PROXY PAPER

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Providian Financial Corp

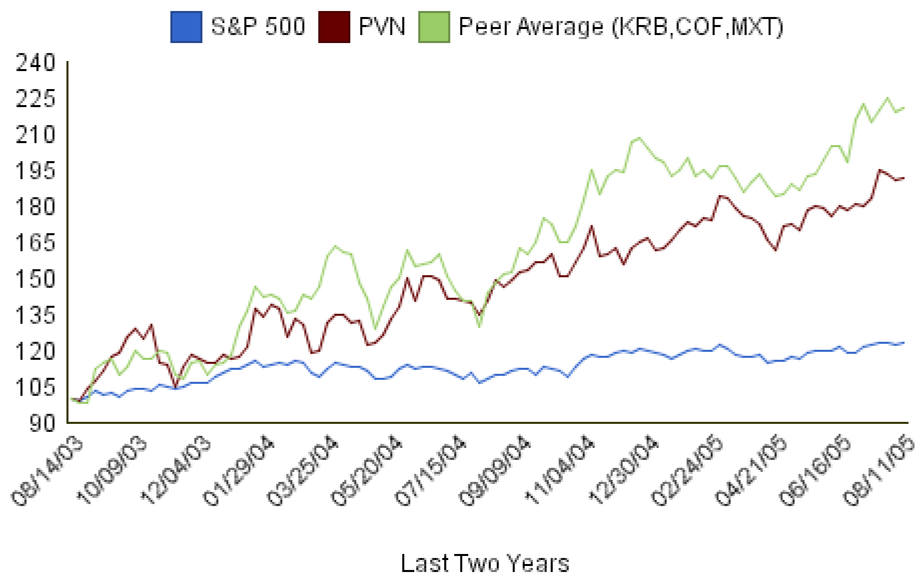
PVN
Industry: Regional Banks
Meeting Date: August 31, 2005
Record Date: August 1, 2005

2005 Merger Meeting			
Proposal	**Issue**	**Board**	**GL&Co.**
1.00	Approval of the Merger Agreement	For	Against
2.00	Adjourn meeting	For	Against

Providian Financial Corp
201 Mission Street
San Francisco, CA 94105
www.providian.com
Phone: (415) 543-0404
Fax: (415) 278-6028

Ticker: PVN
Cusip: 74406A102
Exchange:
Employees: 3,263

Indexed Stock Price



Company Description
Providian Financial Corporation provides credit card and deposit products to customers throughout the United States through its wholly owned banking subsidiary, Providian National Bank. In addition to credit cards, the Company also markets a variety of cardholder service products to its customer base. These products, which may be originated by Providian Financial or jointly market with others, include debt suspension, auto and health-related services, credit-related services and selected insurance products. The Company markets consumer loans and deposits using distribution channels, such as mail, telephone and the Internet.
Source: FactSet

Top 20 Institutional Holders

	Holder	% Owned
1.	Putnam Investment Management, Inc.	8.3%
2.	Citadel Investment Group LLC	7.2%
3.	Legg Mason Capital Management, Inc.	5.8%
4.	SSgA Funds Management	3.9%
5.	Barclays Global Investors, N.A.	3.6%
6.	Davis Advisers	3.6%
7.	Vanguard Group, Inc.	3.6%
8.	Wellington Management Co. LLP	3.5%
9.	Pioneer Global Asset Management	3.5%
10.	Franklin Advisers, Inc.	1.8%
11.	LSV Asset Management	1.3%
12.	Aronson + Johnson + Ortiz LP	1.3%
13.	Alpine Associates LP	1.3%
14.	Franklin Portfolio Associates	1.1%
15.	Northern Trust Global Investments	1.1%
16.	Deutsche Bank Investment Management, Inc.	1.0%
17.	Systematic Financial Management LP	0.9%
18.	Norges Bank Kapitalforvaltning	0.8%
19.	Two Sigma Investments LLC	0.7%
20.	TIAA-CREF Investment Management LLC	0.7%

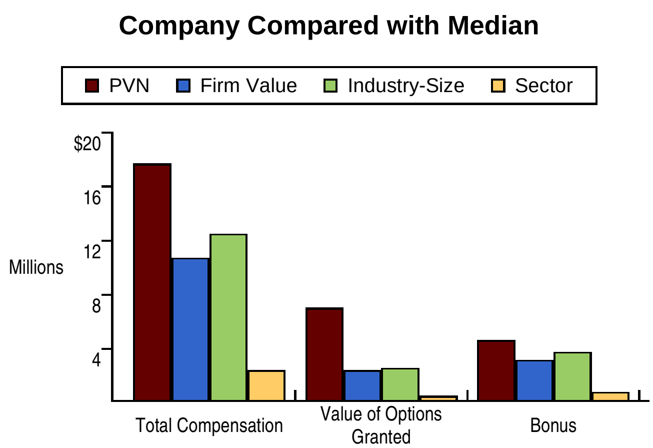
Competitors / Peer Comparison[1]

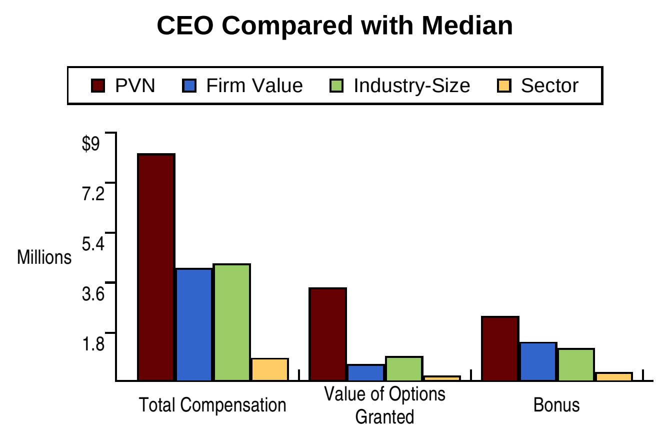
	Providian Financial Corp	MBNA Corporation	Capital One Financial Corp.	Metris Companies Inc.
Ticker	PVN	KRB	COF	MXT
Closing Price (08/18/05)	$ 18.68	$ 25.32	$ 84.80	$ 14.53
Shares Outstanding (mm)	294.7	1,257.8	263.5	58.4
Market Capitalization (mm)	$ 5,505.6	$ 31,848.7	$ 22,340.7	$ 849.2
Enterprise Value (mm)	$ 6,770.9	$ 46,479.5	$ 38,144.7	$ 1,442.3
Revenue (LTM) (mm)	$ 2,688.8	$ 12,251.6	$ 11,324.8	$ 652.4
Growth Rate				
Revenue Growth Rate (5 Yrs)	-12.7%	12.8%	21.9%	-14.1%
EPS Growth Rate (5 Yrs)	-15.2%	19.4%	29.1%	0.0%
Profitability (LTM)				
Return on Equity (ROE)	21.4%	17.5%	19.5%	12.9%
Return on Assets (ROA)	4.3%	3.5%	3.2%	8.9%
Dividend Rate	0.0%	2.2%	0.1%	0.0%
Stock Performance				
1 Year Stock Perfomance	30.2%	7.3%	21.0%	92.2%
3 Year Stock Perfomance	273.6%	28.9%	160.9%	355.5%
5 Year Stock Perfomance	-64.8%	12.3%	54.4%	-51.8%
Annualized 1 Year Total Return (past 3 yrs)	91.2%	12.1%	54.1%	119.3%
Valuation Mutiples (LTM)				
P/E Ratio	9.1x	15.0x	12.0x	11.0x
TEV/Revenue	2.5x	3.8x	3.4x	2.2x
TEV/EBIT	8.3x	13.7x	14.5x	6.4x
Margins Analysis (LTM)				
Gross Profit Margin	0.0%	0.0%	0.0%	93.3%
Operating Income Margin	0.0%	0.0%	0.0%	27.7%
Net Income Margin	22.2%	17.6%	15.2%	18.8%
Liquidity/Risk				
Current Ratio	0.0x	0.0x	0.0x	0.0x
Debt-Equity Ratio	0.48x	1.21x	1.57x	0.08x
Auditor Data[2]				
Year	2004	2004	2004	2004
Auditor	Ernst & Young	Ernst & Young	Ernst & Young	KPMG
Auditor Fees	$ 3,609,000	$ 5,771,666	$ 4,300,000	$ 2,316,000
Audit Related Fees	$ 288,000	$ 1,227,673	$ 3,000,000	$ 399,500
Tax + All Other Fees	$ 107,000	$ 710,204	-	-
Executive Compensation				
Year of Data	2004	2003	2003	2004
Chief Executive Officer	$7,998,389	$15,025,635	$11,244,600	$4,590,214
Other Named Executives	$9,591,719	$85,615,726	$10,907,977	$6,215,243

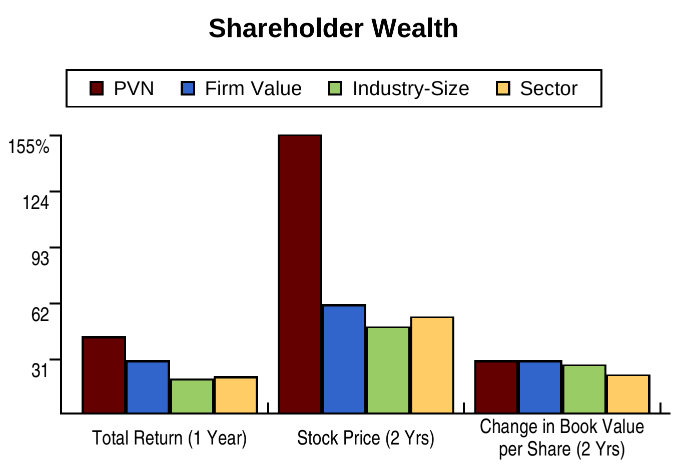
Source: FactSet Research Systems, Reuters, and Glass, Lewis & Co. LLC
1. Listed competitors are based on FactSet industry classifications and other financial metrics including market capitalization and revenue.
2. As disclosed by the Company in its most recent proxy filing.

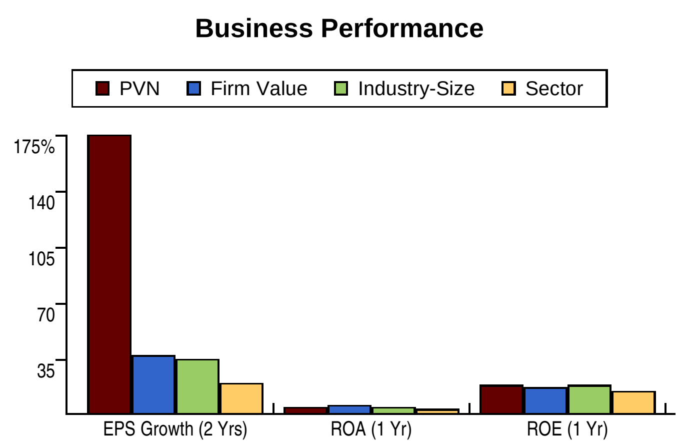
Pay-For-Performance

Providian Financial's executive compensation received a **C** grade in our proprietary pay-for-performance model, which uses 32 measurement points. The Company paid: more compensation to its top officers (as disclosed by the Company) than the median compensation for 46 similarly sized companies with an average enterprise value of $6 billion; more than a sector group of 314 regional banks companies; and more than a market cap segmented industry group of 173 very large financial companies. The CEO was paid above the median CEO in these peer groups. Overall, the Company paid more than its peers and performed better than its peers.









Note: Compensation analysis for period ending 12/2004. Chart does not include LTIP payouts.

PROPOSAL 1.00: APPROVAL OF THE MERGER AGREEMENT

AGAINST

Summary

Providian Financial Corporation ("Providian") has entered into a merger agreement with Washington Mutual, Inc. ("Washington Mutual") valued at approximately $6.5 billion. Providian shareholders have been offered 0.45 shares of Washington Mutual common stock in exchange for each share of common stock they hold. The stock consideration will be paid 89% in Washington Mutual common stock and 11% in cash. In all, shareholders have been offered consideration valued at approximately $18.71 per share of Providian they hold.

This amount represents a premium of approximately 4.4% over the closing price of the Company's shares one day prior to the announcement of the agreement and a 12.5% premium over the average closing price during the thirty days prior to announcement.

For the reasons more fully discussed below, we believe shareholders should oppose this transaction.

First, the deal represents a small premium to market trading prices and was struck without a market test or auction; no other potential buyers were contacted. We now know there were several other buyers in the market for monoline credit card companies and we suspect, with an effective process, a better result could have been achieved and would be achieved today. Rejection of this proposal will both serve as a signal to this board (and other boards) that competitive processes should be used to achieve better outcomes and will empower this board to negotiate a better deal, potentially even with this buyer.

Second, Providian is performing strongly, as reflected in analyst estimates for 2005 EPS that have increased from $1.17 to $1.59 since April 2004. The Company did not need to do a deal and certainly did not need to do a deal at such a modest premium. Shareholders have a perfectly good alternative: keeping the company independent. No one has suggested otherwise.

Third, opposing this transaction provides shareholders with the option to seek appraisal rights in Delaware Court after the closing. Essentially, if an investor sends a notice to the Company of an intent to exercise appraisal rights (and then votes against the deal or does not vote) and the deal is nevertheless approved, the investor has a 60-day option to have the Court decide on fair value. While it is hard to know what the Court will do, it seems very unlikely that the Court will conclude the stock is worth less than the trading value before the deal was announced; with such a small premium at risk, the 60-day option (and the opportunity to get a higher value from the Court) may be a better option.

In short, we believe this transaction is not compelling in any way. It is the product, in our view, of a flawed process. Its small premium certainly does not warrant investor excitement and we strongly believe that the Company standing alone or pursuing some other deal will likely yield a better financial outcome for investors. By our math, this Company is worth between $21 and $24 in the merger market today.

For these reasons, we recommend that shareholders vote **AGAINST** this proposal.

Background

In March 2005, Joseph Saunders, Chairman, President and CEO of Providian and Kerry Killinger, Chairman and CEO of Washington Mutual, met and had general discussions regarding the financial services industry. At this meeting, they determined that it would be worthwhile to have further discussions in the future. Thereafter, members of management and representatives of Providian and Washington Mutual met and had periodic informal discussions concerning a possible transaction, although no formal proposals or specific terms were discussed. In late April 2005, the parties executed a customary confidentiality agreement.

Over the ensuing weeks, Providian and Washington Mutual continued periodic informal discussions a preliminary due diligence review to further evaluate the strategic rationale for a possible merger.

Also during this time, Providian management and its financial advisors periodically updated members of the Providian board of directors regarding these discussions. In addition, members of Washington Mutual's management team periodically updated the Corporate Development Committee of Washington Mutual's board of directors at special meetings held for the purpose of evaluating the potential transaction with Providian.

In late May 2005, Messrs. Saunders and Killinger met again and continued discussions regarding each company's perspective on transaction valuation. As a result of these discussions, the two executives determined that they were each prepared to present to their respective boards of directors a proposed merger with an exchange ratio of 0.45 shares of Washington Mutual common stock for each share of Providian common stock.

Following this discussion, and throughout late May 2005 and early June 2005, Washington Mutual and its representatives continued their due diligence review, which included on-site due diligence visits and additional meetings with Providian's management. Also during this time, Providian and its legal and financial advisors continued their due diligence review of Washington Mutual's operations.

During the week of May 30, 2005, Washington Mutual and Providian continued to conduct mutual due diligence, including on-site diligence, involving senior executives from both companies, as well as their outside financial and legal advisors. Also during this time, the parties and their outside counsel began drafting and negotiating the terms of the merger agreement and the related transaction documents, including proposed employment agreements between Washington Mutual and several key executives of Providian.

On June 4, 2005, the board of directors of Providian met to discuss and analyze Washington Mutual's offer. Providian's financial advisors, Citigroup Global Markets Inc. ("Citigroup") and Goldman, Sachs & Co. ("Goldman Sachs"), presented financial analyses related to the proposed merger. Representatives of Wachtell, Lipton, Rosen & Katz, ("Wachtell Lipton ") legal advisors to Providian, discussed with the Providian board of directors the legal standards applicable to its decisions and actions with respect to its evaluation of merger proposals.

Following these discussions, and review and discussion among the members of the Providian board of directors both with advisors present and then in separate executive sessions, both with and without management, the Providian board of directors voted unanimously to approve the merger with Washington Mutual.

In the evening of June 5, 2005, Washington Mutual and Providian entered into the merger agreement. On the morning of June 6, 2005, Washington Mutual and Providian issued a joint press release announcing the transaction.

Fairness Opinion
Opinions of Citigroup Global Markets Inc. and Goldman, Sachs & Co.

Providian retained Citigroup Global Markets Inc. and Goldman, Sachs & Co. to act as its financial advisors in connection with Providian's analysis and consideration of various strategic alternatives. Citigroup and Goldman Sachs will each receive a transaction fee equal to 0.40% of the aggregate consideration paid by Washington Mutual payable upon the completion of the merger.

Joint Financial Analyses
The following is a summary of the material financial analyses performed by Citigroup and Goldman Sachs which were presented to the Providian board of directors at the meeting held on June 4, 2005. For additional detail regarding the fairness opinion, please see the Comapny's proxy. See Washington Mutual 424B3 (August 2, 2005).

Citigroup and Goldman Sachs collaborated in performing each of the financial analyses summarized below. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before June 3, 2005.

Transaction Overview
Citigroup and Goldman Sachs determined that based on a fixed exchange ratio of 0.45 Washington Mutual common shares per Providian common share, 89% in the form of Washington Mutual common stock and 11% in the form of cash, the implied merger value per share was approximately $18.71 per share of Providian common stock. In addition, the advisors determined that Providian shareholders will hold approximately 13.5% of the fully-diluted outstanding shares of the combined company.

Citigroup and Goldman Sachs calculated for the Providian board of directors various multiples and premiums resulting from the merger based on historical information, IBES estimates and certain financial analyses and forecasts prepared by management taking into account the 2005 Capital Plan of Providian National Bank (the "Capital Plan May Forecast").

Citigroup and Goldman Sachs calculated the percentage premium of the implied per share value of the merger consideration over certain periods. The following table presents the results of Citigroup's and Goldman Sachs' calculations:

Premium to:	
Share Price at June 3, 2005	4.2%
One-Week Average	5.8
One-Month Average	9.1
Year to Date Average	10.5
52-Week High	2.3
52-Week Low	44.7
Managed Receivables	18.4

Citigroup and Goldman Sachs also calculated the ratio of the implied per share value of the merger consideration to Providian's historical and estimated EPS and its actual book value as of March 31, 2005.

Price as a Multiple of:	
2004A EPS	15.7x
Median IBES Estimates	
2005E EPS	11.8x
2006E EPS	10.9x
Capital Plan May Forecast	
2005E EPS	12.5x
2006E EPS	11.7x
Stated Book Value at March 31, 2005	1.9x

Selected Companies Analysis—Providian
Citigroup and Goldman Sachs reviewed and compared certain financial information for Providian to corresponding financial information, ratios and public market multiples for the following publicly traded companies in the consumer finance industry:

Selected Monoline Credit Card Companies	Selected Bank Credit Card Issuers
MBNA Corporation	Citigroup Inc.
Capital One Financial Corp.	Bank of America Corporation
	JPMorgan Chase & Co.

For the selected companies, Citigroup and Goldman Sachs calculated the ratios of June 3, 2005 closing stock price to calendar year 2005 and 2006 IBES earnings estimates; stated book value and tangible book value; and 2006 IBES estimated earnings, as a multiple of IBES estimated long-term earnings growth. Citigroup and Goldman Sachs then compared these measures to the corresponding values for Providian (using IBES and Capital Plan May Forecast earnings estimates for 2005 and 2006).

	Selected Monoline Credit Card Companies		**Selected Bank Credit Card Issuers**		**Providian (IBES Estimates)**	**Providian (Capital Plan May Forecast)**
Ratio	**Range**	**Median**	**Range**	**Median**		
Price/2005E Earnings	10.4x–10.8x	10.6x	10.8x–11.9x	11.3x	11.3x	12.0x
Price/2006E Earnings	9.7x– 9.7x	9.7x	10.2x–10.3x	10.3x	10.4x	11.2x
Price/Stated Book	2.0x– 2.2x	2.1x	1.2x– 2.3x	1.9x	1.9x	N/A
Price/Tangible Book	2.1x– 3.0x	2.6x	2.2x– 3.8x	3.6x	1.9x	N/A
Price/2006E P/E to Growth	0.7x– 1.0x	0.9x	0.9x– 1.1x	1.0x	0.8x	N/A

Citigroup and Goldman Sachs also calculated the selected companies' estimated earnings growth rate from 2005 to 2006, based on IBES estimated earnings for each of those years, and compared this measure to the corresponding value for Providian.

	Selected Monoline Credit Card Companies		Selected Bank Credit Card Issuers		Providian (IBES Estimates)	Providian (Capital Plan May Forecast)
	Range	Median	Range	Median		
2005E-2006E Earnings Growth	8.1%–11.5%	9.8%	5.9%–15.5%	9.5%	8.5%	6.7%

Citigroup and Goldman Sachs calculated and compared stock price to IBES earnings estimates for the period beginning January 1, 2002 and ended June 3, 2005, for each of MBNA Corporation, Capital One Financial Corp. and Providian. The following table presents the high, low and median multiples and the multiples as of June 3, 2005 resulting from this analysis:

	MBNA	Capital One Financial	Providian (1)
High	17.3x	18.3x	30.9x
Median	12.8	11.6	14.1
Low	8.0	6.1	8.5
June 3, 2005	10.4	10.8	11.3

(1) Excludes price to forward earnings for Providian through April of 2002 as not meaningful because median IBES consensus estimates ranged from $0.00 to $0.03.

Citigroup and Goldman Sachs compared the historical total shareholder returns (calculated as the change in share price plus dividends) for the shares of Providian common stock and the common stock of each of MBNA Corporation and Capital One Financial Corp. for the three-year, one-year and year-to-date periods ended June 3, 2005.

	MBNA	Capital One Financial	Providian
Three-Year Total Return	(5.4)%	24.6%	130.0%
One-Year Total Return	(14.8)	9.9	29.6
Year-to-Date 2005 Total Return	(24.2)	(11.0)	9.0

Citigroup and Goldman Sachs also compared the share price appreciation for the shares of Providian common stock to the common stock of each of MBNA Corporation and Capital One Financial Corp. and also to the average for the selected bank credit card issuers for the period from January 1, 2002 through June 3, 2005. The following table presents the results of this analysis.

	MBNA	Capital One Financial	Selected Bank Credit Card Issuers	Providian
Share Price Appreciation for Period 1/1/2002 – 6/3/2005	(9.4)%	38.9%	14.7%	405.9%

Selected Companies Analysis—Washington Mutual

Citigroup and Goldman Sachs reviewed and compared certain financial information for Washington Mutual to corresponding financial information, ratios and public market multiples for the following publicly traded companies in the banking industry:

Selected Commercial Banks	Selected Thrifts	Selected Mortgage Companies
Wachovia Corporation	Golden West Financial Corporation	Countrywide Financial Corporation
U.S. Bancorp	Sovereign Bancorp, Inc.	
Sun Trust Banks, Inc.	New York Community Bancorp, Inc.	
Fifth Third Bancorp	Independence Community Bank Corp.	
BB&T Corporation	Astoria Financial Corporation	
National City Corporation		
Regions Financial Corporation		
The PNC Financial Services Group, Inc.		

For the selected companies, Citigroup and Goldman Sachs calculated the ratios of June 3, 2005 stock price to calendar year 2005 and 2006 IBES earnings estimates, stated book value and tangible book value; and 2006 IBES estimated earnings, as a multiple of IBES estimated earnings growth. Citigroup and Goldman Sachs then compared these measures to the corresponding values for Washington Mutual.

	Selected Commercial Banks		Selected Thrifts		Selected Mortgage Company	Washington Mutual
Ratio	Range	Median	Range	Median		
Price/2005E Earnings	11.5x–14.0x	12.9x	11.7x–13.1x	12.7x	9.0x	11.4x
Price/2006E Earnings	10.5x–12.5x	11.9x	10.8x–11.5x	11.4x	8.5x	10.3x
Price/Stated Book	1.5x– 2.8x	1.9x	1.4x– 2.5x	1.5x	2.0x	1.7x
Price/Tangible Book	2.4x– 4.8x	3.5x	2.5x– 4.0x	3.0x	2.0x	2.4x
Price/2006E P/E to Growth	1.07x–1.47x	1.26x	0.95x–1.20x	1.14x	0.71x	1.03x

For the selected companies, Citigroup and Goldman Sachs also calculated estimated earnings growth rate from 2005 to 2006, based on IBES estimated earnings for each of those years; and dividend yield (on an annualized basis based on the most recent quarterly dividend). Citigroup and Goldman Sachs then compared these measures to the corresponding values for Washington Mutual.

	Selected Commercial Banks		Selected Thrifts		Selected Mortgage Company	Washington Mutual
	Range	Median	Range	Median		
2005E-2006E Earnings Growth	8.1%–11.7%	9.6%	8.5%–15.1%	10.8%	6.7%	10.3%
Dividend Yield	3.0%– 4.1%	3.6%	0.4%– 5.6%	2.9%	1.6%	4.5%

Citigroup and Goldman Sachs compared the historical trading prices for the shares of Washington Mutual common stock to the average for the selected commercial banks and the average for the selected thrifts and to the selected mortgage company, in each case for the period beginning January 1, 2002 and ended June 3, 2005. The following table presents the results of this analysis:

	Selected Commercial Banks	Selected Thrifts	Selected Mortgage Company	Washington Mutual
Share Price Appreciation for Period 1/1/2002 – 6/3/2005	19.1%	69.0%	271.0%	27.1%

Citigroup and Goldman Sachs compared the historical total shareholder return, calculated as the change in share price plus dividends, for certain periods ended June 3, 2005 for the shares of Washington Mutual common stock to the average for the selected commercial banks and the average for the selected thrifts and to the selected mortgage company. The following table presents the results of this analysis:

	Selected Commercial Banks	Selected Thrifts	Selected Mortgage Company	Washington Mutual
Ten-Year Total Return	312.7%	682.2%	766.7%	423.8%
Five-Year Total Return	46.7	221.9	382.7	127.0
Three-Year Total Return	19.9	43.1	227.0	22.5
Two-Year Total Return	19.3	37.3	109.0	9.4
One-Year Total Return	6.2	3.8	22.0	6.3
Year-to-Date 2005 Total Return	(4.2)	(4.0)	3.5	0.6

Selected Precedent Transactions Analysis

Citigroup and Goldman Sachs analyzed certain information relating to the following selected transactions in the specialty finance industry since January 1, 2002, which are divided into three groups:

Date Announced	Acquirer	Target
Credit Card Company Sales		
August 18, 2004	Barclays PLC	Juniper Financial Corporation
February 3, 2004	Royal Bank of Scotland Group	People's Bank
July 15, 2003	Citigroup Inc.	Sears, Roebuck & Co. Card Services
Other Specialty Finance Transactions		
November 14, 2002	HSBC Holdings plc	Household International, Inc.
Providian Master Trust		
January 15, 2002	JPMorgan Chase & Co.	Providian Master Trust

For each of the selected transactions, to the extent applicable, Citigroup and Goldman Sachs calculated and compared certain financial and operational multiples. The following table presents the results of this analysis for the selected transactions:

	Price / Tangible Book	Price / LTM EPS	Price / FY1 EPS	Premium / Market	Premium / Managed Receivables
Credit Card Company Sales					
Barclays PLC / Juniper Financial Corporation	NA	NA	NA	NA	15.2%
Royal Bank of Scotland Group / People's Bank	3.3x	NA	NA	NA	15.5
Citigroup Inc. / Sears, Roebuck & Co. Card Services	2.7x	7.3x	NA	NA	16.0
Other Specialty Finance Transactions					
HSBC plc / Household International, Inc.	2.0x	6.8x	7.0x	6.9%	6.6%
ProvidianMaster Trust					
JPMorgan Chase & Co. / Providian Master Trust	NA	NA	NA	NA	5.0%

Selected Precedent Credit Card Portfolio Sales Analysis

Citigroup and Goldman Sachs calculated the percentage premium paid over the aggregate amount of managed receivables in selected credit card receivables portfolio transactions since 1996 involving receivables greater than $2 billion. These percentage premiums were then applied to Providian's aggregate amount of managed receivables.

In order to derive an implied per share valuation for Providian, the resulting amount was increased by tangible equity and loan loss reserves (net of estimated deferred tax assets). The following table presents the results of this analysis:

	Selected Credit Card Portfolio Transactions Range	Median
Premium to Managed Receivables	6.5% – 22.0%	13.3%
Implied Valuation per Providian Share	$ 12.90 – $21.06	$16.45

The range of per share values resulting from this analysis compares to the implied value for the merger consideration of $18.71 per share of Providian common stock. The range of percentage premiums to managed receivables resulting from this analysis compares to the 18.4% premium over Providian's managed receivables as of March 31, 2005 represented by the implied per share value of the merger consideration.

Dividend Discount Analyses

Citigroup and Goldman Sachs performed comparative dividend discount analyses to generate reference ranges for the implied present value per share of Providian common stock (1) assuming Providian continued to operate as a standalone company and (2) on a pro forma equivalent basis giving effect to the merger. They also performed this analysis for Washington Mutual common stock assuming Washington Mutual continued to operate as a standalone company.

These reference ranges were determined in each case by calculating the present value of the estimated future dividend stream of Providian, Washington Mutual and the combined company, respectively, for the years 2005 through 2010, plus the present value of the estimated terminal value as of the end of calendar year 2010.

Citigroup and Goldman Sachs estimated reference ranges for the implied present value per share of Providian common stock, on a standalone basis, using the following alternative assumptions regarding the future performance of Providian:

- IBES EPS estimates for fiscal years 2005 and 2006; estimated EPS growth at the IBES long-term growth rate of 13.0% annually (or at alternative long-term growth rates of 12.0% and 14.0%) for 2007 through 2011; and no payment of dividends (the "Providian Street Case"); and, alternatively,

- the Capital Plan May Forecast EPS estimates for fiscal years 2005 and 2006; estimated EPS growth at assumed long-term growth rates of 5.0%, 7.5% and 10.0% annually for 2007 through 2011; and no payment of dividends (the "Capital Plan May Case").

In each of the above cases, Citigroup and Goldman Sachs assumed a terminal value of Providian common stock at the end of 2010 based on a range of price to earnings multiples of 10.0x to 12.0x applied to year 2011 projected earnings and a range of discount rates of 10.0% to 14.0%.

Citigroup and Goldman Sachs also estimated reference ranges for the implied present value per share of Washington Mutual common stock, on a standalone basis, using the following assumptions:

- IBES EPS estimates for fiscal years 2005 and 2006;
- estimated EPS growth at the IBES long-term growth rate of 10.0% annually (or at alternative long-term growth rates of 9.0% and 11.0%) for 2007 through 2011;

- to the extent Washington Mutual's tangible common equity to tangible assets ("TCE/TA") ratio exceeds 5.5%, the excess capital would be used to repurchase common stock;
- increases in the Washington Mutual common stock dividend rate of $0.01 in each quarter over the prior quarter;
- a terminal value of Washington Mutual common stock at the end of 2010 based on a range of price to earnings multiples of 10.0x to 12.0x applied to year 2011 projected earnings; and
- a range of discount rates of 8.0% to 10.0%.

This analysis resulted in a reference range for the implied present value per share of Washington Mutual common stock, on a standalone basis, of $48.79 to $60.82.

Citigroup and Goldman Sachs then estimated reference ranges for the implied present value per share of Washington Mutual's common stock on a pro forma equivalent basis after giving effect to the merger (which is referred to as the "combined company"), using the following assumptions:

- pro forma EPS estimates for fiscal years 2006 through 2011 with respect to Washington Mutual based on IBES estimates of EPS and EPS growth as adjusted by Providian's management to reflect the effects of the merger;
- increases in the Washington Mutual common stock dividend rate of $0.01 in each quarter over the prior quarter;
- to the extent the combined company's TCE/TA ratio exceeds 5.5%, the excess capital would be used to repurchase common stock;
- a terminal value of combined company common stock at the end of 2010 based on a range of price to earnings multiples of 10.0x to 12.0x applied to year 2011 projected earnings, reflecting the weighted average of Providian and Washington Mutual multiples based on net income contribution; and
- a range of discount rates of 8.0% to 10.0%, reflecting the weighted average of Providian and Washington Mutual net income contribution.

Citigroup and Goldman Sachs calculated the pro forma implied present value per share of Providian common stock, giving effect to the merger, by adding the following amounts: (i) the pro forma values per combined company share, multiplied by 0.40 and (ii) the discounted cash component of the merger consideration, calculated based on the estimated price per share of Washington Mutual common stock at the closing of the merger, which was assumed to take place on December 31, 2005.

This estimated price per share was determined by applying the current trading multiple for Washington Mutual common stock to Washington Mutual's IBES estimated 2006 EPS. The following table presents the results of these analyses with respect to Providian:

	Range of Implied Values Per Providian Share
Providian (applying Providian Street Case)	$15.96 to $21.29
Providian (applying Capital Plan May Case)	$10.75 to $16.56
Providian (pro forma for merger)	$22.67 to $28.56

Portfolio Valuation Analysis—Providian

Citigroup and Goldman Sachs performed comparative portfolio valuation analyses to generate reference ranges for the implied present value per share of Providian common stock (1) assuming Providian continued to operate as a standalone company (the "Status Quo Case") and (2) assuming Providian were to merge with a strategic partner (the "Strategic Case").

Based on certain assumptions reviewed with Providian management, Citigroup and Goldman Sachs developed a range of valuation outputs based on the implied present value per share of Providian's existing portfolio (the "Existing Portfolio Value per Share") and Providian's new loan originations (the "New Originations Value per Share").

	Summary of Portfolio Valuation Output	
	Status Quo Case	Strategic Case
Existing Portfolio Value per Share	$12.20 – $14.04	$16.54 – $17.64
New Originations Value per Share	$ 0.07 – $ 1.82	$ 0.20 – $ 2.42

Pro Forma Merger Analysis

Citigroup and Goldman Sachs analyzed the pro forma impact of the merger on projected EPS for Washington Mutual, based upon earnings estimates from IBES for Providian and synergies for Providian prepared by Providian's management as well as earnings estimates from IBES for Washington Mutual. The effect on EPS was calculated using various assumptions, including, among others, the following:

• the conversion of Providian's outstanding convertible senior notes into shares of Washington Mutual common stock at $18.71;
• pre-tax cost operational synergies of $85.2 million in 2006, $229.2 million in 2007 and $347.6 million in 2008;
• pre-tax funding benefits of $9.0 million in 2006, $18.4 million in 2007 and $23.4 million in 2008;
• pre-tax income accretion from mark-to-market of deposits of $29.6 million in 2006, $18.9 million in 2007 and $12.1 million in 2008;

For each of the years 2006, 2007 and 2008, Citigroup and Goldman Sachs compared the EPS of Washington Mutual common stock to the EPS, on both a GAAP basis and a cash basis, of the combined company common stock using the foregoing assumptions. The following table sets forth the results of this analysis:

	GAAP Basis Accretion / (Dilution)	Cash Basis Accretion / (Dilution)
2006E EPS	(1.2)%	2.0%
2007E EPS	1.4	4.2
2008E EPS	3.2	5.8

Merger Transactions

Providian has entered into a merger agreement with Washington Mutual value at approximately $6.5 billion. Shareholders have been offered cash and stock consideration valued at approximately $18.71 per share. This amount represents a premium of approximately 4.4% over the closing price of the Company's shares one day prior to the announcement of the agreement.

Providian shareholders have been offered 0.45 shares of Washington Mutual common stock in exchange for each share of common stock they hold. The stock consideration will be paid 89% in Washington Mutual common stock and 11% in cash.

Each share of Providian common stock will receive (i) 0.4005 shares of Washington Mutual common stock and (ii) an amount in cash equal to the value of 0.0495 shares of Washington Mutual common stock. The value of the stock consideration will be based on the average closing sale price for Washington Mutual common stock over the ten trading days immediately preceding completion of the merger.

Equity Compensation Awards

The merger agreement provides that upon completion of the merger, each Providian stock option, including those held by executive officers and directors of Providian, will vest and be converted into Washington Mutual stock options based on the exchange ratio in the merger.

In addition, each other stock-based award based upon shares of Providian common stock, including those held by executive officers and directors of Providian, other than stock options and restricted stock, will vest and be converted.

All outstanding shares of Providian restricted stock held by employees, executive officers and directors will vest on completion of the merger and will be treated the same as all other outstanding shares of Providian common stock.

Based on Providian equity compensation awards held by executive officers and directors of Providian as of July 28, 2005, upon completion of the merger, the top five executive officers and the remaining executive officers and directors of Providian, as a group, would vest into approximately 2.5 million shares of stock options and 981,000 restricted shares.

Current Providian Change of Control Employment Agreements

Each of Providian's executive officers, including Messrs. Saunders, Vuoto, and Wilcox and Mses. Richey and Chen, is party to a change of control employment agreement. Each of Messrs. Saunders, Vuoto, and Wilcox and Ms. Chen, as well as other executives, has entered into an employment agreement with Washington Mutual which, as of completion of the merger, will become effective and will supersede the current Providian change of control agreements.

There are also other Providian executive officers with current Providian change of control agreements who will not enter into employment agreements with Washington Mutual. The current change of control agreements for those executive officers will remain in effect following completion of the merger.

Washington Mutual Employment Agreement with Joseph Saunders

Washington Mutual has entered into an employment agreement with a term of two years, dated as of June 5, 2005, with Joseph Saunders, the Chairman and CEO of Providian, which will supersede his current employment agreement. Mr. Saunders will serve as the President and CEO of the Credit Card Division of Washington Mutual.

Upon completion of the merger, Mr. Saunders will receive a lump sum cash payment equal to the payment that he would have received pursuant to his current Providian employment agreement described above immediately following completion of the merger.

In addition, upon completion of the merger, Mr. Saunders will receive shares of Washington Mutual restricted common stock having a value of $2.0 million as of the date of the completion of the merger, and options to purchase a number of shares of Washington Mutual common stock equal to three times the number of restricted shares granted to Mr. Saunders upon completion of the merger. The restricted shares and the stock options will vest in two equal installments on each of the first and second anniversaries of completion of the merger.

Washington Mutual Employment Agreements with Other Executives
Washington Mutual has entered into employment agreements each with terms of three years, dated as of June 5, 2005, with each of Messrs. Vuoto and Wilcox and Ms. Chen and certain other Providian executives, which, upon completion of the merger, will become effective and supersede their current change of control agreements.

In consideration for canceling their current Providian change of control agreements, each of these executives will receive a lump sum cash payment payable in two installments and equal to the payment that he or she would have received pursuant to their current change of control agreement.

Upon completion of the merger, each of Messrs. Vuoto and Wilcox and Ms. Chen will receive a grant of a number of shares of Washington Mutual restricted common stock having a value of $400,750 as of the date of the completion of the merger, and options to purchase a number of shares of Washington Mutual common stock equal to three times the number of restricted shares granted to the executive upon completion of the merger.

During the term of the executive’s employment under the employment agreement, each of Messrs. Vuoto and Wilcox and Ms. Chen will receive an annual base salary of $400,000, $350,000, and $350,000, respectively.

Washington Mutual’s Board of Directors and Management after the Merger
The directors and officers of Washington Mutual are not expected to change in connection with the merger. The directors and officers of Washington Mutual immediately prior to the merger will continue to be the directors and officers of Washington Mutual after completion of the merger.

Recent Development
On August 1, 2005, Putnam Investments, a 7.5% shareholders of Providian publicly announced its intention to vote against the proposed transaction. Putnam believes that the proposed transaction does not fully reflect the value of the Company given the scarcity of such (monoline credit card) assets. Putnam believes that Providian should command a higher price given the market conditions as well as the announced Bank of America-MBNA transaction. Putnam also indicated that it believes that Providian is worth more than the proposed consideration if it were to remain a stand-alone company.

Glass Lewis Recommendation
In analyzing merger transactions, Glass Lewis believes investors should look for four hallmarks of a good transaction: (i) an independent board of directors (or committee of the board) that recommends the transaction, (ii) the process that was used to develop the transaction was one that was likely to yield the best deal; (iii) a financial advisor who is independent and which has rendered a fairness opinion that is economically and financially sound; and (iv) an appropriate price (i.e. premium). In short, we seek to determine whether a proposed transaction is fair overall to investors.

Here, we believe two of the ingredients are missing from this recipe for fair transaction:

Board Process. We find the process conducted by Providian to arrive at the merger agreement puzzling. First, it appears that the proposed agreement came about largely through the individual efforts of Mr. Saunders and Mr. Killinger. While the executives were diligent in keeping their boards of directors informed of the discussions, we note that the exchange ratio of 0.45 was agreed upon by the two executives and without any attempt to engage the financial advisors in an earnest negotiation.

Second, the Providian's board and management team did not appear to have shopped the company to other potential bidders. There is no indication in the proxy that the board, management team or the financial advisor undertook any market test of the company or the price here offered. While hindsight is 20/20, in this case, even a limited solicitation would have indicated to Mr. Saunders and the board that there were numerous ready and willing buyers. We believe that, in general, a process of exploring alternative proposals for a company is warranted and produces the maximum price.

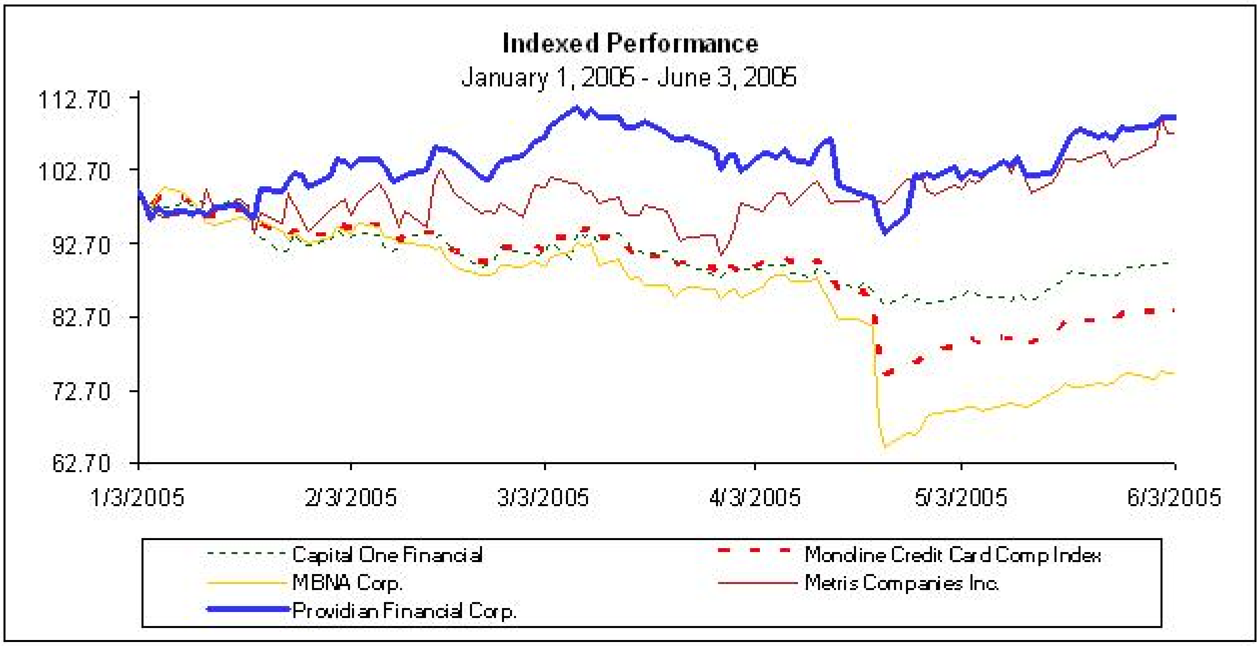
Valuation. We believe the consideration offered to Providian shareholders represents an inadequate offer in exchange for control of the company. In our opinion, it is hard to get excited about a one-day premium of 4.2% or, for that matter, by the 30-day premium. We understand that there are circumstances when such premiums are acceptable, such as when the business cannot successfully stand alone or when rumors of a transaction have leaked. That is not the circumstance here.

The announcement of this Providian transaction kicked off a small wave of acquisitions in the monoline credit card industry. We believe the Bank of America / MBNA transaction is a very good comparable transaction to evaluate with respect to what could have been achieved here. We certainly recognize that MBNA and Providian are not the same companies, as discussed below, but we believe the two recent transactions in the sector are instructive. The implied valuations of each transaction are shown in the table below.

	Providian - Washington Mutual (June 1, 2005)	Bank of America - MBNA Corp. (June 30, 2005)	HSBC Holdings - Metris Cos. (August 4, 2005)
Transaction Value(thousands)	$6,500,000	$35,000,000	$1,600,000
Merger Value per Share	$18.71	$27.50	$15.00
Equity Premium Paid			
1-Day	4.2%	30.5%	1.1%
30-Day	12.5%	30.4%	4.5%
Implied Multiples (1)			
2004	13.9	13.3	NA
FY 2005	11.8	13.8	20.8
FY 2006	10.6	12.5	16.9
Price / Earnings Growth (target)			
FY 2005	0.80x	1.23x	1.59x
FY 2006	0.78x	1.11x	1.28x
Premium to Net Receivables (2)(3)	18.4%	20.0%	11.0%
Historical Range (4)	6.5% - 22.0%		

(1) Based on mean estimates at time of each announcement
(2) Providian receivables premium as presented by advisors
(3) MBNA and Metris premiums as noted by news sources
(4) As presented by Citigroup and Goldman

We note that MBNA and Metris had the "scarcity" value on their sides since they negotiated after the Providian transaction. With fewer and fewer monoline credit card companies available, we believe that multiples have increased. (However, it is also the case that if shareholders reject this transaction, Providian will have the advantage of selling into a market with more buyers than sellers).



With respect to MBNA, the multiples and premium are certainly inflated because of the stock's recent trading pattern. The Company had disappointed the Street with its first quarter earnings, announcing a significant earnings miss on April 21, 2005. Upon that news, MBNA's total market value dropped by approximately 16%. It is not surprising then that MBNA was able to negotiate a fairly healthy premium to its then depressed stock price. Nevertheless, we believe the premium and multiples in that transaction can be instructive for Providian shareholders.

That being said, we note that MBNA is substantially larger and has different opportunities for growth and expansion than Providian. In our view, howver, Providian has some important advantages in the merger market over MBNA: it has recently outperformed expectations, was growing quickly, was a size that was suitable for more acquirors and had not recently disappointed the Street.

In valuing Providian in the merger market, which we do below, we began by using a range of 2005 EPS multiples that we believe are appropriate. To adjust the MBNA multiples, we considered the consensus 2005 EPS estimates for MBNA prior to its earnings miss in the first quarter. Analysts had 2005 pegged at approximately $2.26 of EPS. The proposed merger consideration of $27.50 per share of MBNA implies a unaffected multiple of 12.2x FY 2005 earnings. (This is considerably lower than the implied multiple at announcement of 13.8x the then-consensus FY 2005 earnings.) We believe this represents the low end of what Providian investors could expect from a competitive sale process.

For the high end, we took the midpoint between 12.2x and where the MBNA transaction actually went off, which results in 13.0x. Given the advantages Providian has in the merger market, we believe this represents a fair upper-end of the market.

In terms of EPS estimates for Providian, we note that the Street consensus estimate for 2005 was $1.59 at the time of announcement. However, after announcing the deal, the Company released its second quarter earnings, which had an upside surprise to earnings. The Company has continued to guide analysts that it will meet or exceed Street estimates. Unfortunately, most Street analysts are no longer publishing standalone EPS estimates for the Company, but we suspect if they did, concensus would be above $1.59 today.

Using these parameters, we derived the following valuation matrix to illustrate a range of potential merger values per share for Providian.

	Multiple Range		
Providian 2005 EPS Estimate	**12.2**	**12.6**	**13.0**
$ 1.59	$ 19.40	$ 20.03	$ 20.67
$ 1.69	$ 20.62	$ 21.29	$ 21.97
$ 1.79	$ 21.84	$ 22.55	$ 23.27
$ 1.89	$ 23.06	$ 23.81	$ 24.57
$ 1.99	$ 24.28	$ 25.07	$ 25.87

This analysis yields a per share value range that is between $19.40 and $25.87. The middle range of this matrix yields a per share value range that is between $21.29 and $23.81. Notably, merely considering the last fiscal year earnings estimate for Providian of $1.59 per share yields a per share value range that exceeds the implied merger value offered by Washington Mutual.

This methodology certainly is not perfect. But the combination of a low premium and an implied valuation based on the most comparable and recent transaction that is inadquate causes us grave concern. In this instance, we can take no solace from the Board's process since they did not seek to get alternative proposals or even check to see whether other parties were interested.

Summary

We believe that shareholders should be weary of transactions that have a low price, relative to comparable transactions, and have not been shopped. Here, the conduct of the board does not give us confidence that the proposed transaction maximizes shareholder value. We do not believe shareholders should give credit to a board that follows an apparently flawed process and achieves such a low-priced result.

Despite being the first of a string of transactions in the industry, we fail to see the justification for a deal with small premium, especially in light of the Company's performance. As shown above, we believe this Company is worth between $21 and $24 in the merger market today. We further believe a well-run process will yield that amount for shareholders. Even if it did not, the downside is limited: the business is performing well and can stand alone.

The Company, in our opinion, was not in a distressed situation; there was no need to rush into a transaction. In fact analysts have steadily increased their 2005 earnings estimate from $1.37 per share in December 2004 to $1.59 in June 2005, a 16% increase. In addition, the stock price has been in an upward trend, save from the occasional industry-wide factors.

Reflecting on all these factors and analyzing this deal objectively, we cannot help but recommend that shareholders oppose this transaction and empower the board to seek a higher price from this buyer or the several other obvious buyers.

In the worst case (i.e. the deal gets approved by others), shareholders will be left with the appraisal rights process in Delaware which has very little downside, given the stock's price and trajectory before the announcement. After all, the appraisal right is essentially a zero cost option for shareholders in this case. If the deal is approved, the investor has sixty days to elect the merger consideration or file for appraisal rights with the Delaware Court. It seems unlikely that the Court will conclude that the stock is worth less than what the stock was trading at prior to the announced transaction, which is a small discount to the deal price. In other words, the 60-day option is free and selecting appraisal rights at the end of that period might well produce a better outcome for investors.

The Delaware Chancery Court recently told directors that they have little to fear from the Court. In the Disney case, the Court refused to review the Board's actions with any great scrutiny and left that role to shareholders. The Court said, "The redress for failures that arise from faithful management must come from the markets, through the action of shareholders and the free flow of capital, and not from this Court." That being the case, we suggest that this is an instance in which shareholders, using the proxy voting process, ought to enforce best practices: companies should not be sold for tiny premiums without a rigorous sale process and market test.

With appraisal rights as a fallback, shareholders should speak up and reject the process and results of this board's decision. No objective observer or shareholder should be pleased with the small premium that resulted from this flawed sale process.

Accordingly, we recommend that shareholders vote **AGAINST** the proposal.

PROPOSAL 2.00: ADJOURN MEETING

AGAINST

This proposal seeks shareholder approval to adjourn the meeting if there are not sufficient votes for a quorum, in order to provide additional time to solicit proxies.

A majority of all of the shares of common stock entitled to vote will constitute a quorum for the transaction of business at the special meeting. In order for the second and third proposal to be approved, the number of votes cast in favor of the proposal must exceed the number of votes cast against the proposal.

Given our view that Proposal 1 is not in the best interests of shareholders, we do not believe that it would be wise for shareholders to grant the Company the opportunity to adjourn the meeting in order to solicit additional votes if their view of Proposal 1 is not the prevailing view at the time of the meeting.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

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