



**We do things differently
because not everybody's
needs are the same**

**Provident Financial plc
ANNUAL REVIEW & SUMMARY FINANCIAL STATEMENT 2004**



Provident Financial

At a glance



UK and Republic of Ireland:

2.2m CUSTOMERS

433 home credit branches, 27 Yes Car Credit branches, Vanquis Bank call centre and Provident Insurance administration centre

Central Europe:

1.5m CUSTOMERS

130 home credit branches across four countries – Poland, Czech Republic, Hungary and Slovakia

Mexico:

35k CUSTOMERS

Four home credit branches opened since August 2003

+7.0%

PROFIT BEFORE GOODWILL AMORTISATION UP TO £221 MILLION



+4.2%

TOTAL DIVIDEND FOR 2004 34.40 PENCE

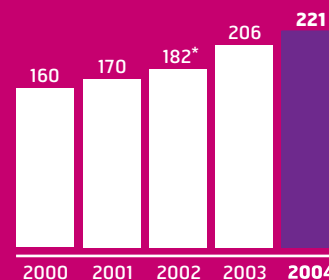


+7.0%

EARNINGS PER SHARE BEFORE GOODWILL AMORTISATION UP TO 61.57 PENCE



Group profit before taxation and goodwill amortisation (£m)



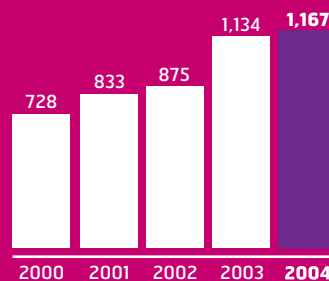
*stated before exceptional item

+2.9%

TURNOVER UP TO £1,167 MILLION



Group turnover (£m)



+17.0%

NET ASSETS INCREASED TO £526 MILLION

Provident succeeds because it understands its customers' distinctive needs. Typically on modest incomes, our customers appreciate simple, transparent financial services. They expect to have their particular needs met and to be treated as individuals. They come to Provident because they like what we offer and the way we present it. And as we identify customer needs, so we respond – whether it's new credit products in the UK or delivering our products to new overseas markets.

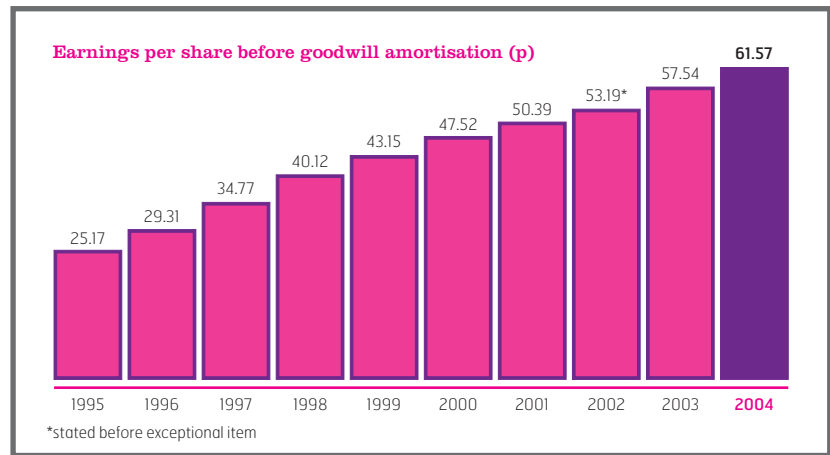
Contents

01	Introduction
02	Chairman's statement
06	Our strategy
08	Chief Executive's review
34	Financial review
42	Our directors and board committees
43	Summary directors' report
44	Summary corporate governance report
45	Summary directors' remuneration report
49	Summary financial statement
54	Independent auditors' report
55	Information for shareholders



A handwritten signature in blue ink, appearing to read 'John van Kuffeler'.

John van Kuffeler, Chairman



I am pleased to announce our results for 2004. Group turnover increased by 2.9% to £1.2 billion and customer receivables rose by 14.7% to £1.3 billion. Before goodwill amortisation, profit before tax increased by 7.0% to £220.7 million (2003 £206.2 million) and earnings per share increased by 7.0% to 61.57p (2003 57.54p). After goodwill amortisation, profit before tax increased by 7.0% to £216.1 million (2003 £201.9 million) and earnings per share increased by 7.0% to 59.74p (2003 55.84p). The directors recommend a final dividend of 20.75p (2003 19.90p), giving a total dividend for the year of 34.40p per share (2003 33.00p), an increase of 4.2% for the year.

Operations

UK consumer credit division

UK home credit

Conditions in the UK home credit sector continue to be challenging with increased competition, particularly from credit card providers. This reflects an increased involvement in near and sub-prime credit markets by some mainstream credit providers together with wider access to credit products by home credit customers who have seen increasing household incomes during recent years. Our response has been to recruit and retain profitable customers, to identify and withdraw from unprofitable recruitment channels and to manage costs tightly.

During 2004 customer numbers fell by 4.7% to 1.53 million. About half of this reduction resulted from our withdrawal from unprofitable recruitment channels and the other half from the more competitive market. Credit issued for the year reduced by 2.4%. This was less than we had expected because lending during the Christmas period was strong with credit issued for December up by 2.7% on the previous year. Collections for the year decreased by 1.5% to £1,300 million and turnover reduced by 1.0% to £490.5 million. Costs were managed carefully and, as a result, reduced by 1.2% to £251.8 million. Credit quality was stable with bad debt as a percentage of credit issued at 9.7% (2003 9.6%) and bad debt costs decreased by 1.8% to £86.4 million. Profit before tax was little changed, at £152.3 million (2003 £152.6 million).

Yes Car Credit

Yes Car Credit had a tough year in 2004 with increased competition from new entrants into its market combined with difficult trading conditions in the used car credit market which reported volumes down by 6% for the year. For the year as a whole, Yes Car Credit performed better than the market with unit sales volumes down by 1.5% to 37,319 units (2003 37,892). However, during the second half of the year Yes Car Credit lost market share with unit sales falling by 16% compared with an 8% fall in the market. Although we increased advertising and expanded our network of branches to 29, this performance was well below our expectations. Net receivables increased by 16% to £294 million at 31 December 2004, although average net receivables were up by 32% to £282 million reflecting the impact of strong growth in the final quarter of the previous year.

Despite the fall in vehicle sales, turnover in 2004 increased by 4.7% to £281.8 million helped by increased contribution from both finance and insurance commission revenues, reflecting business written in previous years. The increased contribution from these revenue streams also benefited gross profit which increased by 12.8% to £126.5 million. However, operating costs increased faster than gross profit, rising 17.3% to £79.2 million, because of the enlarged branch network and increased advertising spend. In addition, whilst bad debt costs as a percentage of average net receivables at December 2004 was steady at 15.2% (December 2003 15.7%), bad debt costs increased by 28.2% to £42.9 million, driven by the strong growth during 2004 in average net receivables. Profit before tax reduced by £6.8 million to £4.4 million (2003 £11.2 million).

Vanquis Bank

Vanquis Bank was established in February 2003 and has conducted a market test of credit cards tailored to the requirements of UK customers needing cards with small credit limits. A range of offers to new and existing customers delivered by direct marketing and through home credit agents was tested throughout 2003 and 2004. The collection of repayments by remote channels such as direct debit and by home credit agents was also tested. The market test provided clear evidence of a profitable market opportunity for a differentiated credit card offer.

At 31 December 2004, 76,000 cards were in issue with net customer receivables of £26.1 million. The loss before tax for 2004 was £8.7 million (2003 loss of £6.7 million).

International division

Percentage growth figures for credit issued, collections and turnover are calculated after restating prior year figures at the current year average exchange rate in order to present a like-for-like comparison.

The international division has once again produced excellent results. Customer numbers increased by 25% to 1.6 million and now exceed the number of customers in our UK home credit business. Credit issued increased by 25% to £437 million, and turnover rose by 27% to £235 million. Profit before tax increased by 68% to £49.2 million (2003 £29.3 million).

“We expect that 2005 will be a year of further progress both in implementing our strategy and improving group performance.”

Poland

Poland, our largest international business, performed exceptionally well. Customer numbers increased by 16% to 941,000; credit issued by 11% to £241.1 million; collections by 12% to £326.0 million; and turnover by 13% to £138.6 million. Bad debt as a percentage of credit issued was 10.5% for 2004 (2003 10.8%). Profit before tax increased strongly, up 34% to £44.4 million (2003 £33.1 million).

Czech Republic

Our Czech operation grew customer numbers and credit issued more slowly but produced good profit growth. Customer numbers rose by 3% to 230,000 and credit issued was up by 6% to £77.4 million. Collections increased by 7% to £106.8 million and turnover increased by 7% to £41.2 million. Credit quality improved with bad debt as a percentage of credit issued for 2004 at 9.7% (2003 11.0%). Profit before tax increased by 13.6% to £10.0 million (2003 £8.8 million).

Hungary

Hungary achieved very rapid growth in 2004 and reported its maiden full year profit of £6.4 million, a year ahead of plan. Customer numbers rose by 76% to 251,000 and credit issued increased by 91% to £87.2 million. Collections were up by 130% to £99.0 million and turnover increased by 133% to £42.7 million.

Credit quality continues to be satisfactory and because of the growing maturity of the loan book we were able to replace the general bad debt provision, set at 8% of credit issued in prior years, with a specific provision. The release of surplus provisions from prior years benefited profit for the year by £2.0 million. Profit before tax increased by £8.3 million, turning a loss of £1.9 million in 2003 to a profit of £6.4 million for 2004.

Slovakia

Slovakia also produced strong growth during 2004 and, following a loss in the first half of the year of £0.9 million, reported a maiden second half profit of £0.4 million. Customer numbers rose by 64% to 102,000 and credit issued increased by 83% to £27.2 million. Collections were up by 82% to £26.8 million and turnover

increased by 86% to £11.0 million. Credit quality is satisfactory with bad debt as a percentage of credit issued being 8.8% for 2004 (2003 8.0%).

As in Hungary, we have based the 2004 bad debt charge on a specific provision rather than the general provision made in earlier years. The release of surplus provisions from prior years benefited the results by £0.4 million in 2004. The business reported a loss before tax for 2004 of £0.5 million, a significant improvement on the loss of £1.6 million for 2003.

Mexico

Our pilot operation launched in Mexico in August 2003 has performed well. At the end of December 2004 it operated from four branches in the Puebla area, had 35,000 customers (2003 3,000) and net customer receivables of £2.2 million. Credit quality is good and the performance of the Mexican business is similar to that of the central European businesses at the same stage of their development. The loss for the year was, as expected, £2.2 million (2003 loss of £1.2 million).

Motor insurance division

The UK motor insurance market remained competitive during 2004 and average premiums continued to fall, with average market rates down by approximately 3.5%.

We maintained our policy of pricing for an adequate return on equity and so held our premium rates in the first half of the year but were able to reduce them by 5% in the middle of the year in response to lower than expected claims cost inflation. Policyholder numbers fell by 14.7% during the year to 501,000 but stabilised in the second half following the mid-year premium reductions. Gross written premiums reduced by 13% to £164.8 million, broadly in line with the fall in the number of policyholders, and gross earned premiums fell by 22% to £168.9 million. Costs were sharply reduced in 2004 in line with the reduced revenues and this, together with lower claims costs, resulted in an increase in underwriting profit to £11.3 million (2003 £4.0 million). Income earned on the investment fund, held to meet the cost of future claims, was £23.3 million (2003 £24.6 million). Profit before tax increased by 21% to £34.6 million (2003 £28.6 million).

Regulatory developments

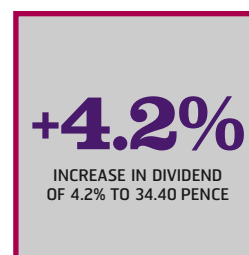
Following a super-complaint in the summer of 2004 from the National Consumer Council (NCC) to the Office of Fair Trading (OFT) under the Enterprise Act 2002 regarding the competitiveness of the UK home credit industry, the OFT conducted a short, 90-day investigation. This culminated in the decision by the OFT in December 2004, to refer the supply of home credit to the Competition Commission for further investigation on the grounds that it suspects there are features of the market that prevent, restrict, or distort competition. We do not agree with the OFT's conclusions and have set out our reasons in an initial submission to the Competition Commission. This is available on our website. The Competition Commission inquiry is scheduled to publish an "Emerging Thinking" document in September 2005 and "Provisional Findings" in December 2005. The inquiry is expected to conclude by April 2006.

In Poland, a minority party proposal for an interest rate ceiling was submitted to the Polish parliament in June 2004 and, following a procedural first reading in July, has been subject to scrutiny by a parliamentary sub-committee. The Polish government and the central bank oppose the rate ceiling proposal. Alongside other financial institutions, we continue to make it clear that such a measure is not in the interests of consumers.

The UK Consumer Credit Bill, which amends the 1974 Consumer Credit Act, is currently being considered by the UK parliament and is expected to become law in April 2005. We welcome this bill which is designed to protect consumers and create a fairer, more competitive credit market.

International Financial Reporting Standards

In future the group will report its results under International Financial Reporting Standards (IFRS). To assist in understanding the impact on the group of the change to IFRS, we have produced an unaudited pro forma 2004 profit and loss account and an unaudited pro forma statement of net assets as at 31 December 2004 prepared using IFRS which is available on the company's website at www.providentfinancial.com. Profit before tax and goodwill amortisation for 2004 would have been reduced by the adoption



of IFRS, down by 6.9% from £220.7 million (UK GAAP) to £205.5 million (IFRS). Profit before tax for 2004 would have been reduced by 4.9% from £216.1 million (UK GAAP) to £205.5 million (IFRS). Insurance division profits would have been unchanged and our UK home credit business would have been little affected, but profit before tax from our fast growing international division would have reduced by £9.4 million to £39.8 million, because of the requirement for slower revenue recognition and earlier recognition of bad debt under IFRS.

Similarly, at Yes Car Credit, a combination of the requirement for slower revenue recognition and earlier bad debt provisioning would have reduced profit by £7.1 million, turning a profit of £4.4 million into a loss of £2.7 million. It is important to note that cash flows are unchanged and the majority of the reduction in group profits relates to the timing of recognition of revenue and bad debt charge and does not imply a reduction in the underlying profitability of our credit agreements or credit quality. Net assets are reduced by £111.4 million from £525.5 million (UK GAAP) to £414.1 million (IFRS), largely as a result of changes to the accounting for defined benefit pension funds.

The revenue we earn from our home credit loan agreements is fixed at the outset and no further charges are levied in the event that a customer misses repayments and takes longer than agreed to repay the loan. Customers value this flexible approach and many repay our loans over a longer period than that contracted. IFRS requires that we continue to accrue revenue at the effective interest rate of the loan agreement over the full period a loan is outstanding with the result that more revenue is recognised than we are contractually entitled to collect. Since this additional revenue is not collectable, it is immediately matched by the creation of an impairment provision. The result is an overstatement of both turnover and the impairment charge under IFRS. Consequently we will continue to disclose bad debt charge as a percentage of credit issued (as calculated under UK GAAP) for our home credit businesses as the most meaningful measure of credit quality.

The reduction in group earnings under IFRS would have reduced dividend cover in 2004 to 1.66 times, which is slightly below our target of approximately

1.75 times. Nonetheless, we intend to continue to pursue our progressive dividend policy but gradually, over time, to rebuild cover to approximately 1.75 times.

Prospects

The guidance which follows is based upon IFRS and is relative to the IFRS results for 2004.

UK home credit: The UK home credit sector is expected to continue to face increasing competition from other small sum credit products, particularly credit cards. Customer numbers are expected to reduce in 2005 but credit issued per customer is likely to increase as a result of better marketing to lower risk customer segments. Overhead costs will be tightly managed and credit quality is expected to be stable. Overall, we expect profits will fall a little in 2005 and may reduce further in subsequent years if current market conditions persist.

Yes Car Credit: We expect that the tough trading conditions in the used car credit market seen in 2004 will continue into 2005. We will respond to this by making a number of changes to improve Yes Car Credit's business performance, including a further strengthening of the management team, improving the effectiveness of marketing and making reductions to the cost base, including closing two branches. These changes will take time to have an effect and so we expect the performance from the business in 2005 to be similar to that in 2004 (IFRS loss of £2.7 million).

Vanquis Bank: In December 2004 we announced our intention of bringing Vanquis Bank to operational scale during 2005. We will actively market credit card products to new and existing customers both by direct mail and through our agent network. We believe the combination of the remote recruitment and customer servicing skills of Vanquis Bank with the reach, knowledge and capabilities of our UK home credit business will allow us to establish and grow a distinctive and profitable credit card business. We aim to grow in a measured way and to add about 100,000 card holders during 2005. We expect that the cost of customer acquisition and early credit losses will result in start-up losses of about £14 million in 2005. We estimate the business will reach break even with a portfolio of about 250,000 card holders and our aim is

to reach this position during 2006. As a result, we expect substantially reduced losses in 2006 and profits thereafter.

International division: We continue to see excellent prospects for growth from our international division with Poland and Hungary expected to be the major contributors.

The pilot in Mexico has proved successful and so during 2005 we will begin to extend our geographic coverage. Mexico is a large potential market. In the long term we estimate the market should support three million home credit customers yielding an annual profit per customer of about £20. We will adopt a phased, regional approach to geographic expansion, starting in 2005 in the Puebla-Veracruz region. The rate at which further regions are opened will depend on the performance of this region and also the rate at which we are able to develop local management resources. At this early stage it is envisaged that we will open one new region each year. Start-up losses in Mexico of about £5-£6 million are expected in 2005.

During 2005, we will focus on developing Mexico but plan to open in a new country in 2006.

Overall, we expect that the international division in 2005 will continue to deliver strong growth and excellent results.

Motor insurance division: The motor insurance division is expected to have another good year in 2005 benefiting from favourable trends in claims costs.

Group outlook

During 2005 we will continue our strategy of expanding our international businesses and broadening our range of credit products. In 2005, we will make a substantial investment, £20 million, in start-up losses to develop the new credit card business in the UK and expand home credit in Mexico. We believe that both initiatives will generate substantial shareholder value in the years to come. We expect that 2005 will be a year of further progress both in implementing our strategy and improving group performance.

John van Kuffeler
Chairman
24 March 2005

Our strategy is twofold. Drawing on our long experience in home credit, we're broadening our range of credit products in the UK in order to attract new customers and offer more to those we already serve. At the same time, we're exporting our original home credit product into overseas markets that offer high potential for profitable growth.

1

More products

Home credit

SMALL LOANS WITH AFFORDABLE REPAYMENTS
COLLECTED WEEKLY FROM CUSTOMERS' HOMES

Credit cards

VANQUIS BANK'S UNIQUE VISA
BRANDED CREDIT CARD PRODUCTS

Car finance

YES CAR CREDIT OFFERS QUALITY VEHICLES,
CAR FINANCE AND OPTIONAL INSURANCES

Motor insurance

PROVIDENT INSURANCE UNDERWRITES
MOTOR POLICIES



BROADENING OUR RANGE OF CREDIT PRODUCTS

Although still very profitable, the home credit market in the UK is mature and increasingly competitive. That's why we started looking for new sources of growth and shareholder value by widening the choice of credit products for UK customers. In 2002 we acquired the car finance business, Yes Car Credit. In 2004 we completed the Vanquis Bank credit card pilot – products specially designed for customers on modest incomes.

“We aim to be a leading international provider of simple financial services.”

2

Mexico
35,000 CUSTOMERS

“Extensive training and development are helping to ensure we have the right quality of management to carry the strategy forward.”

More places

➔ MOVING OVERSEAS

Just eight years ago we operated solely in the UK and the Republic of Ireland. Realising that the home market was becoming mature, we looked for new opportunities for profitable growth. We opened in our first overseas markets, Poland and the Czech Republic, in 1997. The home credit product immediately met a need and further operations have been established in Hungary, Slovakia and Mexico. Growth has been phenomenal and our international division now has 1.6 million customers and is contributing substantially to group profits. As in the UK, there is the potential for broadening the product range when the time is right.

Poland
941,000 CUSTOMERS

Czech Republic
230,000 CUSTOMERS

Hungary
251,000 CUSTOMERS

Slovakia
102,000 CUSTOMERS

Robin

Robin Ashton, Chief Executive



I'm delighted to present a review of our progress in 2004 – a year in which, once again, our twofold strategy of broadening our product range and expanding overseas produced real value for the group. And let me say at the start that we owe this success to the talented management and staff who have given such excellent service during the year. My thanks go to them. I hope you find this report an interesting and informative read.

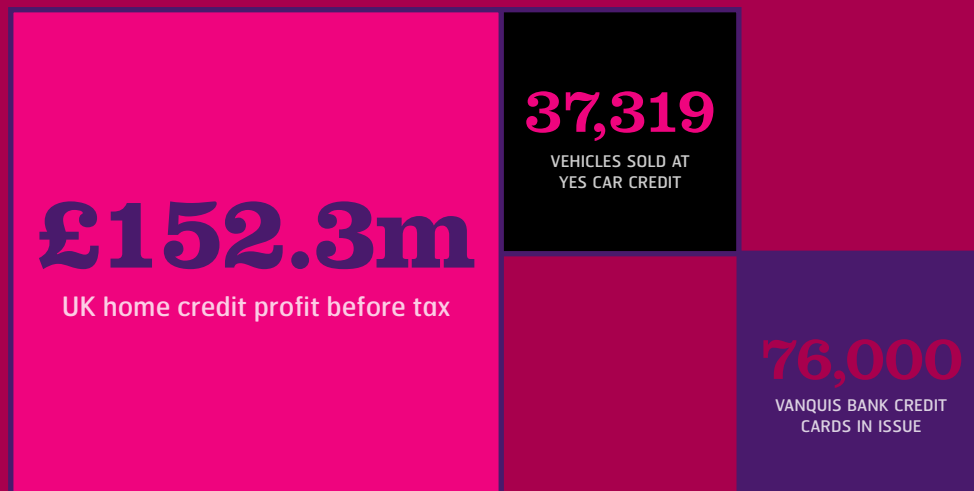
The group has again produced good results overall.

In the UK consumer credit division, the home credit operation has performed well. In an increasingly competitive market, the business did better than expected with only a slight drop in profit. Elsewhere in the UK consumer credit division, the Vanquis Bank credit card came through a long period of testing. It confirmed the profitable opportunity for a differentiated credit card tailored to the needs of people with limited or no credit history, together with people who have had problems with credit in the past or earn a modest income. There were problems at Yes Car Credit in what turned out to be a tough year for used car finance. Its performance was worse than we expected and we're working hard to put that right.

2004 was another phenomenal year for our overseas operations. Indeed this was the year in which the international division overtook the UK in its number of home credit customers. The business in central Europe is still growing rapidly and we're pushing on with plans to expand in Mexico.

At Provident Insurance lower claims cost inflation produced results ahead of expectations.

In everything we've done, we've tried to meet our wider responsibilities by giving good service to our customers, meeting the needs of all our stakeholders and supporting the communities in which our customers, employees and agents live and work.



UK consumer credit

Our UK consumer credit division is central to our strategy of broadening the product range in the UK. At its heart is the home credit business providing small, home-collected loans to 1.53 million customers. At the same time, the new Vanquis Bank credit card and the car finance business, Yes Car Credit, are helping to create new sources of growth for the future.



Rosemary

"I have loads of other options, but Provident is the best when I want a small loan."

Profile:

Rosemary, home credit customer, UK, pictured right with her daughter Angela

A Provident home credit loan is designed to suit people on modest incomes who want to borrow small sums quickly and easily. Customers like the discipline of weekly collection, but also the freedom to miss a payment from time to time if things don't go to plan – not to mention the personal service and the certainty of no extra charges.

UK consumer credit

“Our customers have a range of choices – 72% use at least one other form of credit.”

93%

OF CUSTOMERS SATISFIED WITH OUR HOME CREDIT SERVICE IN THE UK

1.53m

HOME CREDIT CUSTOMERS IN THE UK

“For customers who want to avoid financial shocks, the predictability of a home credit loan makes a great deal of sense.”

“Responsible lending is built into the system.”



 Nearly 2,800 employees work in UK home credit

UK home credit – a successful and popular product

Provident has provided home credit for 125 years and is the largest supplier in the UK. Our home credit service offers unsecured loans to customers who want to borrow relatively small sums of money and need to keep tight control of their repayments. Simple, transparent and suited to customers' needs, the service is a valuable source of credit for people on modest incomes.

That said, home credit is often misunderstood and it is important to set the record straight.

It is sometimes claimed that borrowers on modest incomes have no choice when it comes to credit and so are obliged to take the home credit offer. In reality, for most customers home credit is one of many options in an increasingly crowded marketplace for small sum credit. It competes, amongst other things, with credit and store cards, bank overdrafts and agency mail order and many of our customers have access to these alternatives. More than half (56%) of our borrowers say they shop around before choosing a credit product, while 72% use at least one other form of credit and 70% say they have more credit options available than ever before.

Some observers claim that home credit is an expensive way to borrow. While a straight Annual Percentage Rate (APR) comparison may make home credit look expensive, it should be noted that other forms of credit apply extra charges that do not appear in the published APR. For customers using an overdraft, for example, a simple timing or budgeting error can mean an extra charge – often £20 or £25 per event – for a bounced cheque and for exceeding the overdraft limit. If a bounced cheque was intended to pay a credit card bill, there's also a charge for that missed payment. Alternatives that look cheaper than home credit can be costly and stressful for customers when repayments go wrong.

In contrast, home credit carries the guarantee of no extra charges whatsoever, even if repayments are late. Therefore, there is no way that the debt can spiral out of control. For customers who want to avoid financial shocks, the predictability of a home credit loan makes a great deal of sense.

“I like the quick service, the fact there are no hidden extras and I can manage the repayments.”

Muriel, home credit customer, UK, pictured right with her agent Pam



Another advantage of home credit is the part played by the agent. Agents are paid commission on what they collect, not what they lend, so they have every reason not to lend more than their customers can afford to repay. Responsible lending is, therefore, built into the system. As for the customer, the agent's weekly visit is not only convenient, it is a useful reminder to put the money aside. If customers run into difficulties, they know they will get a sympathetic response and every possible assistance from their agent.

It is clear from independent research that the typical Provident customer has looked at the options and chosen home credit because its features and benefits meet their needs at a cost acceptable to them. The product is one that customers trust and positively want to use – which helps to explain why our customer satisfaction ratings are consistently high and better than those for most other financial products. In fact, 93% of customers say they are satisfied with the Provident home credit service while 82% would recommend Provident to family or friends.

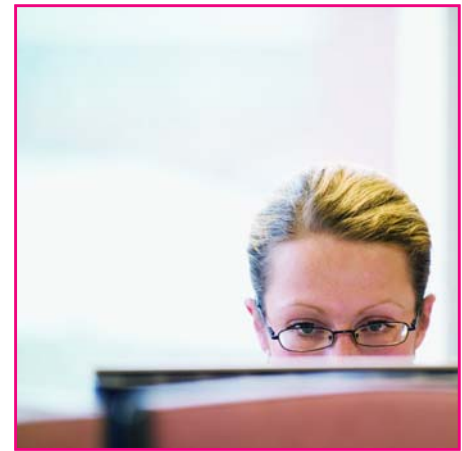
UK consumer credit

UK home credit in 2004

After a long period of economic growth in the UK, many people are better off and have less need for small sum credit. The market as a whole is therefore beginning to slowly contract at the same time as competition is becoming more intense. Realising that this would happen, we embarked on a strategy in the mid-1990s to develop alternative sources of growth.

That said, UK home credit remains enormously valuable to Provident as a successful business and a source of cash and profit for funding growth in other parts of the group. As volumes gradually fall, our strategy is to manage the business in a way that maximises our profitability.

As we expected, 2004 saw small reductions in customer numbers and credit issued – down 4.7% and 2.4% respectively. About half the fall was due to greater competition in the market – not just in home credit but in small sum credit generally. The other half resulted from our own decision to be more selective in taking on customers through certain recruitment channels. This approach has been successful and has yielded greater benefits than we initially expected. At £152.3 million, profit in 2004 was only 0.3% lower than in 2003.

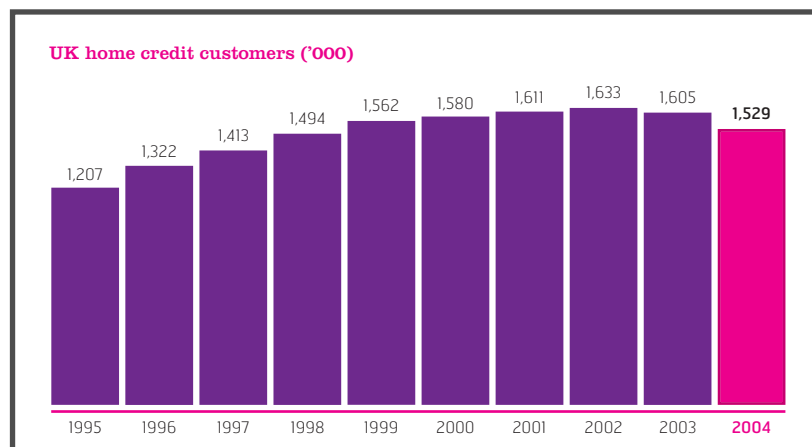


Through ongoing research, we know our customers are highly satisfied with our home credit service

“The home credit market as a whole is beginning to slowly contract and competition is becoming more intense.”

£894m

CREDIT ISSUED BY UK HOME CREDIT IN 2004





Julie

**“I’ve always been wary of credit cards.
But with Vanquis Bank, I know I can stay
in control.”**

Profile:

Julie, Vanquis Bank customer, UK

Many people find credit cards increasingly necessary – not least in allowing them to pay for things over the phone or on the Internet (which often means better deals too). As part of broadening our product range, we’re introducing the Vanquis Bank credit card for those who want the benefits of plastic with the reassurance of a relatively low credit card limit that is easier to control than other cards.

“The Vanquis Bank credit card has unique features that make it particularly suitable for our target customers.”

Vanquis Bank

As part of our strategy to broaden our product range in the UK, we formed Vanquis Bank in 2003 to test whether a different type of credit card could win new customers for Provident in a market sector we already know very well through our home credit business.

It is increasingly difficult to get by without a credit card in today's society. Nevertheless, there are many people – those with limited or no credit history, those who may have had credit problems in the past and those on modest incomes – who do not qualify for a traditional credit card or who do not apply because they do not want to take the risk of incurring penalty charges for missed or late payments. In making credit cards available to more people in a controlled and affordable way, Vanquis Bank is helping to expand Provident's offer in the UK.

After a pilot scheme involving 90,000 customers over 20 months, it is clear we have products that appeal to our target market. We've seen strong demand, good customer retention and

satisfactory credit quality – enough to convince us that a profitable opportunity exists for a new kind of credit card.

Rather than replicating existing credit cards, the Vanquis Bank credit card has unique features that make it particularly suitable for our target customers. Cards are available both with and without the normal default charges. We also offer fixed or variable repayments, the possibility of paying weekly, fortnightly or monthly and guaranteed reductions in interest rates for customers who demonstrate a good repayment record. The approach to customers is less remote than with many other cards as Vanquis Bank speaks to all its customers on the telephone in order to clarify the terms of their card and help them stay in control.

We intend to scale up the Vanquis Bank business during 2005, marketing the card to completely new customers and some existing Provident customers. Our long experience of home credit, coupled with the strong, specialist team at Vanquis Bank, will lead to a distinctive and profitable credit card business in years to come. We expect start-up losses of about £14 million in 2005 with smaller losses in 2006 and profits from then on.

“We've seen strong demand, good customer retention and satisfactory credit quality – enough to convince us that a profitable opportunity exists for a new kind of credit card.”

Guaranteed interest rate reductions for customers with a good repayment record with Vanquis Bank

£150

Credit limits at Vanquis Bank start at £150

£189.5m

of credit issued to buy
37,248 cars in 2004

Yes Car Credit

The car finance business, Yes Car Credit, was acquired at the end of 2002. After trading well through 2003 and the first few months of 2004, the business hit tougher conditions from April onwards. Volumes fell across the used car credit market by about 6% in 2004. In addition, there were new entrants to Yes Car Credit's market and competition became more intense.

For the full year, Yes Car Credit's volume of cars sold reduced by less than the market as a whole, down by 1.5% to 37,319 units. However, the reduction in sales at Yes Car Credit was greater in the second half of the year. This sales performance was well below our expectations and would have been worse had we not spent more on advertising and opened three more branches in the early part of 2004. The fall in sales, coupled with these extra advertising and branch costs, meant that Yes Car Credit traded at a small loss for the second half of the year.

We're working hard to improve performance by strengthening the management team and making our advertising more effective. In the early months of 2005 we also closed two branches. These moves will take time to deliver improvements, so results in 2005 are likely to be similar to those in 2004.

**“It was so friendly
and straightforward. I chose my new
car and drove it home the same day.”**

Dave, Yes Car Credit customer, UK





International

Our international division has been operating since 1997 as part of our strategy of developing new sources of growth outside the UK home credit business. Results have exceeded expectations. The central European businesses in Poland, the Czech Republic, Hungary and Slovakia are well-established and profit within the division continues to grow. We're also expanding in our newest market, Mexico.

Beatriz

“I told my agent how much I could afford to repay. She listened and offered a loan I know I can afford.”

Profile:

Beatriz, home credit customer, Mexico

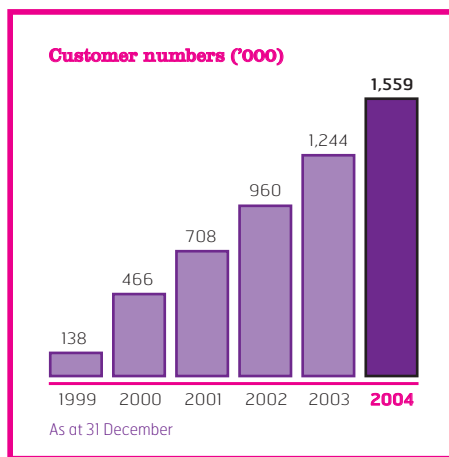
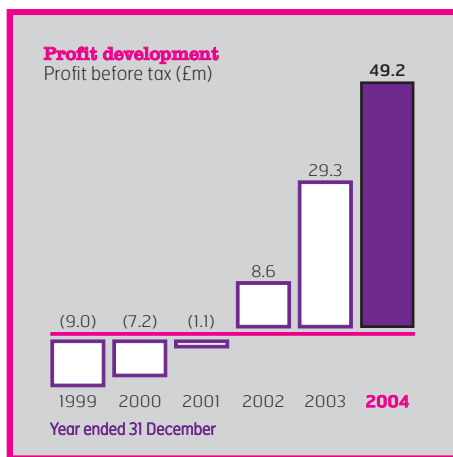
Before we enter a new country, we go through a rigorous process of research and analysis to make sure the conditions are right and there's real demand for home credit. After our successes in central Europe, we've now taken a leap across the Atlantic to Mexico – a market that we believe will yield three million new home credit customers.



International

The international division reported another excellent year.

Credit issued rose by 25% to £437 million and profit before tax was up 68% at £49.2 million. The rise in customer numbers from 1.2 million to 1.6 million means that now, for the first time, our international division serves more customers than the home credit business in the UK. The momentum continues with the division showing strong prospects for further growth.

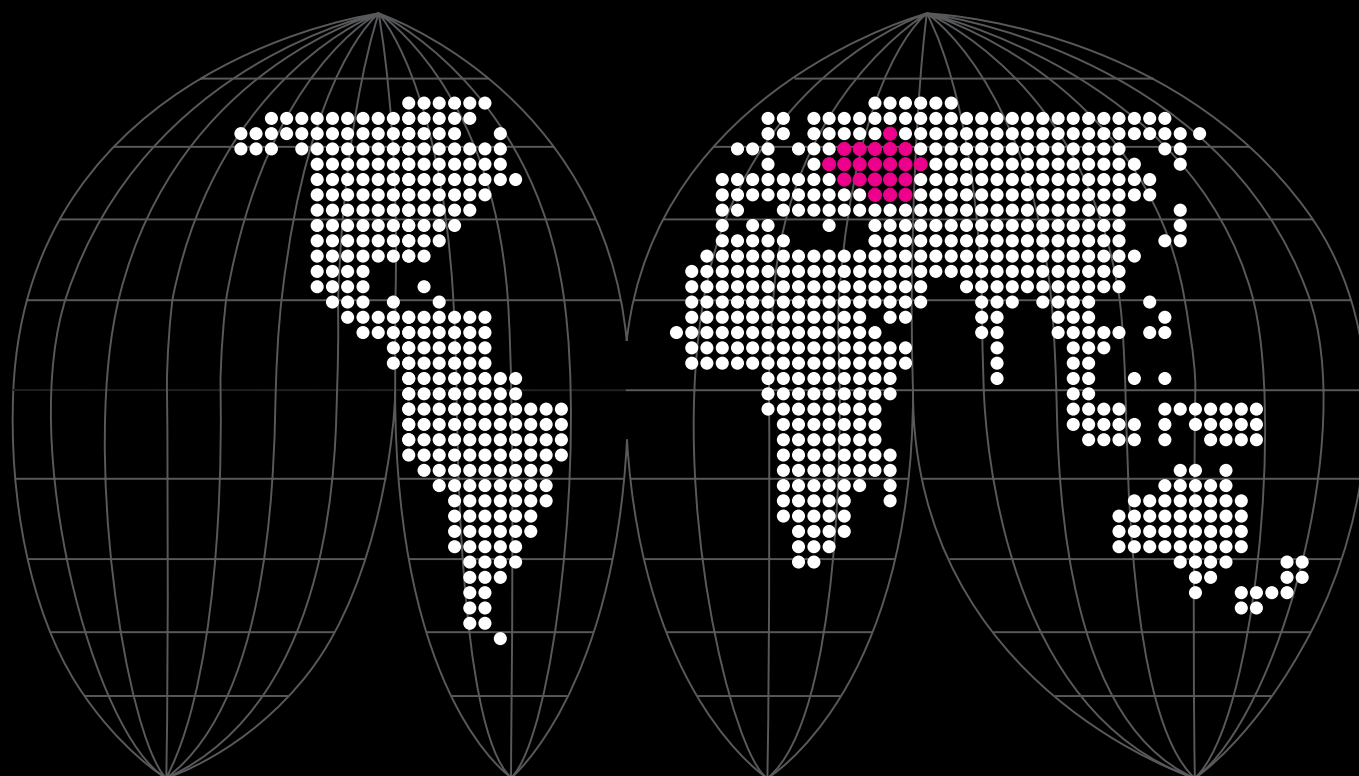


“My agent is great – she does all the paperwork with me and makes sure I’m not overstretched.”

Marietta, home credit customer, Hungary



Central Europe



CENTRAL EUROPE

Customers: 1.524 million	Credit issued: £432.9 million
Employees: 3,205	Turnover: £233.5 million
Agents: 19,367	

POLAND

Customers:	941,000
Employees:	1,739
Agents:	11,144
Credit issued:	£241.1 million
Capital city:	Warsaw
Population:	39 million
Currency:	Zloty
GDP growth:	3.7%

£44.4m

PROFIT BEFORE
TAX UP 34%

CZECH REPUBLIC

Customers:	230,000
Employees:	545
Agents:	2,911
Credit issued:	£77.4 million
Capital city:	Prague
Population:	10 million
Currency:	Czech Crown
GDP growth:	2.9%

£10.0m

PROFIT BEFORE
TAX UP 13.6%

HUNGARY

Customers:	251,000
Employees:	645
Agents:	3,873
Credit issued:	£87.2 million
Capital city:	Budapest
Population:	10 million
Currency:	Forint
GDP growth:	2.9%

£6.4m

MAIDEN FULL YEAR
PROFIT, A YEAR
AHEAD OF PLAN

SLOVAKIA

Customers:	102,000
Employees:	276
Agents:	1,439
Credit issued:	£27.2 million
Capital city:	Bratislava
Population:	5 million
Currency:	Slovak Crown
GDP growth:	4.2%

£0.5m

LOSS REDUCED FROM
£1.6 MILLION

“Central Europe has proved fertile ground for our first home credit ventures outside the UK.”

Central Europe

Percentage growth figures for credit issued, collections and turnover are calculated after restating prior year figures at the current year average exchange rate in order to present a like-for-like comparison.

The four countries in which we operate in central Europe have a combined population about equal to that of the UK. Consumer markets have grown rapidly in recent years, fuelling demand for credit, and the process is likely to continue now that all four countries have joined the EU. The fact that the population is concentrated in urban areas lends itself well to a home-collected operation such as ours. We've also benefited from the high calibre of available employees and a culture that values responsible borrowing and repayment.

With all these advantages, central Europe has proved fertile ground for our first home credit ventures outside the UK.

Poland

Poland was the first of our international businesses to be established and remains the largest – very much the powerhouse of the international division. Credit issued rose by 11% to £241.1 million and profit increased by 34% to £44.4 million. Customer numbers were up by 16% and now stand at 941,000. It now looks likely that Poland will exceed the one million customer target we set in 1999.

Czech Republic

The Czech Republic saw credit issued rising 6% to £77.4 million and profit up 14% to £10.0 million. Customer numbers were 3% higher at 230,000. The business is growing more slowly than its Polish counterpart, but it is on course to achieve its target of 250,000 customers.

Hungary

2004 was an excellent year for Hungary which developed even more quickly than expected and now has more customers than we do in the Czech Republic. Customer numbers increased by 76% to 251,000, more than our target of 250,000. Credit issued rose 91% to £87.2 million and the business moved into profit a full year ahead of plan with £6.4 million profit.

Slovakia

Slovakia, the smallest of our central European businesses, is also growing rapidly. Credit issued rose 83% to £27.2 million and customer numbers were up 64% at 102,000 against a target of 125,000.

1,524,000
CUSTOMERS IN
CENTRAL EUROPE



 More than 3,000 employees and nearly 20,000 agents are based in Poland, Czech Republic, Hungary and Slovakia



Karolina

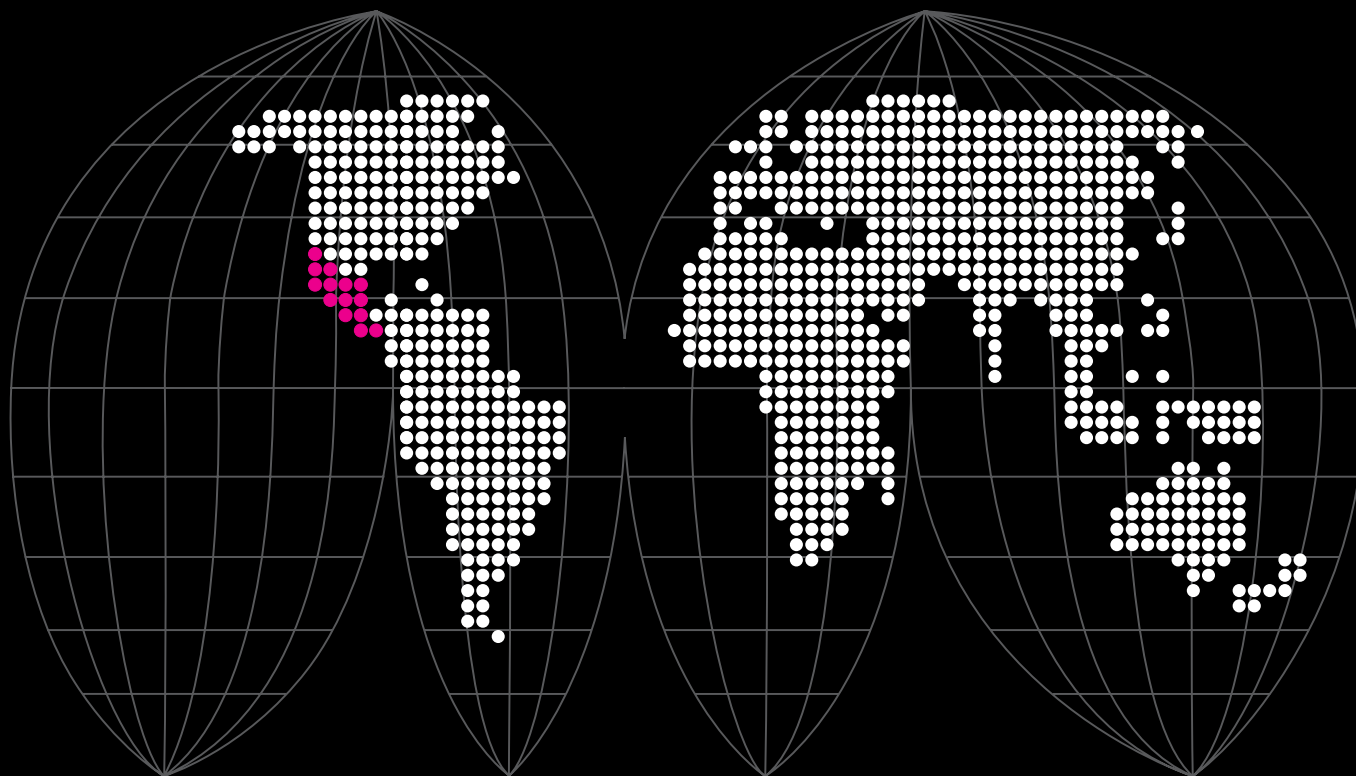
“I like the fact that there are no hidden extras and that I always know exactly where I stand.”

Profile:

Karolina, home credit customer, Poland, pictured left with her agent Agnieszka

To counter the maturity of the home credit market in the UK, we took the bold step of launching home credit in Poland in 1997. At the time, even the optimists did not expect such excellent results so quickly. The service was exactly what customers wanted and we've grown rapidly in our four central European markets.

Mexico



MEXICO

35,000

CUSTOMERS IN MEXICO

Customers:	35,000	Capital city:	Mexico City
Employees:	163	Population:	103 million
Agents:	624	Currency:	Peso
Credit issued:	£3.9 million	GDP growth:	1.3%

2005 PHASED, REGIONAL
EXPANSION TO BEGIN

£2.2m

NET CUSTOMER RECEIVABLES

103m

population of Mexico

“Mexico has the potential to become a substantial market in years to come.”

Mexico

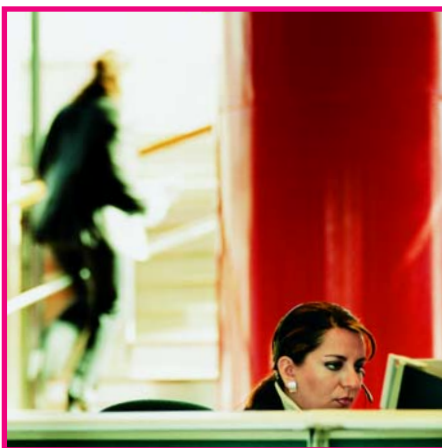
With its 103 million population, an emerging consumer economy and good economic prospects, Mexico was a logical next step after central Europe in our long-term plan to take home credit into new markets. With a home credit market that we expect to reach three million customers, Mexico has the potential to become a substantial market in the years to come.


A pilot operation began in August 2003 in the city of Puebla, 100 kilometres from Mexico City. This has performed well and now has four branches, 600 agents and 35,000 customers. After careful assessment we now plan to expand the business in Mexico. The roll-out will be phased across four regions and during 2005 we will expand in the Puebla-Veracruz region. How quickly we expand into further regions will depend on the performance of each region and the speed at which we develop local management teams and systems. At £2.2 million, start-up costs were as expected in 2004 and are likely to be around £5-£6 million in 2005.

The next steps

Having proved conclusively that the home credit model can be transferred successfully overseas, we continue to research new markets. During 2005 we will focus on developing Mexico but hope to open in a new country in 2006. We're looking particularly at large countries with a stable and growing economy, the rule of law, an urbanised population, a well-educated workforce and a supportive regulatory system.

As well as extending home credit internationally, we're considering offering other forms of credit in the countries where we already operate. Given that we know these markets well and have built up strong brand awareness among our customers, we're in an excellent position to introduce new products should we decide to do so.



 Our home credit operation in Mexico is located in Puebla

Motor insurance

“Profit for the year was ahead of expectations.”

Motor insurance

Provident Insurance specialises in non-comprehensive motor policies with particular emphasis on women drivers and second family cars. An efficient, tightly managed business with low operating costs and a good return on capital, it's one of the few UK motor insurers to earn profits throughout the insurance cycle.

Unlike most insurers, Provident Insurance aims to price every policy to make a profit, even at the expense of losing customers when other insurers are willing to price at a loss. It succeeds, therefore, by shrinking the business when prices are uneconomic and scaling up when the cycle recovers.

The division again traded well in 2004. With prices in the industry still very competitive, its customer numbers fell 15% to 501,000 with gross written premiums declining by 13% to £164.8 million. On the other hand its claims costs – especially for personal injuries – were lower than expected. As a result, profit for the year was ahead of expectations – up 21% at £34.6 million.

We are expecting market conditions and policyholder numbers to remain stable next year with results continuing to benefit from the favourable development of claims costs.

“Provident sorted out my claim with no fuss at all. The garage collected my car and left a replacement. It was so easy.”

Janet, motor insurance customer, UK

“An efficient, tightly managed business with low operating costs and a good return on capital.”

£34.6m
PROFIT BEFORE TAX

501,000
POLICYHOLDERS



Regulatory developments

“We work closely with politicians and officials in the UK and the EU to ensure that our industry is fairly and effectively regulated.”

“Our arguments are strong and compelling and we’ve started the process of putting our case robustly to the Competition Commission.”

Following the White Paper on consumer credit in December 2003 the UK government has now published its Consumer Credit Bill. This proposes legislation to update the 1974 UK Consumer Credit Act with particular attention given to fair lending and transparent credit products. We were much involved in the consultation that preceded the Bill and welcome its proposals.

The EU Consumer Credit Directive is now making its way through various consultative stages. We are working closely with the relevant officials to make sure that any new proposals take due account of the value and qualities of home credit.

In June 2004 the UK National Consumer Council made a super-complaint to the Office of Fair Trading (OFT) on the home credit sector. While recognising the many attractive features of home credit, it claimed that the sector might not be fully competitive. In the consultation that followed, we presented evidence that shows home credit is a positive aid to financial inclusion, that it competes on its own merits against other forms of small sum credit and that Provident itself is a responsible lender with transparent products and a highly valued service. It was therefore disappointing when the OFT decided to refer the matter to the Competition Commission for a market investigation. Our arguments are strong

and compelling and we’ve started the process of putting our case robustly to the Competition Commission.

In Poland, a parliamentary committee has been considering a minority party proposal for an interest rate ceiling since June 2004 – a suggestion opposed by the Polish government and the central bank. Alongside other financial institutions, we continue to make it clear that such a measure is not in the interests of consumers.



Corporate responsibility

The decisions we make as a business affect the lives of millions of people – customers, employees, agents, shareholders, business partners, suppliers and the wider community. Corporate responsibility is about meeting the expectations of all these groups in a way that makes a positive contribution to our business, to society and to the environment.



Easton

“We’ve had a great time on the Provident project. It’s really opened up new experiences for young people.”

Profile:

Easton, leader, Scottish Youth Hostel Association, UK

As part of our commitment to communities, Provident supports a number of projects that provide new opportunities for children and young people – especially in inner cities. By working in partnership with energetic, innovative organisations in each local area, we aim to make a positive difference to people’s lives.

Corporate responsibility

Managing our performance

We have specific targets for corporate responsibility (CR) and manage our performance through a working group consisting of managers from different parts of the business. This group takes into account the operational and strategic interests of the business divisions as we implement CR policies and projects. Various other working groups deal with employee issues, our community programme and environmental considerations.

Serving customers

We believe that CR starts by offering the best possible products and services to our customers. For instance, an important social benefit we offer is providing credit in a responsible, well managed way to people who might otherwise be excluded from the financial mainstream. And the better we meet our customers' needs, the more wealth we generate for employees, agents, investors and suppliers and the more we contribute to society at large.

“I love the teachers and what we do – I wish I could do this all the time.”

L'Ouverture participant, London, UK

Working with suppliers

Managing our large number of suppliers is vital to the smooth running of the company. Through close working partnerships, we try to ensure that all parties benefit from these relationships. We offer fair terms and have an excellent payment record.

Our biggest network of suppliers consists of the 31,900 self-employed home credit agents in the UK and abroad. A great deal of effort goes into finding agents of the right calibre and we make sure they have support to operate successfully.

Supporting our management and staff

We rely heavily on the skills of our employees and want every individual to achieve their full potential. We offer a supportive environment and excellent opportunities for training and development.

Recognising that our long-term strategy depends on a good supply of high calibre managers, we place great emphasis on recognising talent and making sure that good people rise quickly. Our investment in training includes an extensive MBA programme that has helped to produce some outstanding managers in the UK and overseas. Through a programme of management exchanges, we're broadening people's skills and making sure that our UK and central European businesses benefit fully from each other's experience.



81%

score in Business in the Community's CR index

90%

SCORE IN THE BUSINESS IN THE ENVIRONMENT SURVEY

“Good corporate behaviour is not just the right thing to do, it's also in the best interests of the business.”

JOHN HARNETT, DIRECTOR WITH RESPONSIBILITY FOR CR

“We’re careful to manage the direct and indirect environmental effects of our business.”

Health and safety

During 2004 we carried out health and safety audits of UK home credit branches and Yes Car Credit premises. Audits were also carried out within the international division and Vanquis Bank. We have a group health and safety policy and a framework for health and safety which have been approved by the board.

Encouraging diversity

We recognise that we need to do more to value the cultural and other differences among our employees, so have made diversity a priority. We have a diversity policy and managing diversity is included in the objectives or job descriptions of a growing number of managers. A number of our employees involved in recruitment receive diversity training. Within our home credit businesses, we've set up employee forums to seek regular feedback from our employees on diversity issues.

In 2004 a diversity training project jointly run with the West Yorkshire Playhouse in Leeds won Provident an Arts & Business award for progress on diversity in the workplace.

We are members of the Employer's Forum on Disability, Opportunity Now and Race for Opportunity.

The environment

Over time, we aim to reduce our environmental impact and to make our operations increasingly compatible with the principles of sustainable development. As a financial organisation, our work has few direct impacts on the environment other than the use of energy, water and paper and the polluting effects of transport. Nevertheless, we're careful to manage both the direct and indirect environmental effects of our business and have a systematic plan for improving our performance.



Our 'Talking Pictures' project gives pupils a unique opportunity to create their own masterpieces



More than 200 employees took part in Provident's annual cross-country fun run to raise money for charity

Our environmental management system is based on the international environmental standard, ISO 14001, and provides a way of measuring and improving our performance. It has now been implemented in Poland, the Czech Republic, Hungary and Slovakia as well as in the UK – along with a system of internal and external audits. A series of environmental objectives are in place to make sure we continue to improve.

As part of the process, we have set up training for some of our suppliers to help them improve their environmental performance – a move that has saved costs and improved efficiency for all involved.

Scores and rankings


For the third year running we've been included in the FTSE4Good index of the UK's most responsible companies. We are also now included in the Dow Jones European sustainability index. Business in the Community (BitC) included the company in its 2004 index on corporate responsibility and we were named as one of the Top 100 Companies that Count by The Sunday Times in its coverage of the index results. We were also pleased to score 90% in BitC's 2004 Business in the Environment index and 81% in its CR index.

These scores and rankings were important accomplishments but they also highlighted areas for improvement including more CR training for employees, and better measurement and reporting on diversity. The work goes on to improve our performance year-on-year.

Community investment

“By focusing on a small number of well-chosen projects, we aim to make a real difference in every case.”



 Pupils from St. Joseph's Junior National School, Ballymun, Dublin and Worthing Junior School, Basingstoke, UK enjoy getting creative on a 'Making an Impression' session

The community

Our approach

Wherever we operate, we aim to act responsibly and to play an active part in benefiting the communities in which our customers, employees and agents live and work. In this way, we hope we will help create an environment in which our business can flourish.

Our community programme contributes to this aim by addressing needs and opportunities brought to our attention through consultation with customers, employees, agents and other people in the community. And our contribution is more than financial. We work in partnership with community organisations and, where appropriate, add to the activities we support financially by offering ideas, resources in kind, and the skills and enthusiasm of our employees and agents. By focusing on a small number of well-chosen projects, we aim to make a real difference in every case.

During 2004 we introduced a more structured approach to the projects we support. We're becoming more precise in our objectives with specific targets for each project and a system of external evaluation to make sure we're succeeding. As part of our wider corporate responsibility agenda, we're working hard to measure and report what we do and to make our contribution more effective from year to year.

While our activities vary from country to country depending on local needs, they all now share the theme of providing opportunities. In the UK, we concentrate on opportunities for young people from inner city communities, mainly through education and especially through the arts. Our Polish business focuses on sports education while other countries have their own particular emphases.

Some of our projects

Our biggest programme in the UK and the Republic of Ireland is 'Partners in Art'. Springing from a history of over 30 years of supporting the arts, it helps children to develop their creativity and confidence by coming face to face with paintings, artists and performers and putting what they've learned into practice.

The programme has three parts. 'Making an Impression' sends a storyteller and an artist into primary schools to excite children's creativity – each event culminating in a celebratory tea party and exhibition. Under 'Take Art', a selection of paintings from Provident's own art collection are loaned out to secondary schools and become the focus of a series of creative workshops. 'Talking Pictures' enables secondary school children to study pictures in their local galleries and use the experience to produce their own paintings.

One teacher in Sheffield described 'Talking Pictures' as "the highlight of my career. To have the students leaving with their eyes lit up, waving and saying thank you. What more could you ask for?"

Another major project in the UK is our long-standing partnership with the West Yorkshire Playhouse in Leeds. The theatre's Arts Development programme is dedicated to taking the arts into the community and giving more people a chance to enjoy them. Having sponsored its SPARK (Sport and Art towards Knowledge) programme of after-school clubs for the last five years, we're now funding a project called Sound Play that develops children's self confidence by enabling them to compose music and learn to play instruments.

“It made me feel more confident and I feel 100% perfect after sessions.”

‘Sound Play’ participant, Leeds, UK



 A pupil at St. Patrick’s RC Primary School in Leeds, UK takes part in ‘Sound Play’

To find out more

Another partnership that opens opportunities for young people is Provident Action for Creative Kids (PACK). Run in conjunction with the Youth Hostels Association in the UK, PACK has helped more than 3,500 children from deprived areas to take educational and activity breaks at youth hostels in England, Wales and Scotland over the last three years. Employees and agents have also joined in. We’re now extending the project to the Republic of Ireland.

In inner London, L’Ouverture helps children to explore the theatre and put on performances, while a new partnership with the National Museum of Photography, Film and Television in Bradford introduces young people at risk of social exclusion to the disciplines of TV production.

Alongside these centrally coordinated projects, our home credit and insurance businesses in the UK have their own community programmes - as do our international businesses.

We continue our dialogue with government and policymakers on ways to give more people greater access to affordable credit. As part of its commitment to financial inclusion, the government is encouraging debt advice organisations in the UK to come together and adopt a more coherent approach to the task. Provident supports the move as a way of offering a more professional service to those in difficulty. We also continue to fund a number of organisations involved in debt counselling and financial education including Credit Action, Citizens’ Advice, Advice UK and Christians Against Poverty.

In 2005 we’ll be introducing greater consistency of approach across the various countries and doing more research into which activities are of most value to our communities. We’ll also go further in monitoring and evaluating our community programme as a means of constantly improving what we do.

More details of our community involvement activities – and our CR work in general – are available in our full CR report at www.providentfinancial.com. Here, you can also add your comments on how you think we’re meeting our corporate responsibilities and the way we’ve reported our progress so far.

Thank you for taking the trouble to read this report. We invite you to give us your views.

Robin Ashton
Chief Executive
24 March 2005


3,500+

CHILDREN HAVE BEEN ON ‘PACK’ BREAKS

+313%

INCREASE IN COMMUNITY CONTRIBUTIONS SINCE 1999



 More than 300 Provident employees volunteered to regenerate a community centre and its grounds in Bradford, UK



John

John Harnett, Finance Director

“2004 was another good year of progress for the group. Group profit before taxation and goodwill amortisation increased by 7.0% to £220.7 million.”

Profit

2004 was another good year of progress for the group. Group profit before taxation and goodwill amortisation increased by 7.0% to £220.7 million (2003 £206.2 million).

Group profit before taxation for the year by division is shown below:

	2004 £m	2003 £m	Change £m
UK home credit	152.3	152.6	(0.3)
Yes Car Credit	4.4	11.2	(6.8)
Vanquis Bank	(8.7)	(6.7)	(2.0)
UK consumer credit	148.0	157.1	(9.1)
International	49.2	29.3	19.9
Motor insurance	34.6	28.6	6.0
Group central costs	(11.1)	(8.8)	(2.3)
Profit before taxation and goodwill amortisation	220.7	206.2	14.5
Goodwill amortisation	(4.6)	(4.3)	(0.3)
Profit before taxation	216.1	201.9	14.2

The international division had another excellent year. Profit before taxation is analysed by country in the table below:

	2004 £m	2003 £m	Change £m
Poland	44.4	33.1	11.3
Czech Republic	10.0	8.8	1.2
Hungary	6.4	(1.9)	8.3
Slovakia	(0.5)	(1.6)	1.1
Mexico	(2.2)	(1.2)	(1.0)
International central costs	(8.9)	(7.9)	(1.0)
Profit before taxation	49.2	29.3	19.9

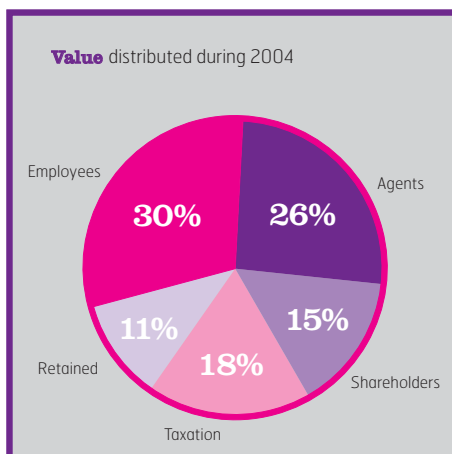
Earnings, tax and dividend policy

Earnings per share, before goodwill amortisation, increased by 7.0% to 61.57p.

The effective tax rate for the year was 29.3% of earnings before goodwill amortisation. It is expected that the effective tax rate will be at a similar level in 2005.

Our dividend policy, which has been in place for several years, is to maintain a dividend cover of about 1.75 times – which equates to a pay-out of 57% of our post-tax profit, before goodwill amortisation.

The full year dividend per share has been increased by 4.2% to 34.40p. This represents a dividend yield of 5.1%, based on our year end share price, and a dividend cover of 1.79 times.



Value added and value distributed

Our business contributes to the economic well-being of many of our stakeholders. The salaries paid to our 8,100 employees and the commission paid to 31,900 self-employed agents help to support many individuals and their families. Similarly, the taxes we pay to governments help to fund public services and the payments we make to suppliers help to sustain businesses and jobs.

One way to measure this creation and distribution of wealth is through a value added statement, as set out below:

	2004 £m	2003 £m
Value added:		
Net income from sales	1,167	1,134
Payments to policyholders, brokers and suppliers of goods and services	(600)	(610)
Value added	567	524
Value distributed:		
Employees	170	153
Agents	144	139
Shareholders	87	83
Community contributions and donations	2	1
Government taxes	100	90
Retained by the business	64	58
Value distributed	567	524

This statement shows, in monetary terms, the value we add to the goods and services we buy in, measured as the difference between income received from customers and payments made to our suppliers. The value created in this way is then available for distribution to our stakeholders. Some is retained in the business and invested for future growth, so benefiting tomorrow's stakeholders.

In 2004 56% of the value added was distributed to employees and agents.

Total shareholder return

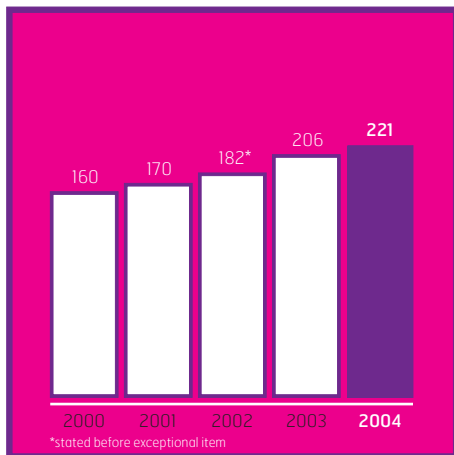
Total shareholder return (TSR) is a concept used to compare the performance of different companies' shares over time.

It combines share price appreciation and dividends paid to show the total return to the shareholder. TSR provides an objective measure of company performance and value creation for shareholders.

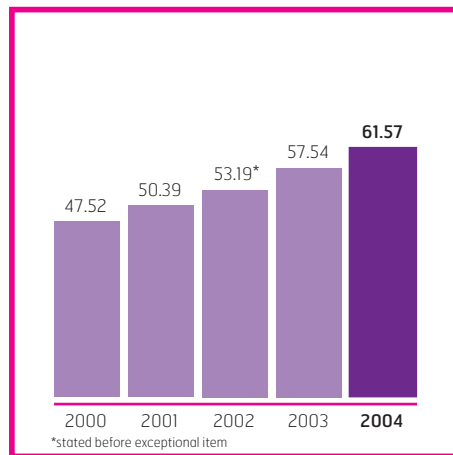
The chart on the left shows the TSR of £100 invested in Provident over the last ten years as compared with the TSR for the FTSE 250 and the FTSE All Share indices over the same period.

The chart clearly shows the additional value created for shareholders during this period.

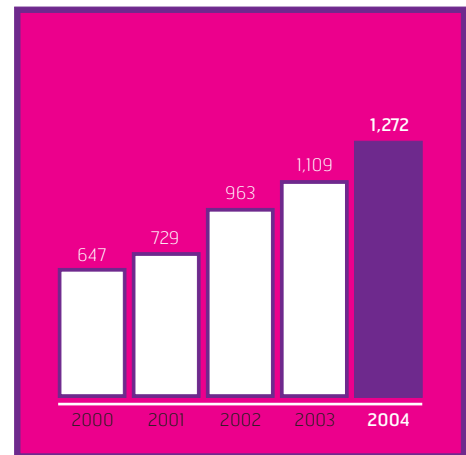




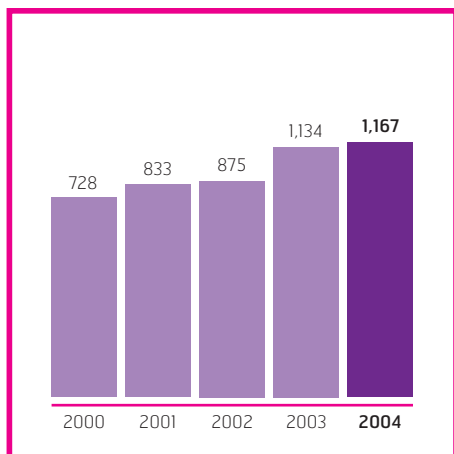
Group profit (£m): Group profit, before taxation and goodwill amortisation, increased by £15 million to £221 million. Most of this increase came from the international and motor insurance divisions, partially offset by the reduction in profit in Yes Car Credit.



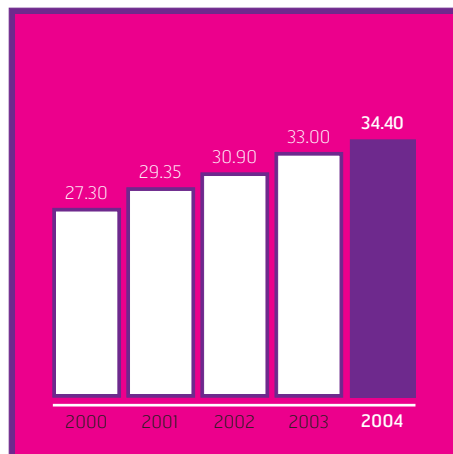
Group EPS (p): Group earnings per share, before goodwill amortisation, has increased by 7.0% in 2004, giving a compound annual growth rate over the last five years of 7.4%.



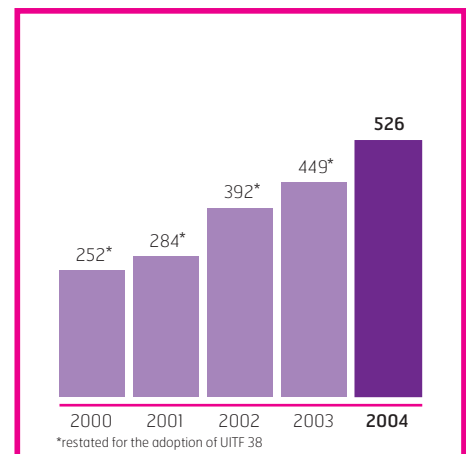
Group net receivables (£m): Amounts receivable from customers has nearly doubled since 2000 to almost £1.3 billion.



Group turnover (£m): Group turnover has increased by 2.9% in 2004, arising from the continued expansion of the international division.



Group DPS (p): A final dividend of 20.75p per share is proposed, bringing the full year dividend to 34.40p, up 4.2% on 2003. This gives a dividend cover of 1.79 times.



Group net assets (£m): Net assets have increased from £252 million at December 2000 to £526 million at December 2004.

“The group has a very good record of reinvesting cash generated in new and expanding businesses.”

Cash flow generation

The group has a very good record of reinvesting cash generated in new and expanding businesses. During the year UK home credit generated free cash flow (that is, operating cash flow less taxation and net capital expenditure) of £101 million. This was largely used to invest in the growth in the loan books of Yes Car Credit, the international division and Vanquis Bank. This is shown in the table below:

Free cash flow generated/(used)	2004 £m	2003 £m
UK home credit	101.3	102.0
Yes Car Credit	(43.8)	(77.4)
Vanquis Bank	(25.6)	(14.0)
International	(41.7)	(20.5)
Motor insurance	1.6	16.3
Group central costs	(14.8)	(11.5)
	(23.0)	(5.1)

The nature of the cash flows arising from our consumer credit and motor insurance businesses are substantially different.

In our consumer credit businesses, advances are made to customers which are collected in future periods and which, therefore, require funding. In the motor insurance division, premiums are received in advance and are held on deposit until claims are paid at a later date. The cash and investments held by the motor insurance division are strictly segregated from the funds of the rest of the group and are not available to service borrowings or to pay dividends to our shareholders.

Capital structure

A robust balance sheet and financial flexibility are key factors in the success of our business. We aim to fund about 25% of our consumer credit receivables by equity.

The capital structure of the group is shown below:

	2004 £m	2003 £m
Consumer credit receivables	1,272	1,109
Net borrowings	862	789
Motor insurance capital	97	81
Consumer credit capital	346	280
Goodwill	83	88
Group net assets	526	449
Consumer credit capital as a % of consumer credit receivables	27%	25%
Group gearing ratio	164%	176%

Consumer credit receivables increased by £163 million during the year to £1,272 million and net borrowings by 9% to £862 million. At 31 December 2004 we were close to our target capital structure. The consumer credit businesses had capital excluding goodwill of £346 million. This capital represents approximately 27% of net customer receivables and is close to our 25% target. The group gearing ratio reduced to 164%.

Borrowings

Group borrowings were £890 million at the end of the year compared with £819 million at the end of 2003. The increased borrowings were mainly used to fund the growth in the loan books of Yes Car Credit, the international division and Vanquis Bank.

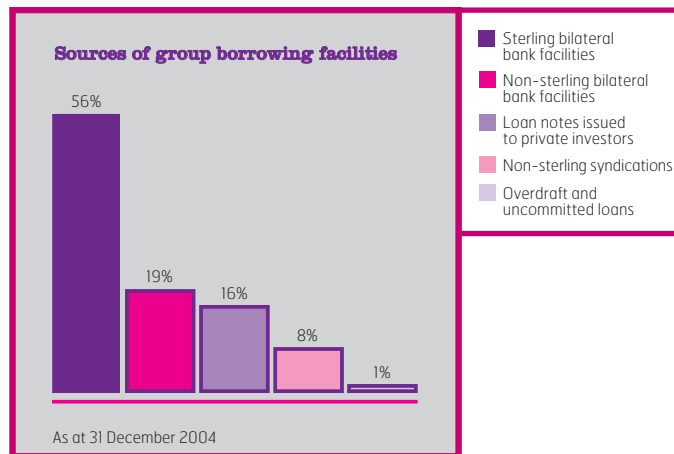
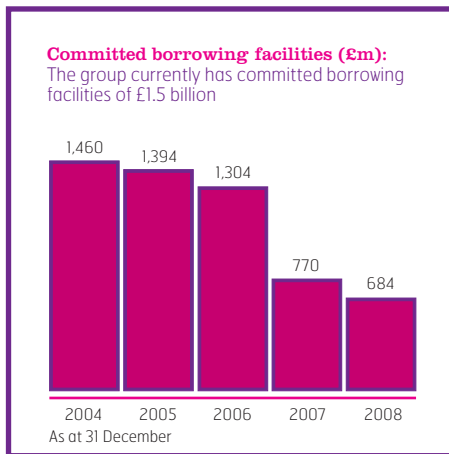
The group borrows mainly to provide loans to customers. The normal pattern of lending in our home credit businesses means that our peak funding requirements arise in December each year.

We need to ensure that there are always sufficient borrowings available to fund growth and so we arrange committed borrowing facilities comfortably exceeding our expected peak funding requirements and for periods well in excess of the life of customer loans.

The group's main sources of funding are private placement loan notes and committed five year revolving loan facilities provided by banks principally based in the countries in which we operate.

At the end of 2004 we had available borrowing facilities of £1.5 billion, almost all of which were committed facilities. This compares with gross borrowings of £890 million. The chart on page 39 shows the level of committed borrowing facilities available to the group during the next four years. It is our policy to extend the term of committed five year loan facilities by a year, each year, to ensure a substantial and continuing headroom above forecast requirements.

At 31 December 2004 our committed borrowing facilities had an average maturity of four years.



During 2004 the group secured additional funding of £377 million. £57 million was from the issue of US dollar and sterling loan notes, of which £38 million was for a ten-year maturity and the remaining £19 million was for a seven-year maturity. The group also secured an increase of £18 million to its syndicated loan facility in Poland in order to fund the continuing growth of the Polish loan book. The balance came from additional bilateral bank facilities of £302 million that were added in the year.

Interest costs of £55.5 million were £4.6 million higher than in 2003, largely reflecting the higher average level of borrowings during the year. The average rate of interest paid on sterling borrowings, including hedging costs, was 6.5% in 2004 compared with 6.7% in 2003. Interest payable is covered five times by profit before interest and tax (2003 five times).

The group has continued to comply with all its borrowing covenants, none of which represent a restriction on our plans.

Pensions and FRS 17 deficit

We closed our defined benefit pension schemes to employees joining the group from 1 January 2003. All new employees are offered membership of a stakeholder pension plan into which the company contributes 8% of members' pensionable earnings, provided the employee contributes a minimum of 6%.

The net deficit, after deferred tax, in the defined benefit schemes at 31 December 2004 on an FRS 17 basis was £90 million (2003 £74 million). The size of the deficit is largely a result of subdued equity markets (giving lower asset values) and low corporate bond rates (producing higher liabilities), of which the latter is the most influential.

An analysis of our FRS 17 pension liability is set out below:

	2004 £m	2003 £m
Market value of scheme assets	232	194
Value of scheme liabilities	(360)	(299)
FRS 17 pension deficit	(128)	(105)
Deferred tax	38	31
Net FRS 17 pension liability	(90)	(74)

The FRS 17 deficit has increased during the year. This is due to the combined effect of a reduction in the discount rate due to falling corporate bond rates and increases in mortality assumptions following recent actuarial valuations. We are making further special contributions to the schemes of approximately £13 million per annum. We expect that this level of additional contribution should eliminate the deficit in the medium-term. We will continue to monitor closely the funding position of the schemes.

In common with many companies, we continue to account for pension costs under SSAP24 and, consequently, our UK pension cost for the year was £10.7 million. Under FRS 17 it would have been £9.2 million.

Investments

Our motor insurance business receives premiums in advance and holds a portion of these in reserve until claims are paid. These funds are invested in a low-risk portfolio in order to ensure the security of the investment, whilst producing a reliable flow of interest income. The motor insurance division's investment portfolio consists entirely of deposits with, or investments in, interest-bearing instruments issued by banks and building societies for periods of up to one year. There are strict limits, approved by the board, on our maximum exposure to any one counterparty and on the average maturity of the portfolio.

Total investments held by the motor insurance division amounted to £440 million at the year end (2003 £458 million). The division's total investment income reduced from £24.6 million to £23.3 million, reflecting the lower average value of the investment fund. The average yield earned on those investments in 2004 was 5.3%, which was in line with 2003.

Treasury policy and financial risk management

The board approves treasury policies and the group's treasury function manages the day-to-day operations. The board delegates certain responsibilities to the treasury committee. The treasury committee, which is chaired by John Harnett, the group's Finance Director, is empowered to take decisions within that delegated authority. Treasury activities are reported to the board on a regular basis and are subject to periodic independent reviews and audits, both internal and external.

Treasury policies are designed to manage the main financial risks faced by the group in relation to funding, investment and hedging. These policies ensure that the borrowings and investments are with high quality counterparties; are limited to specific instruments; the exposure to any one counterparty or type of instrument is controlled; and the group's exposure to interest rate and exchange rate movements is maintained within set limits.

The treasury function enters into derivatives transactions, principally interest rate swaps, currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the group's underlying business operations. No transactions of a purely speculative nature are undertaken and written options may only be used when matched by purchased options.

Interest rate risk The group seeks to limit the net exposure to changes in interest rates. This is achieved through a combination of natural hedging, which allows the increased cost of borrowing resulting from higher interest rates to be offset by increased investment income and vice versa, and by the use of derivative instruments such as interest rate swaps.

Currency risk As the group expands internationally, our exposure to movements in exchange rates is increasing. Our policy is to minimise the value of our net assets denominated in foreign currencies by funding a high proportion of our overseas receivables by borrowings in local currency or by sterling borrowings swapped into local currency for the duration of the loans.

Sterling exchange rates used in 2003 and 2004

	Polish zloty	Czech crown	Hungarian forint	Slovak crown	euro	Mexican peso
Average exchange rate during 2004	6.68	47.00	370.21	58.99	1.47	20.66
Exchange rate as at 31 December 2004	5.77	42.87	346.36	54.70	1.41	21.34
Average exchange rate during 2003	6.33	45.96	365.12	59.90	1.44	17.61
Exchange rate as at 31 December 2003	6.66	45.83	372.65	58.33	1.42	20.04

As far as possible, we aim to hedge the currency risk associated with expected future cash flows which are denominated in local currency and which we expect to arise in the following 12 months.

Accounting policies

The group's UK GAAP accounting policies are chosen by the directors to ensure that the accounts present a true and fair view. All of the group's accounting policies are consistent with the requirements of Accounting Standards, Urgent Issues Task Force (UITF) Abstracts and company law.

Where there is a choice between accounting policies, the most appropriate policy is selected for the purpose of giving a true and fair view. This choice is made against the objectives of relevance, reliability, comparability and understandability. The continued appropriateness of the accounting policies, and the methods of applying those policies in practice, is reviewed annually.

The accounting policies adopted in preparing the 2004 accounts are consistent with those adopted in 2003 except for the first time adoption of UITF 38 'Accounting for ESOP Trusts'. Shares in Provident Financial plc held by the QUEST, a discretionary trust established for the benefit of the employees of the group, are now classified as a deduction from the profit and loss account reserve rather than being held as a fixed asset investment. The reclassification has been treated as a prior year adjustment and comparatives have been restated accordingly.

There has been no impact on the performance statements of the group in 2004 or 2003 as a result of the adoption of UITF 38.

International Financial Reporting Standards

Consistent with all publicly listed companies in the European Union (EU), the group is required to report under EU adopted International Financial Reporting Standards (IFRS) for the financial year ending 31 December 2005.

Over the last 18 months the group has invested a significant amount of resources in preparing for the introduction of IFRS. This has included a significant investment in training accounting staff and a detailed review of all accounting and treasury policies to ensure full compliance with IFRS in 2005. The necessary changes to internal IT systems and reporting procedures are also being introduced and the group continues to actively manage the implementation of IFRS into its internal reporting systems.

“Over the last 18 months the group has invested a significant amount of resources in preparing for the introduction of IFRS.”

The main changes to the group’s accounting policies as a result of IFRS are in respect of pension accounting, revenue recognition and impairment of receivables. In 2004 profit before taxation on an IFRS basis is reduced by 4.9% from £216.1 million (UK GAAP) to £205.5 million (IFRS). Net assets are reduced by £114.4 million from £525.5 million (UK GAAP) to £414.1 million (IFRS).

A pro forma reconciliation of the group’s 2004 profit and loss account and net assets under UK GAAP to that under IFRS can be found on the company’s website at www.providentfinancial.com together with a detailed commentary of the principal adjustments to the group’s accounting policies on transition to IFRS.

Regulatory capital

Certain subsidiaries of the group are subject to prudential regulation. The principal regulated subsidiaries in the UK are Vanquis Bank Limited, Provident Insurance plc and Direct Auto Finance Insurance Services Limited (part of Yes Car Credit) which are regulated by the Financial Services Authority (FSA) in the UK. In addition, the Provident Financial plc group, excluding Provident Insurance plc, is also subject to consolidated supervision by the FSA as the parent company of Vanquis Bank.

Vanquis Bank

Vanquis Bank was issued with a banking licence in 2003. In its supervisory role, the FSA sets requirements relating to capital adequacy, liquidity management and large exposures. These requirements apply to both Vanquis Bank, as the licence holder, and to the consolidated Provident Financial group (‘the supervised group’) as the parent company of Vanquis Bank. The supervised group excludes Provident Insurance as this is regulated separately from the remainder of the group as explained below. Both Vanquis Bank and the supervised group are required to maintain a certain ratio of capital to risk weighted assets – this is referred to as the capital adequacy ratio. Risk weighted assets principally comprise customer receivables but also include sundry

debtors, fixed assets and cash balances. As at 31 December 2004 the capital adequacy ratio for Vanquis Bank was 54.7% and for the supervised group was 19.9%. This was comfortably in excess of the limit set by the FSA. An analysis of the supervised group’s capital adequacy ratio is set out below:

	2004 £m	2003 £m
Receivables	1,272	1,109
Other risk weighted assets	181	153
Total risk weighted assets	1,453	1,262
Capital resources	289	238
Capital adequacy ratio	19.9%	18.9%

The Financial Groups Directive, which became effective from 1 January 2005, introduces additional supervision of those groups which straddle the insurance and banking sectors. Such groups are called financial conglomerates. The Provident Financial group meets the definition of a financial conglomerate. It is, therefore, required to report additional information annually to the FSA concerning risk concentrations, intra-group transactions and any significant transactions it undertakes. The group is currently in the process of agreeing the final form of these reports with the FSA.

Provident Insurance

Provident Insurance is regulated by the FSA as a general insurance company independently of the rest of the group. As such it is covered by the new prudential requirements for UK insurance firms which came into effect on 31 December 2004. These introduce a more risk-based approach to calculating the level of capital which Provident Insurance must hold by requiring the company to consider the specific risks it faces and how much capital should be held against them. Provident Insurance must continue to meet the existing statutory solvency requirements but is also required to provide, on a private basis, a risk-based enhanced capital calculation and a detailed assessment of its capital needs to the FSA.

The company submitted this Individual Capital Assessment to the FSA in January 2005 and is awaiting guidance from them as to their view of the level of capital that should be held to support the company’s specific business profile.

As at 31 December 2004 the capital held by Provident Insurance was equal to 39% of its gross written premiums in the previous year. On the basis of the extensive work undertaken in arriving at the Individual Capital Assessment, and subject to the receipt of guidance from the FSA, it is the group’s belief that the level of capital required by Provident Insurance will not be materially different under the new regime.

Yes Car Credit

Direct Auto Finance Insurance Services, which is part of Yes Car Credit, became regulated by the FSA as an insurance intermediary with effect from 14 January 2005. In its supervisory role, the FSA sets requirements relating to capital adequacy, professional indemnity insurance, management of client monies and the sales process. Nearly 500 employees have been trained as product champions to deal with insurance matters and ensure compliance with the FSA regulations.

Going concern

The directors have reviewed the group’s budgets, plans and cash flow forecasts for the year to 31 December 2005 and outline projections for the four subsequent years. Based on this review, they have a reasonable expectation that the group has adequate resources to continue to operate for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the accounts.

John Harnett
Finance Director
24 March 2005

Our directors and board committees



1 John van Kuffeler, Non-Executive Chairman, age 56 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 and Eidos plc.

2 Robin Ashton, Chief Executive, age 47 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.

3 John Harnett, Finance Director, age 50 Qualified as a chartered accountant in 1981 having graduated in business studies. He joined the group in 1999 and was appointed to the board. He has previously held positions as Finance Director of Allied Colloids PLC and Holliday Chemical Holdings plc.

4 Chris Johnstone, Managing Director, UK consumer credit, age 46 Qualified as a chartered accountant in 1982. He joined the group in 1984 as management accountant to the UK home credit companies and was appointed Finance Director of Provident Insurance in 1986 and Managing Director in 1989. In 1999 he was appointed Managing Director of the UK home credit division. He joined the board of Provident Financial in 2001.

5 David Swann, Managing Director, international, age 58 Graduated with a degree in economics and politics. He joined the group in 1973 and has held many positions within the UK home credit business including Managing Director of Provident Personal Credit (North). He was responsible for group corporate development from 1994 to 1997 and in that role was involved in the initial investigation of the international potential for

home credit. In 1997 he was appointed Managing Director of the international division. He joined the board of Provident Financial in 2001.

6 Charles Gregson, Deputy Chairman and independent non-executive director, age 57 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. In addition, he is non-executive Chairman of ICAP plc, which provides specialist intermediary broking services to commercial banks and investment banks.

7 John Maxwell, independent non-executive director, age 60 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, Homeserve plc and Parity Group PLC. He is also Chairman of DX Services plc, Chairman of the Institute of Advanced Motorists and a governor of the Royal Ballet School.

8 Ray Miles, senior independent non-executive director, age 60 Graduated with a degree in economics. He joined the board of Provident Financial on 1 January 2004. He is Chairman of CP Ships Limited (which is listed on the Toronto and New York stock exchanges). He is also Chairman of Box Club and the World Shipping Council and a trustee of the National Maritime Museums at Greenwich and Cornwall and of Garden Opera.

9 Graham Pimlott, independent non-executive director, age 55 Qualified as a solicitor in 1976. He joined the board of Provident Financial in 2003. He is Deputy Chairman of Hammerson PLC and a non-executive director of Tesco PLC. He is Chairman of the Export Credit Guarantee Department and a member of the Auditing Practices Board.

Board committees

Audit committee

Graham Pimlott (Chairman), John Maxwell, Ray Miles

Executive committee

Robin Ashton (Chairman), John Harnett, Chris Johnstone, David Swann

Nomination committee

John van Kuffeler (Chairman), Robin Ashton, Charles Gregson, John Maxwell, Ray Miles, Graham Pimlott

Remuneration committee

John Maxwell (Chairman), Ray Miles, Graham Pimlott

Risk advisory committee

Ray Miles (Chairman), Robin Ashton, Charles Gregson, John Maxwell, Graham Pimlott

Summary directors' report

Introduction

This information is extracted from the directors' report of Provident Financial plc ('the company') for the financial year ended 31 December 2004.

Review of the business

The company is a holding company. A full review of the group's activities, performance and prospects is contained in the Chairman's statement, the Chief Executive's review and the financial review on pages 2 to 41 of this report.

Dividends

An interim dividend of 13.65p per ordinary share was paid on 15 October 2004. The board recommends a final dividend of 20.75p per ordinary share to be paid on 3 June 2005 to shareholders on the register at the close of business on 15 April 2005. This makes a total dividend for the year of 34.40p per ordinary share.

Earnings per share

Details of the company's earnings per share are shown on page 51.

Substantial shareholdings

On the basis of the information available to the company as at 20 March 2005, the following investment managers have interests in aggregate amounting to over 3% of the issued ordinary share capital of the company:

Prudential plc and its subsidiaries	10.77%
Fidelity International Limited/FMR Corporation	8.18%
Capital Group Companies Inc.	5.05%
Schroder Investment Management Limited	3.97%
Legal & General Group plc/Legal & General Investment Management	3.84%
Newton Investment Management Limited	3.70%
Marathon Asset Management Limited	3.64%
Baillie Gifford & Co	3.17%
JP Morgan Fleming Asset Management (UK) Limited	3.04%

Directors

Details of the current members of the board are shown on page 42. They all served as directors throughout 2004.

Directors' interests in shares

The interests of the directors in the issued share capital of the company were as follows:

	Number of shares		Number of share options	
	31 December 2004	1 January 2004	31 December 2004	1 January 2004
John van Kuffeler	18,000	16,000	–	199,412
Robin Ashton	56,516	37,672	511,112	404,017
John Harnett	31,466	14,494	409,141	294,191
Chris Johnstone	127,845	107,787	388,330	284,875
David Swann	86,725	59,377	304,944	283,707
Charles Gregson	1,837	1,837	–	–
John Maxwell	2,100	2,100	–	–
Ray Miles	4,000	–	–	–
Graham Pimlott	10,543	10,000	–	–

Important note: The summary directors' report on this page, the summary directors' remuneration report on pages 45 to 48 and the summary financial statement on pages 50 to 53 are a summary of the information contained in the Provident Financial plc Annual Report & Accounts for the year ended 31 December 2004 ('the Annual Report & Accounts 2004'). The Annual Review & Summary Financial Statement 2004 does not contain sufficient information to allow a full understanding of the results of the Provident Financial group, the state of affairs of the company and the Provident Financial group and the policies and arrangements concerning directors' remuneration. For more detailed information, reference should be made to the directors' report, the directors' remuneration report and the full accounts, all contained in the Annual Report & Accounts 2004. The statutory accounts will be delivered to the Registrar of Companies and the auditors have reported on them. The auditors' report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. A copy of the Annual Report & Accounts 2004 can be obtained free of charge by writing to the company's registrar at the address on page 56. It can also be accessed on the company's website at www.providentfinancial.com. Shareholders wishing to receive the Annual Report & Accounts as well as the Annual Review & Summary Financial Statement free of charge in future years should write to the company's registrar at the address on page 56.

Summary corporate governance report

The board

The board leads and controls the company. It currently comprises a non-executive Chairman, four executive directors and four non-executive directors. The composition of the board is thus considered to be well balanced.

Non-executive directors

Each of the non-executive directors has been formally determined by the board to be independent for the purposes of the Combined Code published by the Financial Reporting Council in July 2003. Non-executive directors are currently appointed for fixed periods of three years, subject to election by shareholders. The initial three-year period may be extended for one further three-year period (and, in exceptional cases, further extended), subject to re-election by shareholders.

Ray Miles has been appointed as the senior independent director. He is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve or for which such contact is inappropriate.

Charles Gregson, the non-executive Deputy Chairman, was first elected to the board on 19 April 1995 and thus on 19 April 2005 ten 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 ten 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 June 2004 the nomination committee reviewed the size, 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 ten years, two of the non-executive directors have served for less than two years; these more recent appointments have ensured that the board has been refreshed and appropriately balanced.

Governance framework

The board has a formal schedule of matters specifically reserved to it for decision, including corporate strategy, approval of budgets and financial results, new board appointments, proposals for dividend payments and the approval of all major transactions. This schedule is reviewed on an annual basis and was last reviewed on 9 December 2004. The board has appointed five committees: audit, executive, nomination, remuneration and risk advisory. All these committees have written terms of reference which are reviewed on an annual basis and were last updated on 9 December 2004. The terms of reference can be found on the company's website or are available on request from the Company Secretary. In addition, the group has detailed corporate policies which set out authority levels within the group. Subsidiary companies are required to certify compliance with policies on an annual basis.

Independent advice

All directors are able to consult with the Company Secretary. The appointment and removal of the Company Secretary is a matter for the board. The Company Secretary is secretary to all the board committees. There is a formal procedure by which any director may take independent professional advice relating to the performance of his duties at the company's expense. This was last reviewed and updated by the board on 9 December 2004.

Training

Appropriate training and briefing is provided to all directors on appointment to the board, taking into account their individual qualifications and experience. Ongoing training is arranged to suit their individual needs (including social, environmental and ethical training as appropriate) and the Company Secretary, reporting to the Chairman, is responsible for identifying appropriate training courses for directors. An annual update session is arranged for the board.

Accountability

The board presents the company's position and prospects in as clear a way as possible, both by means of the annual report and accounts and in circulars and reports to shareholders. These documents are posted on the company's website. Announcements made by the company to the London Stock Exchange are also posted on the company's website.

Internal control

There is a framework of internal controls (both financial and non-financial) which are kept under review by the audit and risk advisory committees. The board has reviewed the effectiveness of the group's framework of internal controls during 2004.

Relations with shareholders

The executive directors meet with institutional shareholders on a regular basis. The Chairman is responsible for ensuring that appropriate channels of communication are established between the Chief Executive (and the other executive directors) and shareholders, and ensuring that the views of the shareholders are made known to the board. An investor relations report is considered by the board three times a year and an independent review of shareholder views was commissioned and presented to the board in December 2004.

The company encourages private investors to attend the annual general meeting ('the AGM'). The Chairmen of the board committees are available to answer questions from shareholders at the AGM and there is an opportunity for shareholders to ask questions on each resolution proposed. The company has established the Provident Financial Company Nominee Scheme to enable shareholders to take advantage of a low-cost telephone dealing service through the CREST electronic settlement system. Members of this scheme receive all documents sent to shareholders and may attend, speak and vote at the AGM.

Statement of compliance with the Combined Code

The company complied with all the provisions in Section 1 of the Combined Code throughout 2004.

Summary directors' remuneration report

1 Introduction

This information is extracted from the directors' remuneration report of Provident Financial plc ('the company') for the financial year ended 31 December 2004 which was prepared pursuant to and in accordance with the Directors' Remuneration Report Regulations 2002 ('the Regulations'). In accordance with the Regulations, a resolution to approve that report will be proposed at the annual general meeting of the company to be held on 24 May 2005.

2 Statement of the company's policy on directors' remuneration

Remuneration policy

2.1 The remuneration policy applied by the remuneration committee ('the committee') is based on the need to attract, reward, motivate and retain executive directors in a manner consistent with the long-term accumulation of value for shareholders. The committee is also conscious of the need to avoid paying more than is reasonable for this purpose.

2.2 The executive directors' remuneration consists of a basic salary, an annual cash bonus (subject to performance conditions) and other benefits. The directors participate in pension schemes. Additionally, they may participate in executive share option schemes and a performance share plan (which necessitates the waiver of part of the annual cash bonus), both of which are subject to performance conditions, and an employee savings-related share option scheme which is not subject to performance conditions. The remuneration policy is designed to ensure that a significant proportion of the executive directors' remuneration is linked to performance, through the operation of the annual cash bonus and the executive share incentive schemes.

2.3 The committee reviews the executive directors' remuneration annually. Following the appointment of two new directors to the board in 2001 and the appointment of a new Chief Executive, the policy was to set the executive directors' basic salaries in the lower quartile to median range at that time. Following a two-year period of successful trading and a remuneration review in 2003, the committee decided to move salaries, in stages over two years, towards the median level, subject to satisfactory performance. In December 2004 the committee confirmed this policy.

2.4 The fees for the non-executive directors, other than the Chairman, are fixed by the board and are designed both to recognise the responsibilities of non-executive directors and to attract individuals with the necessary skills and experience to contribute to the future growth of the group. Their business expenses are reimbursed by the company. Full details of their fees for 2004 (with 2003 comparative figures) are set out in the table of directors' remuneration on page 47 in paragraph 3 below.

2.5 It is currently envisaged that the existing policy on directors' remuneration will continue for subsequent financial years but it will be reviewed again in December 2005.

Cash bonus

2.6 An annual cash bonus is payable, subject to the satisfaction of performance conditions. The bonus is calculated as a percentage of salary. The purpose of the bonus scheme is to provide a meaningful incentive for executive directors which is clearly focused on improving the group's performance and aligns, so far as is practicable, shareholder and executive director interests. Executive directors are eligible for annual cash bonuses by reference to the growth in the company's audited earnings per share (as defined in the bonus scheme) over the previous financial year and the achievement of agreed personal objectives. The total bonus payable cannot exceed 100% of salary. In exceptional circumstances the committee may make such adjustments to the calculation of earnings per share as it considers fair and reasonable. Bonuses do not form part of pensionable earnings.

Share options

2.7 The company currently operates two senior executive share option schemes ('the schemes'). Further details are set out in paragraphs 2.7.1 to 2.7.7 below.

2.7.1 The Provident Financial plc Senior Executive Share Option Scheme (1995) is an Inland Revenue approved scheme. The aggregate exercise prices of the options held by an executive under this scheme must not exceed £30,000. The Provident Financial plc Unapproved Senior Executive Share Option Scheme (1996) is not approved by the Inland Revenue. The aggregate exercise prices of the options granted to an executive annually under both schemes must not exceed two times his salary.

2.7.2 Both schemes have performance targets which have to be met before any options can be exercised.

2.7.3 For options granted prior to 2002 the performance condition is that over a three-year period the real growth in earnings per share (as defined) must average 3% a year (after making appropriate adjustments for inflation).

2.7.4 For options granted in 2002 and thereafter the following performance conditions apply:

- (a) where the option is granted over shares with an aggregate exercise price of up to one times the director's salary, the real growth in earnings per share (after adjusting for inflation) must average 3% a year over a fixed three-year period (this period may be extended to four or five years);
- (b) to the extent that the option is granted over shares with an aggregate exercise price in excess of one times the director's salary, the condition is 4% (rather than 3%) real growth in earnings per share.

Summary directors' remuneration report continued

2 Statement of the company's policy on directors' remuneration continued

2.7.5 A performance condition based on earnings per share has been used in both executive schemes since their establishment in 1995 and 1996. It is considered that this aligns, so far as is practicable, the interests of the directors with those of the shareholders. The performance conditions were amended in 2002 pursuant to the approval of the company in general meeting but retained earnings per share as their basis, reflecting the alignment of the interests of the directors and those of the shareholders. The performance conditions permit limited retesting by reference to a fixed base. The committee is conscious of the fact that since 2002 there has been a change in attitude by institutions towards even limited retesting but, since the current executive schemes expire in April 2005, the committee considers it appropriate to make no change on the basis that retesting is not expected to form part of any new executive schemes. The committee is currently considering the design of an equity incentive scheme to replace the current executive schemes.

2.7.6 The grant of options under the schemes to executive directors and senior managers is normally considered once in each year after the announcement of the company's results in accordance with a formula determined by reference to salary.

2.7.7 No executive options have been granted at a discount.

2.8 The executive directors (together with other eligible group employees) may participate in the Provident Financial plc Employee Savings-Related Share Option Scheme (2003). Participants save a fixed sum each month for three or five years and may use these funds to purchase shares after three, five or seven years. The exercise price is fixed at up to 20% below the market value of the shares at the date directors and employees are invited to participate in the scheme. Up to £250 can be saved each month. This scheme does not contain performance conditions as it is an Inland Revenue approved scheme designed for employees at all levels.

Performance share plan

2.9 The Provident Financial Performance Share Plan ('the performance share plan') entitles executive directors who waive up to 50% of their annual cash bonus, and from March 2005, other eligible employees who waive up to 50% or 30% (depending on their level of seniority) of their annual cash bonus, to be considered for participation. Participants receive a basic award of shares of up to the value of the waived bonus, together with a matching award of an equivalent amount which is subject to a performance condition. For awards granted in 2003 and 2004 the matching award will vest only if the company's average growth in earnings per share (as defined) is equal to or greater than RPI plus 3% over a period of three consecutive financial years, the first of which is the financial year starting immediately before the grant date of the matching award. For awards granted in 2005 the matching award will vest only if the company's average growth in earnings per share is equal to or greater than RPI plus 3% over a period of five consecutive years, the first of which is the financial year starting immediately before the grant date of the matching award. The performance conditions were selected by the committee after consideration of other possible types of condition. The committee took the view that the use of this earnings per share target aligned, so far as is practicable, the interests of the directors with those of the shareholders.

Other benefits

2.10 The executive directors are provided with company cars and fuel (or a cash alternative), long-term disability cover under the company's insured permanent health policy and medical cover for them and their immediate families. Benefits in kind are not pensionable.

Shareholding policy

2.11 The company has a share retention policy for executive directors which encourages them to build up a shareholding from shares acquired under the senior executive share option schemes (referred to in paragraph 2.7 above) and the performance share plan (referred to in paragraph 2.9 above), provided that gains have been made on options and matching awards have vested under the performance share plan. Over a five-year period (commencing on 1 May 2002) a director should, in this way, aim to acquire a shareholding with a market value which is equal to or in excess of the amount of his annual salary. The committee reviews the shareholdings of the executive directors in the light of this policy once a year.

Service agreements

2.12 The current policy is for executive directors' service agreements to provide for both the company and the director to give one year's notice. No director has a service agreement containing a liquidated damages clause on termination; in the event of the termination of an agreement, particularly for poor performance, it is the current policy to seek full mitigation of loss by the director concerned and to ensure that any payment made is the minimum which is commensurate with the company's legal obligations. Where possible, the company would seek to make any payment in instalments and subject to appropriate conditions.

Other directorships

2.13 The company will normally permit an executive director to hold one non-executive directorship and to retain the fee from that appointment. However, any proposed appointment will require the approval of the board. In accordance with the Combined Code, the board would not permit an executive director to take on the chairmanship of a FTSE 100 company. None of the executive directors currently holds a non-executive directorship.

Detailed information

2.14 Full details of salaries, bonus earnings and other benefits for 2004 (with 2003 comparative figures) for the executive directors are set out in the table of directors' remuneration on page 47 in paragraph 3 below.

Summary directors' remuneration report continued

3 Directors' remuneration

3.1 The aggregate directors' emoluments during the year amounted to £2,508,000 (2003 £2,045,000*) analysed as follows:

Director's name	Salary £000	Bonus £000	Benefits £000	Fees £000	2004 Total £000	2003 Total £000
Chairman						
John van Kuffeler	130	–	33	–	163	162
Executive directors						
Robin Ashton	437	233	35	–	705	583
John Harnett	307	185	43	–	535	424
Chris Johnstone	277	152	30	–	459	376
David Swann	277	166	43	–	486	385
	1,298	736	151	–	2,185	1,768
Non-executive directors						
Charles Gregson	–	–	–	40	40	36
John Maxwell	–	–	–	40	40	44
Ray Miles	–	–	–	40	40	–
Graham Pimlott	–	–	–	40	40	20
	–	–	–	160	160	100
Total	1,428	736	184	160	2,508	2,030

*the figure of £2,045,000 includes £15,000 payable to a director who retired in 2003.

3.2 The aggregate notional gain (representing the difference between the exercise price and the market price of the shares at the date of exercise) made by all the directors on the exercise of share options during 2004 amounted to £502,240 (2003 £94,275).

3.3 In March 2005 Robin Ashton participated in a performance share plan. He waived £25,000 of his bonus and received a conditional award of shares in the company with an aggregate market value of £49,815 at the date of the award. The normal vesting period for this award is five years from the date of the award.

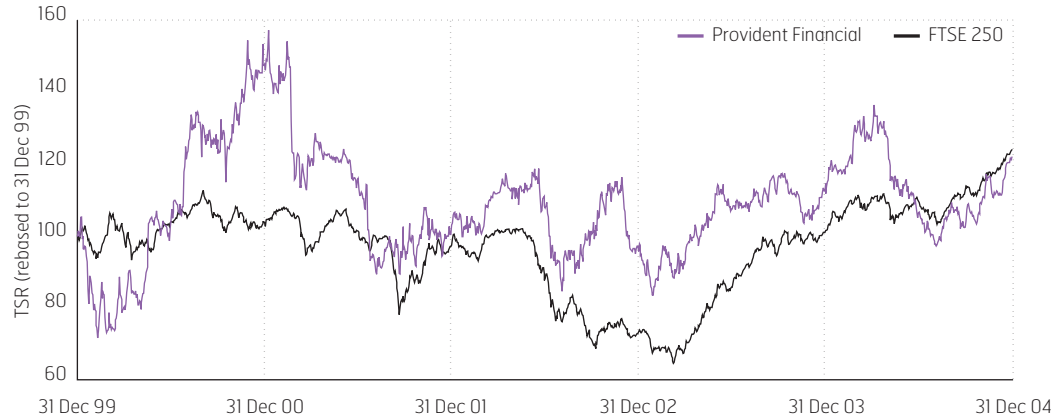
3.4 There are three directors (2003 three) for whom retirement benefits are accruing under the Provident Financial Senior Pension Scheme and two directors (2003 two) for whom retirement benefits are accruing under defined contribution pension schemes.

3.5 The aggregate contributions made by the company in respect of directors to defined contribution pension schemes (including the cost of the life insurance) in 2004 were £117,678 (2003 £85,676).

Summary directors' remuneration report continued

4 Performance graph

The graph below shows a comparison of the total shareholder return (TSR) for the company's shares for each of the last five financial years against the total shareholder return for the companies comprising the FTSE 250 Index. This index was chosen for this comparison because the company is currently a member of this index and has been a member for approximately 85% of the five year period.



Base data at 31 December	1999	2000	2001	2002	2003	2004
FTSE 250	100.00	103.99	97.02	72.72	100.98	124.09
Provident Financial	100.00	147.65	100.42	97.15	112.56	122.05

Summary financial statement

Contents

- 50** Summary consolidated profit and loss account
- 52** Summary consolidated balance sheet
- 53** Summary consolidated cash flow statement

Summary financial statement

Summary consolidated profit and loss account

for the year ended 31 December	2004 £m	2003 £m
Turnover	1,166.7	1,134.2
Profit before taxation and goodwill amortisation	220.7	206.2
Goodwill amortisation	(4.6)	(4.3)
Profit before taxation	216.1	201.9
Taxation	(64.7)	(60.8)
Profit after taxation	151.4	141.1
Dividends	(87.3)	(83.4)
Retained profit for the year	64.1	57.7
Earnings per share (pence)		
Basic	59.74p	55.84p
Adjusted	61.57p	57.54p
Diluted	59.47p	55.68p
Dividend per share (pence)	34.40p	33.00p

An analysis of turnover and profit before taxation by class of business is set out below:

for the year ended 31 December	Turnover		Profit before taxation	
	2004 £m	2003 £m	2004 £m	2003 £m
UK home credit	490.5	495.6	152.3	152.6
Yes Car Credit	281.8	269.2	4.4	11.2
Vanquis Bank	6.7	1.3	(8.7)	(6.7)
UK consumer credit	779.0	766.1	148.0	157.1
International	235.0	191.4	49.2	29.3
Motor insurance	152.7	176.7	34.6	28.6
	1,166.7	1,134.2	231.8	215.0
Central	–	–	(11.1)	(8.8)
Turnover and profit before taxation excluding goodwill amortisation	1,166.7	1,134.2	220.7	206.2
Goodwill amortisation*	–	–	(4.6)	(4.3)
Turnover and profit before taxation	1,166.7	1,134.2	216.1	201.9

*Goodwill amortisation in 2004 includes £4.4m in respect of Yes Car Credit (2003 £4.1m) and £0.2m in respect of UK home credit (2003 £0.2m).

Summary financial statement continued

The international division profit before taxation comprises:

for the year ended 31 December	2004 £m	2003 £m
Poland	44.4	33.1
Czech Republic	10.0	8.8
Hungary	6.4	(1.9)
Slovakia	(0.5)	(1.6)
Mexico	(2.2)	(1.2)
Central divisional overheads	(8.9)	(7.9)
Profit before taxation	49.2	29.3

Earnings per share

The basic and diluted earnings per share figures have been calculated using the profit for the year attributable to ordinary shareholders of £151.4m (2003 £141.1m) and the weighted average number of shares in issue during the year.

The adjusted earnings per share figures have been calculated using a profit after tax, excluding goodwill amortisation, of £156.0m (2003 £145.4m).

The impact on earnings per share is as follows:

for the year ended 31 December	2004		2003	
	Earnings £m	Earnings per share p	Earnings £m	Earnings per share p
Basic earnings and earnings per share	151.4	59.74	141.1	55.84
Goodwill amortisation	4.6	1.83	4.3	1.70
Adjusted earnings and earnings per share	156.0	61.57	145.4	57.54

Summary financial statement continued

Summary consolidated balance sheet

as at 31 December	2004 £m	2003 as restated* £m
Fixed assets (including goodwill)	144.0	135.9
Current assets		
Stock	16.6	14.6
Amounts receivable from customers		
– due within one year	1,048.3	905.3
– due in more than one year	224.0	204.1
Debtors	157.3	153.1
Investments	461.7	514.5
Cash at bank and in hand	38.4	38.8
	1,946.3	1,830.4
Current liabilities		
Bank and other borrowings	(35.3)	(19.6)
Creditors – amounts falling due within one year	(236.9)	(220.8)
Insurance provisions and deferred income	(424.9)	(462.9)
	(697.1)	(703.3)
Net current assets	1,249.2	1,127.1
Total assets less current liabilities	1,393.2	1,263.0
Non-current liabilities		
Bank and other borrowings	(855.1)	(799.8)
Creditors – amounts falling due after more than one year	(9.8)	(11.6)
Provision for liabilities and charges – deferred taxation	(2.8)	(2.6)
Net assets	525.5	449.0
Capital and reserves		
Called-up share capital	26.4	26.3
Share premium account	105.5	101.5
Revaluation reserve	2.7	2.7
Other reserves	4.4	4.4
Profit and loss account	386.5	314.1
Equity shareholders' funds	525.5	449.0

*The accounting policies in 2004 are consistent with those adopted in the prior year except for the first time adoption of UITF 38 'Accounting for ESOP Trusts'. The adoption of UITF 38 has resulted in shares in Provident Financial plc held by the QUEST being reclassified from fixed asset investments to equity shareholders' funds. This has been accounted for as a prior year adjustment and previously reported figures have been restated accordingly. As a result, equity shareholders' funds at 31 December 2004 have decreased by £8.5m (31 December 2003 £10.4m) and proceeds from the exercise of QUEST shares have been reclassified in the cash flow statement from capital expenditure and financial investment cash flows to financing cash flows. The prior year adjustment has had no impact on the performance statements of the current or previous year.

The summary financial statement on pages 50 to 53 was approved by the board on 24 March 2005.

Robin Ashton
Chief Executive

John Harnett
Finance Director

Summary financial statement continued

Summary consolidated cash flow statement

for the year ended 31 December	2004 £m	2003 as restated* £m
Net cash inflow from operating activities	54.3	57.1
Taxation	(54.5)	(45.1)
Capital expenditure and financial investment	(22.8)	(17.1)
Acquisitions and disposals	–	(5.4)
Equity dividends paid	(84.9)	(79.7)
Management of liquid resources	58.6	(13.1)
Financing	48.3	87.6
Decrease in cash in the year	(1.0)	(15.7)

The summary consolidated cash flow statement above has been prepared in accordance with FRS 1 (Revised 1996) 'Cash Flow Statements'. As required by that standard, the statement aggregates the cash flows arising from each division within the group. However, the cash and investments held by those businesses that are regulated are required to be strictly segregated from the rest of the group and are not available to repay group borrowings. At 31 December 2004 the cash and investments held by the group's regulated businesses amounted to £469.6m (2003 £508.7m).

Reconciliation of operating profit to net cash inflow from operating activities	2004 £m	2003 £m
Operating profit	216.1	201.9
Depreciation and amortisation	15.6	14.3
Loss on sale of tangible fixed assets	0.1	0.4
Increase in amounts receivable from customers	(134.0)	(158.1)
Decrease in stock and debtors	3.4	14.3
Decrease in unearned insurance premiums	(4.1)	(28.2)
Decrease in insurance claims provision	(33.7)	(4.1)
(Decrease)/increase in trade creditors, accruals and other liabilities	(9.1)	16.6
Net cash inflow from operating activities	54.3	57.1

Analysed as:

Net cash inflow from UK home credit	141.5	149.1
Net cash outflow from Yes Car Credit	(40.4)	(79.5)
Net cash outflow from Vanquis Bank	(27.1)	(13.1)
Net cash inflow from UK consumer credit	74.0	56.5
Net cash outflow from international	(17.5)	(11.1)
Net cash inflow from motor insurance	12.3	23.2
Net cash outflow from central	(14.5)	(11.5)
Net cash inflow from operating activities	54.3	57.1

Pro forma International Financial Reporting Standards (IFRS) information

Full details of the group's unaudited pro forma IFRS 2004 profit and loss account and statement of net assets as at 31 December 2004 can be found on the company's website at www.providentfinancial.com.

Independent auditors' report

Independent auditors' statement to the members of Provident Financial plc

We have examined the summary financial statement of Provident Financial plc.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Review and Summary Financial Statement 2004 in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review and Summary Financial Statement 2004 with the annual accounts, the directors' report and the directors' remuneration report, and its compliance with the relevant requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement 2004 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

This statement, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement is consistent with the annual accounts, the directors' report and the directors' remuneration report of Provident Financial plc for the year ended 31 December 2004 and complies with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

24 March 2005

Information for shareholders

1 Financial calendar – dividends

	2004 Final	2005 Interim
Dividend announced	16 March 2005	27 July 2005
Ex-dividend date for ordinary shares	13 April 2005	14 September 2005
Record date for the dividend	15 April 2005	16 September 2005
Annual general meeting	24 May 2005	
Payment date of the dividend	3 June 2005	14 October 2005

2 Share price

Information on our share price is available on the company's website, www.providentfinancial.com and Ceefax on BBC1/BBC2 and on Teletext on ITV/Channel 4. Information is also available, at a cost, from FT Cityline (telephone: 0906 843 3731).

The share price is listed in the following daily newspapers:

Financial Times	The Daily Telegraph	The Guardian	Daily Mail	Yorkshire Post	The Herald
The Times	The Independent	The Express	Evening Standard	The Scotsman	

3 Individual Savings Account (ISA)

Shareholders may take out an ISA which includes shares in the company with a provider of their choice. However, the company has made arrangements with Redmayne Bentley for the provision of an ISA for its shareholders and employees. Shareholders who are eligible and who wish to take advantage of this should contact Redmayne Bentley, Merton House, 84 Albion Street, Leeds, West Yorkshire LS1 6AG (telephone: 0113 243 6941).

4 Tax on capital gains

4.1 For the purposes of tax on capital gains, the price of an ordinary share in the company on 31 March 1982 was 130.50p. When adjusted for the 1 for 5 scrip issue in 1986, the 5 for 2 share split in 1993, the 1 for 1 bonus issue in 1996 and the share capital consolidation in 1998, this gives a figure of 22.54p.

4.2 Shareholders for whom the price of ordinary shares at 31 March 1982 is relevant should note that their allowable expenditure in relation to future disposals of ordinary shares may also be affected by other factors, such as indexation and/or the disposal of fractional entitlements pursuant to the share capital consolidation of the company in April 1998.

5 Tax on dividends

5.1 A UK resident individual shareholder who receives a dividend is entitled to a tax credit in respect of the dividend.

5.2 The tax credit is $\frac{1}{9}$ th of the dividend (corresponding to 10% of the dividend and the associated tax credit).

5.3 A UK resident individual shareholder is therefore treated as having paid tax at 10% on the aggregate of the dividend and the associated tax credit; as starting, lower and basic rate taxpayers are liable to tax on the dividend and associated tax credit at 10%, they will have no further liability to tax in respect of the dividend. UK resident individuals cannot claim a refund of the 10% tax credit.

5.4 The tax liability on dividends for UK resident higher rate taxpayers is 32.5% on the aggregate of the dividend and the associated tax credit, so that their liability for additional tax is equal to 22.5% on the aggregate of the dividend and the associated tax credit.

5.5 Arrangements can be made for a shareholder's dividends to be paid directly into a nominated bank account. Details are available on request from the company's registrar (see paragraph 7 below).

6 The Provident Financial Company Nominee Scheme

6.1 The company has established the Provident Financial Company Nominee Scheme. The key features of the scheme are:

6.1.1 Your shares are held for you in a nominee account and you will receive regular statements of your account; you will not hold a share certificate;

6.1.2 It provides a facility to allow you to deal in the company's shares by means of a low-cost telephone dealing service through the CREST electronic settlement system;

Information for shareholders continued

6 The Provident Financial Company Nominee Scheme continued

6.1.3 It provides a facility for you to reinvest your dividends in the company's shares;

6.1.4 You will still retain the benefits of direct shareholding, such as prompt payments of dividends, a copy of the annual report and attendance, and voting, at the annual general meeting; and

6.1.5 The service is provided at no cost to you. However, if you wish to use the facility to deal in the company's shares or reinvest your dividends, you will have to pay charges.

6.2 Full details are available on request from the company's registrar (see paragraph 7 below).

7 Registrar

7.1 The registrar deals with all matters relating to transfers of ordinary shares in the company and with enquiries concerning holdings. The registrar is: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (telephone: 0870 162 3100).

7.2 The registrar's website is www.capitaregistrars.com. This will give you access to your personal shareholding by means of your investor code (which is printed on your share certificate or statement of holding). A range of services is available to shareholders including: setting up or amending dividend bank mandates; proxy voting and amending personal details. Most services will require a user ID and password which will be provided on registration.

8 Share ownership analysis as at 20 March 2005

Shareholding range	Shareholders (Number)	Shareholders (%)
Up to 1,000	3,028	44.22
1,001 – 5,000	2,426	35.44
5,001 – 50,000	985	14.39
50,001 – 500,000	323	4.72
500,001 – 1,000,000	41	0.60
1,000,001+	43	0.63
Total	6,846	100

Advisers

Independent auditors

PricewaterhouseCoopers LLP

Joint financial advisers and stockbrokers

Dresdner Kleinwort Wasserstein

Merrill Lynch

Registrar

Capita Registrars

Solicitors

Slaughter and May

Eversheds LLP

Company details

Registered office and contact details

Provident Financial plc

Colonnade

Sunbridge Road

Bradford

West Yorkshire

BD1 2LQ

telephone: +44 (0)1274 731111

fax: +44 (0)1274 727300

email: enquiries@providentfinancial.com

website: www.providentfinancial.com

Company number

668987

Paper specification

One of Provident Financial's environmental objectives is to use paper as efficiently as possible. This report is produced on material which comprises 50% TCF (totally chlorine free) pulp from sustainable forests and 50% recycled and de-inked pulp from pre- and post-consumer waste.

Provident Financial plc

Colonnade
Sunbridge Road
Bradford
West Yorkshire
BD1 2LQ
United Kingdom

telephone: +44 (0)1274 731111
fax: +44 (0)1274 727300
email: enquiries@providentfinancial.com
website: www.providentfinancial.com

Company number

668987