

## Part 1: Awards of Conditional Shares

### 1. INTERPRETATION AND CONSTRUCTION

#### 1.1 Definitions

In this Plan:

<b>“Auditors”</b>	means the auditors for the time being of the Company or, in the event of there being joint auditors, such one of them as the Committee may decide;
<b>“Award”</b>	means a transfer of Performance Shares to an Eligible Employee by the Trustees pursuant to Rule 2;
<b>“Committee”</b>	means the Remuneration Committee of the board of directors of the Company;
<b>“Company”</b>	means Provident Financial plc registered in England under No. 668987;
<b>“Control”</b>	has the meaning given to it by section 840 of the Income and Corporation Taxes Act 1988;
<b>“Date of Grant”</b>	means the date on which an Award is granted or such earlier date as the Committee determines;
<b>“Dividend Amount”</b>	means the aggregate amount of net dividends which would have been payable on the Performance Shares which have ceased to be forfeitable during the period between the Date of Grant and the date the Award vests;
<b>“Dividend Shares”</b>	means the number of Shares at the date the Award vests with a Market Value equal to the aggregate amount of net dividends;
<b>“Eligible Employee”</b>	means any senior executive of the Company or any member of the Group who is designated by the Committee as eligible to participate in the Plan provided that in the case of a director of any member of the Group, he is required to devote substantially all of his working time on his duties to the Group.
<b>“Employee Trust”</b>	means the Provident Financial Employee Benefit Trust or any other trust from time to time designated by the Committee;
<b>“Financial Year”</b>	means a financial year of the Company as that expression is defined in section 742 of the Companies Act

1985;

<b>“Group”</b>	means the Company and its Subsidiaries, and “member of the Group” shall be construed accordingly;
<b>“Market Value”</b>	means such value of a Share as the Committee may determine being not less than the closing price at which a Share may be bought on the relevant date as shown in the Official List of the London Stock Exchange;
<b>“Participant”</b>	means the holder of an Award or, where the context admits or requires, his personal representatives;
<b>“Performance Shares”</b>	means the Shares over which an Award has been granted and which are subject to forfeiture on the terms of this Plan;
<b>“Performance Target”</b>	means the performance target determined by the Committee in respect of the Award;
<b>“Plan”</b>	means this plan in its present form or with and subject to any amendment to it for the time being in force;
<b>“Restricted Period”</b>	means in relation to an Award, the period starting with the Date of Grant and ending on the Vesting Date or the date the Award lapses as the case may be;
<b>“Rules”</b>	means the rules of this Plan;
<b>“Shares”</b>	means fully-paid Ordinary Shares in the capital of the Company;
<b>“Subsidiary”</b>	has the meaning given to it by section 736 of the Companies Act 1985;
<b>“Trustees”</b>	means the trustees of the Employee Trust from time to time;
<b>“Vesting Date”</b>	means, in relation to any Award, the date specified by the Committee at the Date of Grant but for the avoidance of doubt being no earlier than the third anniversary of the Date of Grant, and no later than the day immediately before the fifth anniversary of the Date of Grant;

## 1.2 Construction

1.2.1 Where the context so admits, any reference in these Rules:

- (i) to the singular number shall be construed as if it referred also to the plural number and vice versa,
- (ii) to the masculine gender shall be construed as though it referred also to the feminine gender, and
- (iii) to a statute or statutory provision shall be construed as if it referred also to that statute or statutory provision as for the time being amended or re-enacted.

1.2.2 The headings to the Rules are for reference purposes only and shall not affect the meaning or construction of the Rules.

### 1.3 **Governing law**

This Plan and any Award granted under it are governed by, and must be construed in accordance with, English law.

## 2. **GRANT OF PARTICIPATION**

### 2.1 **Invitation to participate**

2.1.1 The Committee shall decide whether or not to operate the Plan in respect of any Financial Year. In so doing, the Committee must ensure that the Plan is not operated at any time, or in any circumstances, when to do so would contravene the provisions of the Criminal Justice Act 1993, the Company's share dealing code, the Listing Rules of The Financial Services Authority or any other applicable laws or regulations.

2.1.2 If the Committee decides to operate the Plan in relation to any Financial Year, it shall invite such of the Eligible Employees as it determines in its absolute discretion and who have entered into an agreement under which they agree to comply with the restrictions set out in Rule 4 (Restricted Period) in such form as the Committee, determines to participate in such manner and by such date as the Committee may specify. The Committee shall make recommendations to the Trustees concerning the manner in which each Eligible Employee shall participate in the Plan.

2.1.3 The Committee shall, except in exceptional circumstances, only make invitations to Eligible Employees in the six weeks following the announcement of the Company's results for any period. The first invitations shall be issued within six weeks of the Plan's establishment.

### 2.2 **Grant of Awards**

2.2.1 On, or as soon as reasonably practicable after, the Date of Grant, the Trustees may (after considering a recommendation to do so made by the Committee) transfer, or procure that there is transferred to each Eligible Employee (but only if such Eligible Employee has indicated in response to an invitation that he wishes to be considered for participation in the Plan) the beneficial interest in his Performance Shares comprised in the Award, subject to the terms of the Plan.

2.2.2 The Committee (on behalf of the Trustees) must, as soon as practicable after the Date of Grant, issue to each Eligible Employee to whom an Award has been granted an award certificate in the form set out in Appendix A to these Rules (or in such other form as the Committee may from time to time decide).

2.2.3 If any award certificate becomes worn out, defaced, destroyed or lost, the Committee must replace it on such evidence being provided, and on such terms, as the Committee may determine.

### 2.3 Individual Limit

2.3.1 Except as set out below, each Award must be limited, and must therefore take effect, so that the total Market Value of the Performance Shares under the Award when added to the total Market Value of Shares granted to the individual in the same financial year of the Company does not exceed 150% of the individual's basic annual salary (excluding bonuses, commissions and benefits in kind). In exceptional circumstances the Committee may apply a limit of twice the individual's annual salary.

### 2.4 Performance Target

2.4.1 The Trustees must make each Award subject to a Performance Target. The full terms of the Performance Target must be set out or referred to in the award certificate but, in the absence of any contrary decision by the Committee at the time of grant, shall be those set out in Appendix C.

2.4.2 Upon the occurrence of such event or events as a result of which the Committee consider it fair and reasonable to do so, the Committee may change the Performance Target. The change must not, however, have the effect of making the Performance Target either materially easier or more difficult to achieve than it was immediately before the event in question. The power to change includes both the power to adjust and the power to impose a new Performance Target.

## 3. VESTING

### 3.1 Vesting and Performance Target

3.1.1 Notwithstanding any other Rule, but subject to Rule 3.1.2, a Participant's Award shall be forfeited at the Vesting Date if and to the extent that the Performance Target has not been satisfied. The Committee shall determine whether and to what extent the Performance Target has been satisfied.

3.1.2 Where a Participant's Award vests prior to the Vesting Date then,

- (i) except where the Participant dies, the Performance Target shall be applied over the period starting at the Date of Grant and ending (a) in the case of cessation of employment of the Participant at the end of the relevant period for measurement of the Performance Target or, (b) if the Award vests pursuant to

Rule 6 (Change in Control and Liquidation), the date when the Award first vests; and

- (ii) if the Performance Target is satisfied or where the Participant dies, then the number of Performance Shares which will vest shall be the number of Performance Shares calculated using the following formula (rounded down to the nearest whole number):

$$A \times \frac{B}{36}$$

where A equals the number of Performance Shares which vest reflecting the extent to which the Performance Target has been satisfied pursuant to (i) above; and B equals the number of complete months between the Date of Grant and the date the Participant's Award vests subject to a maximum of 36.

Any Performance Shares which do not vest under this Rule 3.1.2 shall be forfeited immediately, except as otherwise expressly provided in Rule 6.

### 3.2 Forfeiture of Awards

- 3.2.1 If an Award is forfeited under any Rule it may not vest under any other Rule.
- 3.2.2 Any Award to the extent unvested shall in any event be forfeited on the day immediately preceding the fifth anniversary of the Date of Grant of that Award.
- 3.2.3 On the forfeiture of any Award, the Company may transfer the Performance Shares in respect of which the Award has lapsed to the Trustees, or any other person who they nominate, provided that such person is a beneficiary of the Employee Trust.

### 3.3 Model Code

Following the vesting of an Award, a Participant may not deal with his Shares which are the subject of that Award at any time when the acquisition or disposal of securities by a director or employee of the Company is in contravention of the Model Code on share dealing of the UK Listing Authority.

### 3.4 Procedure on Vesting

Subject to Rule 7 (Withholding obligations), within 30 days of the date on which the Awards vest pursuant to these Rules, the Company must send to the Participant the share certificate or other document of title for the relevant number of Performance Shares which it has previously been holding to his order and either the related Dividend Shares or payment of the Dividend Amount and the signed but undated stock transfer form shall be destroyed.

#### **4. RESTRICTED PERIOD**

##### **4.1 Obligation on Participant**

During the Restricted Period the Participant shall be absolutely and beneficially entitled to the Shares which are the subject of the Award. However, until the Vesting Date, the Participant agrees that he shall:

- deposit with the Company (or such other person as is nominated by the Company) the relevant share certificate or document of title in respect of such Shares together with a signed but undated stock transfer form;
- in the event of the Performance Shares being forfeited, authorise the Company to transfer such shares to the Trustees or any other person who it nominates provided that such person is a beneficiary of the Trust;
- not assign, transfer or charge his Performance Shares which are the subject of the Award, or of any interest in them at any time during the Restricted Period;
- not assign, transfer or charge any value which he receives in respect of his Performance Shares which are the subject of the Award which shall itself be treated as forming part of the Performance Shares;
- irrevocably waive any dividend that would otherwise be payable on the Performance Shares; and
- be bound by the Rules of this Plan and, in particular but without limitation, to the circumstances in which some or all of his Performance Shares will be forfeited.

The Trustees and the Company may enter into such arrangements as they think fit in order to enforce the obligations of the Participant under the Rules.

#### **5. VESTING AND FORFEITURE OF AN AWARD**

##### **5.1 Vesting of Awards**

A Participant's Award will vest, in accordance with Rule 3.1.2 where applicable, in the Participant or, if deceased, in his personal representatives on the earliest of the following events:

- (a) the Vesting Date (to the extent that the Performance Target is satisfied);
- (b) the death of the Participant;
- (c) the Participant ceasing to be employed by any member of the Group in circumstances where Rule 5.3 applies; and
- (d) in accordance with Rule 6 (Change of Control and liquidation).

## 5.2 Cessation of employment - general

5.2.1 Cessation of employment shall mean where a Participant's employment ceases either because he gives or is given notice terminating his employment with the Group or his employment with the Group otherwise terminates for any reason whatsoever.

5.2.2 A female Participant who has a right to return to work pursuant to the Employment Rights Act 1996, shall only cease to be employed within the Group from the time when she has not exercised and is no longer capable of exercising a right to return to work, pursuant to that Act.

## 5.3. Cessation of employment - vesting of Awards

This Rule 5.3 applies, subject to Rule 6.5, if the Participant ceases to be employed within the Group by reason of:

- (a) injury, ill-health or disability; or
- (b) redundancy (within the meaning of the Employment Rights Act 1996); or
- (c) a transfer of the undertaking or part-undertaking in which the Participant is employed to a person other than a member of the Group; or
- (d) the company by which the Participant is employed ceasing to be under the control of the Company; or
- (e) retirement at or after his normal retirement age, or with the consent of the Company, or in accordance with the terms of his contract, early retirement; or
- (f) such other reason as the Committee may in its discretion approve.

## 5.4 Forfeiture of Awards

A Participant's Award will be forfeited immediately upon the earliest to happen of the following events:

- (a) the Participant being adjudicated bankrupt;
- (b) any breach or purported breach of Rule 8 (Non-transferability of Awards) below; or
- (c) on the cessation of employment, for reasons other than as set out in Rule 5.3 above.

## 6. CHANGE IN CONTROL AND LIQUIDATION

### 6.1 Change in Control

6.1.1 Subject to Rule 6.5 this Rule 6.1 applies if any person (either alone or together with any person acting in concert with him):

- (i) obtains Control of the Company, or
- (ii) having such Control, makes a general offer to acquire all the Shares of the Company (other than those which are already owned by him and/or any person acting in concert with him).

6.1.2 Each Award shall vest, subject to Rules 3.1.2 and 6.4, on the date when the person obtains Control, or, as the case may be, makes the Offer.

### 6.2 Scheme of arrangement

6.2.1 Subject to Rule 6.5 this Rule 6.2 applies if under section 425 of the Companies Act 1985 the court sanctions a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.

6.2.2 Each Award shall vest, subject to Rules 3.1.2 and 6.4, on the date upon which the compromise or arrangement is sanctioned by the courts.

### 6.3 Liquidation

6.3.1 Subject to Rule 6.5 if an effective resolution is passed or an order is made for the winding-up of the Company, each Award shall vest, subject to Rules 3.1.2 and 6.4, on the passing of the resolution.

### 6.4 Discretion of Committee

Where an Award vests in accordance with the Rule 6, the Committee may determine that, having given full consideration to the performance achieved over the shorter period that the Award should vest to a greater extent than as set out in Rule 3.1.2.

### 6.5 Overriding provision

Notwithstanding the earlier provisions of this Rule or any other Rule, if:

- there is an arrangement whether implemented by the events referred to in this Rule 6 or otherwise (including, without limitation, a demerger by way of dividend) which will mean that either:
  - (i) the Company will be under the Control of another company; or

(ii) the Company's businesses will be separated so that they are owned by two or more companies; and

- in the case of (i) above, the persons who own Shares in the Company immediately before the change of Control will immediately afterwards own more than 75% of the shares in that other company or in the case of (ii) above, the persons who own Shares in the Company immediately before the separation own more than 75% of the shares in each of the relevant companies immediately after the separation; and
- Participants are to be offered substitute Awards (with or without performance targets),

then the Committee may at its absolute discretion determine that Unvested Awards will not vest.

## **7. WITHHOLDING OBLIGATIONS**

### **7.1 Application of Rule**

This Rule 7 applies if a Participant is liable to tax, duties or other amounts on the vesting of his Award and his employer or former employer is liable to make a payment to the appropriate authorities on account of that liability.

### **7.2 Authority to sell Shares**

It is a condition of the vesting of an Award that the Participant hereby authorises the sale of sufficient of the Shares which are the subject of an Award so that the net proceeds of sale are as nearly as possible equal to, but not less than, the payment which the employer or former employer is required to pay to the appropriate authorities. The Company must account to the employer or former employer for the net proceeds of sale.

### **7.3 Exclusion**

This Rule 7 shall not apply, however, if the Participant makes alternative arrangements to the satisfaction of his employer or former employer.

### **7.4 NIC Liability**

This Rule applies if the Award has been granted subject to a condition that the Participant must reimburse any person for some or all of any NIC liability arising on the grant or vesting of the Award or if the Participant must subsequently agree to do so or if he has entered into an election to transfer some or all of that NIC liability to himself.

The Participant must either pay to that person the amount which it needs to pay (or has paid) the appropriate authorities or agree to other arrangements approved by the Committee. If he does not do so within such a period as is specified by the Committee

then, to the extent necessary to make sure that the Participant complies with his obligations, he will be deemed to have authorised the disposal of some or all of the Shares to which he is entitled on the vesting of his Award and the payment of the net proceeds of sale to that person.

## 8. **NON-TRANSFERABILITY OF AWARDS**

Each Award is personal to the Participant and his personal representatives and, accordingly, where a Participant during the Restricted Period transfers, assigns, charges, encumbers or otherwise alienates his Award or creates in favour of any third party any interest therein or, in any case, attempts so to do, or a bankruptcy order is made in respect of him (or any similar event occurs under the laws of any other country), his Award shall be forfeited.

## 9. **LOSS OF OFFICE**

Participation in the Plan by a Participant is a matter entirely separate from, and shall not affect, his pension rights and terms of employment and, in particular (but without limitation), if a Participant shall for any reason cease to be employed by a member of the Group or his Award should be forfeited, he shall not be entitled to any compensation by reference to the rights granted to, or the benefits capable of being received by, him under this Plan or for any loss or diminution in value of such rights or benefits.

## 10. **VARIATION OF CAPITAL**

In the event of any capitalisation issue by the Company, or any offer or invitation made by way of rights, or any consolidation, subdivision or reduction of its share capital or any other variation of its share capital, the Performance Shares shall be treated in the same way as any other Shares and each Participant will be notified accordingly.

## 11. **GENERAL**

### 11.1 **Administration**

11.1.1 Save as otherwise provided in the Rules, the Plan shall be administered by the Committee.

11.1.2 The Committee may from time to time make and amend such regulations for the implementation and administration of the Plan as it thinks fit.

11.1.3 Any disputes regarding the interpretation of the Plan, and of the rights or obligations of any person under the Plan shall be determined by the Committee whose decision shall be final and binding on all persons.

### 11.2 **Costs and expenses**

The costs of the preparation and operation of this Plan shall be borne by the Company.

### 11.3 **Power of amendment**

11.3.1 The Committee may at any time and from time to time amend or add to the Plan in any respect provided that no amendment or addition shall be made which would affect adversely any of the subsisting rights of a Participant except with his consent in writing (unless at least 75% of the Participants in the Plan at that time have given their consent in writing to the amendment) or which would be to the advantage of Participants without the prior approval of the Company in general meeting. However, the prior approval of the Company in general meeting will not be required for amendments which maintain or obtain favourable tax, exchange control, or regulatory treatment for the Participants or any member of the Group or for minor amendments to benefit the administration of the Plan.

11.3.2 The Committee shall give written notice to all Participants of any amendment or alteration made in accordance with this Rule 11.3 which affects their rights.

### 11.4 **Termination**

The Committee may at any time suspend or terminate the operation of this Plan and in such event no further Awards will be granted for the time being or, as the case may be, permanently but in all other respects the provisions of this Plan shall remain in force. In any event no Awards will be granted under the Plan more than 10 years after the date of its adoption.

### 11.5 **Not pensionable**

Awards granted under the Plan are not pensionable.

## 12. **NOTICES**

### 12.1 **To Eligible Employees and Participants**

12.1.1 Save as otherwise provided herein, any notice or document to be given by the Committee and/or the Company and/or the Trustees to any Eligible Employee or Participant may be given through normal internal communications or by personal delivery or by sending it by ordinary post to his last known address or by facsimile to his number registered with the Company, while still an Eligible Employee.

12.1.2 Where a notice or document is sent by post it shall be deemed to have been received 72 hours after it was put into the post properly addressed and stamped.

12.1.3 All notices and documents sent by post will be sent at the risk of the Eligible Employee or Participant concerned. Neither the Company nor any of its Subsidiaries nor the Trustees shall have any liability whatsoever to any Eligible Employee or Participant in respect of any notice or document sent, nor shall the Company or any of its Subsidiaries or the Trustees be concerned to see that any Eligible Employee or Participant actually receives it.

## 12.2 To the Company

Save as otherwise herein provided, any notice or document given by an Eligible Employee or a Participant to the Company or the Committee shall be delivered or sent to the Company at its registered office (or at such other place or places as the Committee may from time to time determine and notify to Eligible Employees and Participants) and be effective upon receipt.

## 12.3 To the Trustees

Save as otherwise herein provided, any notice or document given by an Eligible Employee or a Participant to the Trustees shall be delivered or sent to the Trustees care of the Company at its registered office (or at such other place or places as the Trustees may from time to time determine and notify to Eligible Employees and Participants) and be effective upon receipt.

## 13. PLAN LIMITS

### 13.1 General

- (1) The Committee must ensure that the number of newly issued Shares which are used or to be used for the purposes of the Plan on any date does not exceed the limit set out in Rule 13.2.
- (2) For the purposes of this Rule 13:-
  - (i) “**equity share capital**” has the meaning given to it by section 744 of the Companies Act 1985;
  - (ii) an “**executive share option scheme**” is any share option scheme in which participation is limited to those senior employees and directors as may be selected at the discretion of the body administering the scheme;
  - (iii) the word “**issue**” means, in relation to Shares, the allotment and issue of Shares forming part of the authorised but unissued share capital of the Company; derivative expressions are to be construed accordingly;
  - (iv) a “**share incentive scheme**” is any scheme (other than a share option scheme) for employees of the Group which has been approved by the Company in general meeting and provides for the subscription of Shares out of profits of the Group; and
  - (v) a “**share option scheme**” is any scheme for employees of the Group which has been approved by the Company in general meeting and provides for the grant of options to employees to acquire Shares.

**13.2 10% in 10 years for all schemes**

The limit for this Rule is 10 per cent. of the number of Shares comprised in the Company's equity share capital on the day before the Date of Grant, less the total number of:-

- (i) Shares issued on the exercise of options granted within the previous 10 years under any share option scheme;
- (ii) Shares remaining issuable in respect of options granted on the same date or within the previous 10 years under any share option scheme; and
- (iii) Shares issued on the same date or within the previous 10 years under any share incentive scheme in respect of moneys made available by the Group.

**APPENDIX A**

**AWARD CERTIFICATE**

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE KEPT IN A SAFE PLACE**

BY THIS DEED an Award is hereby granted, subject to the Rules of the Provident Financial Long Term Incentive Scheme, to the under-mentioned to receive conditionally the number of ordinary shares in the capital of Provident Financial plc specified below.

Awardholder: Name.....  
Address.....  
.....  
.....

Date of Grant.....  
Normal Vesting Date.....

Maximum Number of Shares subject to the Award: ..... Shares.

Performance Target for Award : [Insert details]

IN WITNESS whereof this document has been  
executed and delivered as a deed this [ ]  
day of [ ]2005 .

EXECUTED AS A DEED            )  
  ) Director                    .....  
  )                                    .....  
  ) Director/Secretary       .....  
  )

**Notes**

1. This Award is personal to the Awardholder named herein and his legal personal representatives and may not be sold, transferred, charged or otherwise disposed of in any manner whatsoever.
2. Defined terms used in the certificate have the meanings given to them by the Rules of the Provident Financial Long Term Incentive Scheme.

**APPENDIX B**

**FORM OF RESTRICTION**

I wish to be considered for participation in the Provident Financial Long Term Incentive Scheme. While recognising that such participation is at the discretion of the Committee I irrevocably agree that if an Award is made to me under the Plan I shall irrevocably:

- deposit with the Company (or such other person as is nominated by the Company) the relevant share certificate or document of title in respect of such Shares together with a signed but undated stock transfer form;
- in the event of the Performance Shares being forfeited, authorise the Company (and any director or nominee thereof) as my attorney to transfer such shares to the Trustees or any other person who they nominate provided that such person is a beneficiary of the Trust;
- not assign, transfer or charge my Performance Shares which are the subject of an Award, or any interest in them, at any time during the Restricted Period;
- not assign, transfer or charge any value which I receive in respect of my Performance Shares which are the subject of my Award which shall itself be treated as forming part of the Performance Shares;
- irrevocably waive any dividends that would be payable on the Performance Shares;
- unless I make alternative arrangement to the satisfaction of the Company, authorise the Company (and any director or nominee thereof) and/or the Trustees, as my attorney, to sell sufficient of the Shares which are the subject of the Award to satisfy any withholding obligations of my employer or former employer on the vesting of the Award; and
- be bound by the Rules of this Plan and, in particular but without limitation, to the circumstances in which some or all of my Performance Shares will be forfeited.

SIGNED as a deed by            )  
in the presence of:-         ) .....

(Signature of Executive)

Signature of Witness .....

Name of Witness .....

Address of Witness .....

.....

.....

## Part II: Options

### 1. INTERPRETATION AND CONSTRUCTION

#### 1.1 Definitions

In this Plan:

<b>“Auditors”</b>	means the auditors for the time being of the Company or, in the event of there being joint auditors, such one of them as the Committee may decide;
<b>“Award”</b>	means an Option to be granted to an Eligible Employee pursuant to Rule 2;
<b>“Committee”</b>	means the Remuneration Committee of the board of directors of the Company;
<b>“Company”</b>	means Provident Financial plc registered in England under No. 668987;
<b>“Control”</b>	has the meaning given to it by section 840 of the Income and Corporation Taxes Act 1988;
<b>“Date of Grant”</b>	means the date on which an Option is granted or such earlier date as the Committee determines;
<b>“Dividend Amount”</b>	Means the aggregate amount of net dividends which would have been payable between the Date of Grant and the date the Option is exercised in respect of the Shares to which a Participant becomes entitled on the exercise of his Option;
<b>“Dividend Shares”</b>	means the number of Shares at the date the Option is exercised with a Market Value equal to the aggregate value of dividends that would have been payable between the Grant Date and the date of exercise in respect of the Shares to which the Participant becomes entitled as a result of exercising his Option;
<b>“Eligible Employee”</b>	means any senior executive of the Company or any member of the Group who is designated by the Committee as eligible to participate in the Plan.
<b>“Employee Trust”</b>	means the Provident Financial Employee Benefit Trust or any other trust from time to time designated by the Committee;

<b>“Exercise Period”</b>	such period as the Committee may determine at the Date of Grant. The period may not, however, begin earlier than the third anniversary nor end later than the day immediately before the tenth anniversary of the Date of Grant;
<b>“Exercise Price”</b>	the price payable to buy a Share on the exercise of an Option;
<b>“Financial Year”</b>	means a financial year of the Company as that expression is defined in section 742 of the Companies Act 1985;
<b>“Group”</b>	means the Company and its Subsidiaries, and “member of the Group” shall be construed accordingly;
<b>“Market Value”</b>	means such value of a Share as the Committee may determine being not less than the closing price at which a Share may be bought on the relevant date as shown in the Official List of the London Stock Exchange;
<b>“NIC liability”</b>	a liability to pay National Insurance Contributions (or its equivalent outside the United Kingdom) taxes or duties on the exercise of an Option or on an Option becoming exercisable;
<b>“Option”</b>	a right to acquire Shares granted under this Plan;
<b>“Participant”</b>	means the holder of an Award or, where the context admits or requires, his personal representatives;
<b>“Performance Target”</b>	means the performance target determined by the Committee in respect of the Award;
<b>“Plan”</b>	means this plan in its present form or with and subject to any amendment to it for the time being in force;
<b>“Rules”</b>	means the rules of this Plan;
<b>“Shares”</b>	means fully-paid Ordinary Shares in the capital of the Company;
<b>“Subsidiary”</b>	has the meaning given to it by section 736 of the Companies Act 1985;
<b>“Trustees”</b>	means the trustees of the Employee Trust from time to time;

## 1.2 **Construction**

1.2.1 Where the context so admits, any reference in these Rules:

- (i) to the singular number shall be construed as if it referred also to the plural number and vice versa,
- (ii) to the masculine gender shall be construed as though it referred also to the feminine gender, and
- (iii) to a statute or statutory provision shall be construed as if it referred also to that statute or statutory provision as for the time being amended or re-enacted.

1.2.2 The headings to the Rules are for reference purposes only and shall not affect the meaning or construction of the Rules.

## 1.3 **Governing law**

This Plan and any Award granted under it are governed by, and must be construed in accordance with, English law.

## 2. **GRANT OF PARTICIPATION**

### 2.1 **Invitation to participate**

2.1.1 The Committee shall decide whether or not to operate the Plan in respect of any Financial Year. In so doing, the Committee must ensure that the Plan is not operated at any time, or in any circumstances, when to do so would contravene the provisions of the Criminal Justice Act 1993, the Company's share dealing code, the Listing Rules of The Financial Services Authority or any other applicable laws or regulations.

2.1.2 If the Committee decides to operate the Plan in relation to any Financial Year, it may invite such of the Eligible Employees as it determines in its absolute discretion, and who have entered into an agreement in such form as the Committee determines, to participate in such manner and by such date as the Committee may specify. Alternatively the Committee may decide to operate the plan without making invitations and simply grant Awards or make recommendations to the Trustee.

2.1.3 The Committee shall, except in exceptional circumstances, only make invitations or grant Awards to Eligible Employees in the six weeks following the announcement of the Company's results for any period. The first invitations shall be issued or Awards shall be granted within six weeks of the Plan's establishment.

## 2.2 **Grant of Awards**

- 2.2.1 On the Date of Grant, the Company (acting by the Committee) or the Trustees shall grant to each Eligible Employee an Option representing the Award subject to the terms of the Plan.
- 2.2.2 The Committee (if applicable, on behalf of the Trustees) must, as soon as practicable after the Date of Grant, issue to each Eligible Employee to whom an Award has been granted an award certificate in the form set out in Appendix A to these Rules (or in such other form as the Committee may from time to time decide).
- 2.2.3 If any award certificate becomes worn out, defaced, destroyed or lost, the Committee must replace it on such evidence being provided, and on such terms, as the Committee may determine.
- 2.2.4 The Committee will determine the Exercise Price. The Committee may determine that the Exercise Price shall be zero or 0.01 pence per Share, provided that where the Option is or may be satisfied by the issue of New Shares the Exercise Price shall not be less than the nominal value of a Share.

## 2.3 **Individual Limit**

Except as set out below, each Award must be limited, and must therefore take effect, so that the total Market Value of the Performance Shares under the Award when added to the total Market Value of Shares granted to the individual in the same financial year of the Company does not exceed 150% of the individual's basic annual salary (excluding bonuses, commissions and benefits in kind). In exceptional circumstances the Committee may apply a limit of twice the individual's annual salary.

## 2.4 **Performance Target**

- 2.4.1 The Company or the Trustees (as the case may be) must make each Award subject to a Performance Target. The full terms of the Performance Target must be set out or referred to in the award certificate but, in the absence of any contrary decision by the Committee at the time of grant, shall be those set out in Appendix C. In particular, but without limitation, an Option may be granted on the terms that the Participant must agree to bear the cost of some or all of the NIC liability either by reimbursing the person otherwise liable or by entering into an election to transfer the NIC liability to himself.
- 2.4.2 Upon the occurrence of such event or events as a result of which the Committee consider it fair and reasonable to do so, the Committee may change the Performance Target. The change must not, however, have the effect of making the Performance Target either materially easier or more difficult to achieve than it was immediately before the event in question. The power to change includes both the power to adjust and also the power to impose a new Performance Target.

### 3. VESTING

#### 3.1 Vesting and Performance Target

3.1.1 Notwithstanding any other rule, but subject to Rule 3.1.2, a Participant's Award shall lapse at the end of the Exercise Period or, if earlier to the extent that the Performance Target has and cannot be satisfied. The Committee shall determine whether and to what extent the Performance Target has been satisfied.

3.1.2 Where a Participant's Award becomes exercisable prior to the start of the exercise period then,

(i) except where the Participant dies, the Performance Target shall be applied over the period starting at the Date of Grant and ending (a) in the case of cessation of employment of the Participant, at the end of the relevant period for measurement of the Performance Target, or (b) if the Award vests pursuant to Rule 6 (Change in Control and Liquidation), the date when the Award first becomes exercisable; and

(ii) if the Performance Target is satisfied or where the Participant dies, then the number of Shares over which the Option is exercisable shall be the number calculated using the following formula rounded down to the nearest whole number:-

$$A \times \frac{B}{36}$$

where A = the number of Shares over which the Award is exercisable reflecting the extent to which the Performance Target has been met pursuant to (i) above; and B = the number of complete months between the Date of Grant and the date the Participant's Option becomes exercisable subject to a maximum of 36.

To the extent that any Option does not become exercisable under this Rule 3.1.2 it shall lapse immediately except as otherwise expressly provided in Rule 6.

#### 3.2 Lapsing of Awards

If an Award lapses under any Rule it may not become exercisable under any other Rule.

#### 3.3 Model Code

A Participant may not exercise his Award at any time when the acquisition or disposal of securities by a director or employee of the Company is in contravention of the model share dealing code of the London Stock Exchange.

#### 3.4 Procedure on Exercise

Subject to Rule 7 (Withholdings obligations) below, within 30 days of the date on which the Awards are exercised pursuant to these rules, the Company must send to the Participant the share certificate or other document of title for the relevant number of Shares (including Dividend Shares or payment for the Dividend Amount) to which he is entitled on the exercise of his Award.

#### **4. Restricted Period**

##### **4.1 Obligation on Participant**

At any time before the start of the Exercise Period, the Participant agrees that he shall:

- not assign, transfer or charge his Option, if any, or any interest in it; and
- be bound by the rules of this Plan.

The Trustees and the Company may enter into such arrangements as they think fit in order to enforce the obligations of the Participant under the Rules.

#### **5. EXERCISE AND LAPSING OF AN AWARD**

##### **5.1 Exercise of Awards**

A Participant's Option will become exercisable, in accordance with Rule 3.1.2 where applicable, by the Participant or, if deceased, by his personal representatives on the earliest of the following events:

- (a) at the start of the Exercise Period (to the extent that the Performance Target is satisfied);
- (b) the death of the Participant;
- (c) the Participant ceasing to be employed by any member of the Group in circumstances where Rule 5.3 applies; and
- (d) in accordance with Rule 6 (Change of Control).

##### **5.2 Cessation of employment - general**

5.2.1 Cessation of employment shall mean where a Participant's employment ceases either because he gives or is given notice terminating his employment with the Group or his employment with the Group otherwise terminates for any reason whatsoever.

5.2.2 A female Participant who has a right to return to work pursuant to the Employment Rights Act 1996, shall only cease to be employed within the Group from the time when she has not exercised and is no longer capable of exercising a right to return to work, pursuant to that Act.

### 5.3. **Cessation of employment - exercise of Awards.**

This Rule 5.3 applies, subject to Rule 6.5, if the Participant ceases to be employed within the Group by reason of:

- (a) injury, ill-health or disability; or
- (b) redundancy (within the meaning of the Employment Rights Act 1996); or
- (c) a transfer of the undertaking or part-undertaking in which the Participant is employed to a person other than a member of the Group; or
- (d) the company by which the Participant is employed ceasing to be under the control of the Company; or
- (e) retirement at or after his normal retirement age or, with the consent of the Company or in accordance with the terms of his contract, early retirement; or
- (f) such other reason as the Committee may in its discretion approve.

In the circumstances the Participant may exercise his Option subject to Rule 3.1.2 in the 12 month period immediately following the later of (1) such cessation and (2) the end of the relevant period over which the Performance Target is being measured and at the end of that 12 month period the Option shall lapse.

### 5.4 **Lapse of Awards**

A Participant's Option will lapse immediately upon the earliest to happen of the following events:

- (a) the Participant being adjudicated bankrupt;
- (b) any breach or purported breach of Rule 8 (Non-transferability of Awards) below; or
- (c) on the cessation of employment, for reasons other than as set out in Rule 5.3 above.

## 6. **CHANGE IN CONTROL AND LIQUIDATION**

### 6.1 **Change in Control**

6.1.1 Subject to Rule 6.5, this Rule 6.1 applies if any person (either alone or together with any person acting in concert with him):

- (i) obtains Control of the Company, or

- (ii) having such Control, makes a general offer to acquire all the Shares of the Company (other than those which are already owned by him and/or any person acting in concert with him).

6.1.2 Each Option shall become exercisable, subject to Rules 3.1.2 and 6.4, on the date when the person obtains Control, or, as the case may be, makes the Offer for a period of 6 months or, if shorter, until the end of the period during which such person is bound or entitled to acquire Shares compulsorily under section 429 of the Companies Act 1985, and will then lapse.

## 6.2 **Scheme of arrangement**

6.2.1 Subject to Rule 6.5, this Rule 6.2 applies if under section 425 of the Companies Act 1985 the court sanctions a compromise or arrangement between the Company and its members proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies.

6.2.2 Each Option shall become exercisable, subject to Rules 3.1.2 and 6.4, on the date upon which the compromise or arrangement is sanctioned by the courts for such period as the Committee may determine but not ending more than 6 months after the compromise or arrangement becomes effective and will then lapse.

## 6.3 **Liquidation**

6.3.1 Subject to Rule 6.5, if an effective resolution is passed or an order is made for the winding-up of the Company, each Option shall become exercisable, subject to Rules 3.1.2 and 6.4, , on the passing of the resolution for a period of 60 days and will then lapse.

## 6.4 **Discretion of Committee**

Where an Award vests in accordance with the Rule 6, the Committee may determine that, having given full consideration to the performance achieved over the shorter period that the Award should vest to a greater extent than as set out in Rule 3.1.2.

## 6.5 **Overriding provision**

Notwithstanding the earlier provisions of this Rule or any other Rule, if:

- there is an arrangement whether implemented by the events referred to in this Rule 6 or otherwise (including, without limitation, a demerger by way of dividend) which will mean that either:
  - (iii) the Company will be under the Control of another company; or
  - (iv) the Company's businesses will be separated so that they are owned by two or more companies; and

- in the case of (i) above, the persons who own Shares in the Company immediately before the change of Control will immediately afterwards own more than 75% of the shares in that other company or in the case of (ii) above, the persons who own Shares in the Company immediately before the separation own more than 75% of the shares in each of the relevant companies immediately after the separation; and
- Participants are to be offered substitute options (with or without performance targets),

then the Committee may at its absolute discretion determine that Participants who hold Unvested Options may not exercise those Options.

## **7. WITHHOLDING OBLIGATIONS**

### **7.1 Application of Rule**

This Rule 7 applies if a Participant is liable to tax, duties or other amounts on the exercise of his Award and his employer or former employer is liable to make a payment to the appropriate authorities on account of that liability.

### **7.2 Authority to sell Shares**

It is a condition of the exercise of an Option that the Participant hereby authorises the sale of sufficient of the Shares which are the subject of an Option so that the net proceeds of sale are as nearly as possible equal to, but not less than, the payment which the employer or former employer is required to pay to the appropriate authorities. The Company must account to the employer or former employer for the net proceeds of sale.

### **7.3 Exclusion**

This Rule 7 shall not apply, however, if the Participant makes alternative arrangements to the satisfaction of his employer or former employer.

### **7.4 NIC Liability**

This Rule applies if the Award has been granted subject to a condition that the Participant must reimburse any person for some or all of any NIC liability arising on the grant or exercise of the Award or if the Participant must subsequently agree to do so or if he has entered into an election to transfer some or all of that NIC liability to himself.

The Participant must either pay to that person the amount which it needs to pay (or has paid) the appropriate authorities or agree to other arrangements approved by the Committee. If he does not do so within such a period as is specified by the Committee then, to the extent necessary to make sure that the Participant complies with his obligations, he will be deemed to have authorised the disposal of some or all of the

Shares to which he is entitled on the exercise of his Award and the payment of the net proceeds of sale to that person.

## **8 MANNER OF EXERCISE**

### **8.1 Method of Exercise**

To exercise his Award, a Participant must give written notice to the Company. The notice of exercise must be in such form and be accompanied by such other documents that the Company may decide. The Participant must also comply with Rule 7 (Withholding Obligations).

### **8.2 Payment of the Exercise Price**

The Exercise Price, if any, must be paid at the same time as the notice of exercise is given. Alternatively, the Participant may enter into any arrangements that the Committee may approve for the payment of the Exercise Price including, an irrevocable undertaking to authorise the sale of sufficient Shares which he would otherwise be entitled to on exercise for the purposes of realising sufficient value to pay the Exercise Price.

### **8.3 Time of Exercise**

Unless the Committee agrees otherwise, the time and date of exercise of an Option will be the time and date on which the notice of exercise, complete in all material respects, together with payment of the Exercise Price is received by the Company.

### **8.4 Rights of New Shares Issued**

Any new Shares issued on the exercise of an Option must rank equally in all respects with other Shares then in issue except for rights which are attached to Shares by reference to a record time or date prior to the time or date of issue.

### **8.5 Listing**

The Company must apply to the UK listing authority to have any new Shares issued under the Plan admitted to the official list and to the Stock Exchange to have the Shares admitted to trading. The Company need not do so however, if the Shares are not then traded on the Stock Exchange.

## **9. NON-TRANSFERABILITY OF AWARDS**

Each Option is personal to the Participant and his personal representatives and, accordingly, where a Participant transfers, assigns, charges, encumbers or otherwise alienates his Option or creates in favour of any third party any interest therein or, in any case, attempts so to do, or a bankruptcy order is made in respect of him (or any similar event occurs under the laws of any other country), his Award shall be forfeited.

## 10. **LOSS OF OFFICE**

Participation in the Plan by a Participant is a matter entirely separate from, and shall not affect, his pension rights and terms of employment and, in particular (but without limitation), if a Participant shall for any reason cease to be employed by a member of the Group or his Award should be forfeited, he shall not be entitled to any compensation by reference to the rights granted to, or the benefits capable of being received by, him under this Plan or for any loss or diminution in value of such rights or benefits.

## 11. **VARIATION OF CAPITAL**

### 11.1 **General**

In the event of any capitalisation issue by the Company, or any offer or invitation made by way of rights, or any consolidation, subdivision or reduction of its share capital or any other variation of its share capital, or in such other circumstances as the Committee considers appropriate, the Company shall adjust in such manner as the Committee may decide to be appropriate the number and nominal amount of Shares subject to any Award, the rights attached thereto and, the Committee's decision shall be final and binding on the Participant.

### 11.2 **Notification of adjustment**

If any adjustment falls to be made pursuant to this Rule 11, the Committee shall notify each Participant of the adjustment as soon as practicable after its decision.

## 12. **GENERAL**

### 12.1 **Administration**

12.1.1 Save as otherwise provided in the Rules, the Plan shall be administered by the Committee.

12.1.2 The Committee may from time to time make and amend such regulations for the implementation and administration of the Plan as it thinks fit.

12.1.3 Any disputes regarding the interpretation of the Plan, and of the rights or obligations of any person under the Plan shall be determined by the Committee whose decision shall be final and binding on all persons.

### 12.2 **Costs and expenses**

The costs of the preparation and operation of this Plan shall be borne by the Company.

### 12.3 **Power of amendment**

12.3.1 The Committee may at any time and from time to time amend or add to the Plan in any respect provided that no amendment or addition shall be made which would affect

adversely any of the subsisting rights of a Participant except with his consent in writing (unless at least 75% of the Participants in the Plan at that time have given their consent in writing to the amendment) or which would be to the advantage of Participants without the prior approval of the Company in general meeting. However, the prior approval of the Company in general meeting will not be required for amendments which maintain or obtain favourable tax, exchange control, or regulatory treatment for the Participants or any member of the Group or for minor amendments to benefit the administration of the Plan.

- 12.3.2 The Committee shall give written notice to all Participants of any amendment or alteration made in accordance with this Rule 12.3 which affects their rights.

**12.4 Termination**

The Committee may at any time suspend or terminate the operation of this Plan and in such event no further Awards will be granted for the time being or, as the case may be, permanently but in all other respects the provisions of this Plan shall remain in force. In any event no Awards will be granted under the Plan more than 10 years after the date of its adoption.

**12.5 Not pensionable**

Awards granted under the Plan are not pensionable.

**13. NOTICES**

**13.1 To Eligible Employees and Participants**

- 13.1.1 Save as otherwise provided herein, any notice or document to be given by the Committee and/or the Company and/or the Trustees to any Eligible Employee or Participant may be given through normal internal communications or by personal delivery or by sending it by ordinary post to his last known address or by facsimile to his number registered with the Company, while still an Eligible Employee.

- 13.1.2 Where a notice or document is sent by post it shall be deemed to have been received 72 hours after it was put into the post properly addressed and stamped.

- 13.1.3 All notices and documents sent by post will be sent at the risk of the Eligible Employee or Participant concerned. Neither the Company nor any of its Subsidiaries nor the Trustees shall have any liability whatsoever to any Eligible Employee or Participant in respect of any notice or document sent, nor shall the Company or any of its Subsidiaries or the Trustees be concerned to see that any Eligible Employee or Participant actually receives it.

**13.2 To the Company**

Save as otherwise herein provided, any notice or document given by an Eligible Employee or a Participant to the Company or the Committee shall be delivered or sent

to the Company at its registered office (or at such other place or places as the Committee may from time to time determine and notify to Eligible Employees and Participants) and be effective upon receipt.

### 13.3 To the Trustees

Save as otherwise herein provided, any notice or document given by an Eligible Employee or a Participant to the Trustees shall be delivered or sent to the Trustees care of the Company at its registered office (or at such other place or places as the Trustees may from time to time determine and notify to Eligible Employees and Participants) and be effective upon receipt.

## 14. PLAN LIMITS

### 14.1 General

- (1) The Committee must ensure that the number of newly issued Shares which are used or to be used for the purposes of the Plan on any date does not exceed the limit set out in Rule 14.2.
- (2) For the purposes of this Rule 14:-
  - (i) “**equity share capital**” has the meaning given to it by section 744 of the Companies Act 1985;
  - (ii) an “**executive share option scheme**” is any share option scheme in which participation is limited to those senior employees and directors as may be selected at the discretion of the body administering the scheme;
  - (iii) the word “**issue**” means, in relation to Shares, the allotment and issue of Shares forming part of the authorised but unissued share capital of the Company; derivative expressions are to be construed accordingly;
  - (iv) a “**share incentive scheme**” is any scheme (other than a share option scheme) for employees of the Group which has been approved by the Company in general meeting and provides for the subscription of Shares out of profits of the Group; and
  - (v) a “**share option scheme**” is any scheme for employees of the Group which has been approved by the Company in general meeting and provides for the grant of options to employees to acquire Shares.

### 14.2 10% in 10 years for all schemes

The limit for this Rule is 10 per cent. of the number of Shares comprised in the Company's equity share capital on the day before the Date of Grant, less the total number of:-

- (i) Shares issued on the exercise of options granted within the previous 10 years under any share option scheme;
- (ii) Shares remaining issuable in respect of options granted on the same date or within the previous 10 years under any share option scheme; and
- (iii) Shares issued on the same date or within the previous 10 years under any share incentive scheme in respect of moneys made available by the Group.

**APPENDIX A**

**AWARD CERTIFICATE**

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE KEPT IN A SAFE PLACE**

BY THIS DEED an Award is hereby granted, subject to the Rules of the Provident Financial Long Term Incentive Scheme, to the under-mentioned to receive an Option over the number of ordinary shares in the capital of Provident Financial plc specified below.

Awardholder: Name.....  
Address.....  
.....  
.....

Date of Grant.....  
Start of Exercise Period.....  
Exercise Price.....

Maximum Number of Shares subject to the Award: ..... Shares.

Performance Target for Award : [Insert details]

IN WITNESS whereof this document has been  
executed and delivered as a deed this [ ]  
day of [ ]2005 .

EXECUTED AS A DEED                    )  
  ) Director                    .....  
  )  
  ) Director/Secretary       .....  
  )

**Notes**

1. This Award is personal to the Awardholder named herein and his legal personal representatives and may not be sold, transferred, charged or otherwise disposed of in any manner whatsoever.
2. Defined terms used in the certificate have the meanings given to them by the Rules of the Provident Financial Long Term Incentive Scheme.

**APPENDIX B**

**FORM OF AGREEMENT**

I wish to be considered for participation in the Provident Financial Long Term Incentive Scheme (the "Scheme"). While recognising that such participation is at the discretion of the Committee I irrevocably agree that if an Award is made to me under the Scheme I shall irrevocably:

- unless I make alternative arrangement to the satisfaction of the Company, authorise the Company (and any director or nominee thereof, as my attorney) and/or the Trustee, as my attorney, to sell sufficient of the Shares which are the subject of the Award to satisfy any withholding obligations of my employer or former employer on the exercise of the Award; and
- be bound by the Rules of this Scheme.

SIGNED as a deed by            )  
 in the presence of:-         ) .....

(Signature of Executive)

Signature of Witness .....  
 Name of Witness .....  
 Address of Witness .....  
 .....  
 .....

## APPENDIX C

### Schedule: Performance Target

#### 1. Definitions

In this Schedule, the following words and expressions have the meaning shown next to them:

**“Closing Value”** – In relation to a Shareholding, the arithmetic average of the Market Value of a share in that Shareholding on each of the Dealing Days falling within the period of three months ending with the last day of the Performance Period multiplied by the number of shares in the Shareholding at the end of the Performance Period;

**“Comparator Group”** means the comparator companies from time to time determined by the Committee which shall comprise for the purposes of the first Award; Cattles, London Scottish Bank, S&U, Bradford & Bingley, Lloyds TSB, Barclays, RBS, HSBC, Northern Rock, Alliance & Leicester HBOS, Close Brothers, Debt Free Direct, Paragon Group, Kensington Group and Park Group;

**“Market Value”** – In relation to a share on any day is its middle market quotation on that day as derived from the daily official list of the London Stock Exchange;

**“Median Level”** means the median TSR of the companies in the Comparator Group;

**“Opening Value”** – In relation to a Shareholding the arithmetic average of the Market Value of a Share in that a shareholding on each of the Dealing Days falling within the period of three months ending with the day before the start of the Performance Period multiplied by 100;

**“Shareholding”** in a company is:

- (i) for the purposes of determining the Opening Value, a notional holding of 100 ordinary shares in that company; and
- (ii) for the purposes of determining the Closing Value, that notional holding of 100 shares increased to take account of dividends paid by the company during the Performance Period. For this purpose it is assumed that the net amount of any dividends paid by the company are used to purchase additional ordinary shares in the company at Market Value (ignoring stamp duty and any dealing costs) on the dealing day on which those shares are first quoted “ex” the dividend.

**“TSR”** - In relation to a company, the amount found by the following formula expressed as a percentage:

$$\frac{(\text{closing value} - \text{opening value})}{\text{opening value}} \times 100$$

#### 2. The TSR Target

2.1 Subject to the Rules of the Plan, the TSR of the Company and those of the companies in the Comparator Group will be calculated as soon as practicable at the end of the Performance Period. The percentage of TSR shares vesting if any will be determined as follows:

- (i) if the Company's TSR position is at Median Level, then 25% of the Award will vest;
- (ii) if the Company's TSR has exceeded Median Level by 8.5% per annum, then 100% of the Award will vest; and
- (iii) vesting between these levels of performance will be on a straight line basis, so that if TSR is 4.25% above Median Level performance per annum, then 50% of the Award would vest.

### 3. Changes to TSR

3.1 In the event that a company's TSR ceases to be available, the approach set out in the following table will apply unless the Committee in its absolute discretion, decides otherwise.

Event	Approach
The Company drops out of the Comparator Group due to delisting or suspension.	Exclude company from calculation of the median.
Company is acquired by another company within the Comparator Group	Keep both companies in the Comparator Group.  Preacquisition use historical TSR for each company, post-acquisition apply the TSR performance of the acquirer to both companies.
Companies acquired by a company outside the Comparator Group.	Keep company in the Comparator Group.  Preacquisition use historical TSR, post-acquisition apply the TSR performance of the acquirer.
Company demerges into two separate companies.	Keep company in the Comparator Group. Pre-demergers use its historical TSR, Post-demergers assume weighted average of both companies based on relative market capitalisation at the time of demerger.
Provident Financial acquires a Comparator	Uses actual TSR pre-acquisition and the median of all other comparators post-

Group member.	acquisition.
---------------	--------------

- 3.2 To the extent that an event occurs which is not covered by the table at 3.1 above or the Committee decides in its absolute discretion not to adopt the approach in that table, the Committee must make such adjustments to the comparator group as it considers fair and reasonable including, without limitation, excluding that company from the Comparator Group or substituting another company.
- 3.3 A Shareholding may be adjusted in such manner as the Committee determines to be fair and reasonable in such circumstances as the Committee considers appropriate including, without limitation, any variation of the share capital of a company within the Comparator Group or any demerger of such a company.

4. Underlying Business Performance

The Committee must satisfy itself that the Company's TSR performance is a genuine reflection of the underlying business performance of the Company in order for an Award to vest.

## THE PROVIDENT FINANCIAL LONG TERM INCENTIVE SCHEME 2006

---

Established by a resolution of the  
Remuneration Committee of the  
Company in May 2006 pursuant to  
an ordinary resolution of the Company  
passed on 17 May 2006 and  
as amended on 13 December 2006,  
13 July 2007 and 8 May 2008

---

SLAUGHTER AND MAY  
One Bunhill Row,  
London EC1Y 8YY  
(Ref: RXD)

PN071640070

# THE PROVIDENT FINANCIAL LONG TERM INCENTIVE SCHEME 2006

## CONTENTS

<b>Part I: Awards of Conditional Shares</b>		<b>Page</b>
<b>1.</b>	<b>INTERPRETATION AND CONSTRUCTION</b>	<b>1</b>
1.1	Definitions	1
1.2	Construction	2
1.3	Governing law	3
<b>2.</b>	<b>GRANT OF PARTICIPATION</b>	<b>3</b>
2.1	Invitation to participate	3
2.2	Grant of Awards	3
2.3	Individual Limit	4
2.4	Performance Target	4
<b>3.</b>	<b>VESTING</b>	<b>4</b>
3.1	Vesting and Performance Target	4
3.2	Forfeiture of Awards	5
3.3	Model Code	5
3.4	Procedure on Vesting	5
<b>4.</b>	<b>RESTRICTED PERIOD</b>	<b>6</b>
4.1	Obligation on Participant	6
<b>5.</b>	<b>VESTING AND FORFEITURE OF AN AWARD</b>	<b>6</b>
5.1	Vesting of Awards	6
5.2	Cessation of employment - general	7
5.3	Cessation of employment - vesting of Awards	7
5.4	Forfeiture of Awards	7
<b>6.</b>	<b>CHANGE IN CONTROL AND LIQUIDATION</b>	<b>8</b>

6.1	Change in Control	8
6.2	Scheme of arrangement	8
6.3	Liquidation	8
7.	<b>WITHHOLDING OBLIGATIONS</b>	8
7.1	Application of Rule	8
7.2	Authority to sell Shares	8
7.3	Exclusion	9
8.	<b>NON-TRANSFERABILITY OF AWARDS</b>	9
9.	<b>LOSS OF OFFICE</b>	9
10.	<b>VARIATION OF CAPITAL</b>	9
11.	<b>GENERAL</b>	9
11.1	Administration	9
11.2	Costs and expenses	9
11.3	Power of amendment	9
11.4	Termination	10
11.5	Not pensionable	10
12.	<b>NOTICES</b>	10
12.1	To Eligible Employees and Participants	10
12.2	To the Company	11
12.3	To the Trustees	11
13.	<b>PLAN LIMITS</b>	11
13.1	General	11
13.2	10% in 10 years for all schemes	12
13.3	5% in 10 years for executive schemes	12
	<b>APPENDIX A</b>	13

Form of Award Certificate	
<b>APPENDIX B</b>	14
Form of Bonus Waiver	
<b>Part II: Options</b>	
1. <b>General</b>	15
2. <b>Grant of Participation</b>	17
3. <b>Vesting</b>	19
4. <b>Restricted Period</b>	20
5. <b>Exercising and Lapsing of an Award</b>	20
6. <b>Change in Control and Liquidation</b>	20
7. <b>Withholding Obligations</b>	22
8. <b>Manner of Exercise</b>	23
9. <b>Non-Transferability of Awards</b>	23
10. <b>Loss of Office</b>	23
11. <b>Variation of Capital</b>	24
12. <b>General</b>	24
13. <b>Notices</b>	25
14. <b>Plan Limits</b>	26
<b>APPENDIX A</b>	28
Form of Award Certificate	
<b>APPENDIX B</b>	29
Form of Agreement	
<b>Schedule: Performance Target</b>	30