an Award vests at the end of the performance period, Shares, or a cash amount, equivalent to the dividends that would have been paid on the vested Award from the date of grant, will be paid to participants when the Award is released.

## **6. Employee trust**

Awards may be satisfied by the transfer of shares to participants by the trustee of an employee benefit trust. Alternatively, shares to satisfy Awards may be issued by the company or provided in some other manner determined by the Committee.

## **7. Limits**

The LTIS will be subject to the following scheme limits:

- on any date, the aggregate number of new Shares in respect of which Awards may be granted under the LTIS may not, when added to the number of new Shares allocated in the previous ten years under all employee share schemes of the group, exceed 10% of the equity share capital of the company; and
- on any date, the aggregate number of new Shares in respect of which Awards may be granted under the LTIS may not, when added to the number of new Shares allocated in the previous ten years under the Scheme and any other employee share scheme of the group established for the benefit of selected employees, exceed 5% of the equity share capital of the company.

For these purposes, Shares are allocated when rights to acquire or obtain them are granted and otherwise when they are issued. Rights which lapse, by reason of non-exercise or otherwise, cease to count. No account is taken of Shares which are acquired by purchase rather than by subscription except where such Shares were first issued to an employee trust for the purpose of satisfying a participant's rights. No account is taken of Shares which an employee purchases at market value using his own funds.

## **8. Release of Shares**

Awards will vest and the shares will cease to be forfeitable (or, if options, they will become exercisable) when the results for the performance period are known.

If a participant ceases to be employed before that date his award will lapse, unless he ceases to be employed by reason of death or for a permitted reason. A permitted reason is ill-health, injury, disability, redundancy, retirement, the sale of the company or business in which he works outside the Group or such other reason as the Committee may determine.

If the termination of employment is for a permitted reason, then (subject to the satisfaction of the performance target) only a proportion of the award (calculated on a time apportioned basis) will cease to be forfeitable (or will be exercisable) on its third anniversary. If a participant ceases to be employed by reason of death then his award will vest on a time apportioned basis (and the performance conditions will not apply).

In the event of a change of control, a voluntary liquidation of the company or a scheme of arrangement involving the company, the performance target will be applied over the shortened period to the date of the relevant event. Unless and to the extent that the Committee decides otherwise, the participant will be entitled to a proportion of the vested shares (calculated on a time apportioned basis). In the event of certain corporate events, the Committee may require participants to surrender their Awards in return for substitute Awards over shares in another company.

## **9. Listing**

Application will be made to the UK Listing Authority for admission to the Official List of new Shares issued under the LTIS and to the Stock Exchange for permission to trade in those shares. Shares issued under the LTIS will rank equally in all respects with existing ordinary shares except for any rights attaching to the Shares by reference to a record date prior to the date of allotment.

## **10. Variation of Capital**

In the event of any variation in the share capital of the company (including a capitalisation or rights issue or any sub-division, consolidation or reduction in the share capital of the company), or in such other circumstances as the Committee considers appropriate, the Committee may make such adjustment as it considers appropriate to the number and nominal value of Shares subject to any Award in the form of an option.

### **11. Benefits non-pensionable**

Benefits under the LTIS will not form part of a participant's remuneration for pension purposes.

### **12. Amendments**

The rules of the LTIS may be amended by the Committee. The Committee may make such amendments to the LTIS and to any Award as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group or to ease the administration of the LTIS. No amendment which is to the advantage of participants may be made without the prior approval of the company in general meeting. No amendment will prejudice the subsisting rights of any participants under the LTIS except with the prior consent of each participant so affected or the consent of 75% of the participants.

### **13. Duration**

No further awards may be granted after 16 May, 2016.

