

PROVIDENT FINANCIAL HOLDINGS INC

Form DEF 14A

October 24, 2013

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the registrant

Filed by a party other than the registrant

Check the appropriate box:

- Preliminary proxy statement  
Confidential, for use of the Commission only (as permitted by Rule  
14a-6(e)(2))
- Definitive proxy statement
- Definitive additional materials
- Soliciting material under Rule 14a-12

PROVIDENT FINANCIAL HOLDINGS, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of filing fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:  
N/A
- (2) Aggregate number of securities to which transactions applies:  
N/A
- (3) Per unit price or other underlying value of transaction computed pursuant to  
Exchange Act Rule 0-11:  
N/A
- (4) Proposed maximum aggregate value of transaction:  
N/A
- (5) Total fee paid:  
N/A

Fee paid previously with preliminary materials:

N/A

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

- (1) Amount previously paid:  
N/A
- (2) Form, Schedule or Registration Statement No.:  
N/A
- (3) Filing party:  
N/A

(4)

Date filed:

N/A

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October 24, 2013

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Provident Financial Holdings, Inc. to be held at the Riverside Art Museum, located at 3425 Mission Inn Avenue, Riverside, California, on Tuesday, November 26, 2013, at 11:00 a.m., local time.

The Notice of Annual Meeting of Shareholders and Proxy Statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations. Directors and officers will be present to respond to appropriate questions from shareholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Craig G. Blunden

Craig G. Blunden  
Chairman and Chief Executive Officer

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PROVIDENT FINANCIAL HOLDINGS, INC.

3756 Central Avenue  
Riverside, California 92506  
(951) 686-6060

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On November 26, 2013

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Notice is hereby given that the annual meeting of shareholders of Provident Financial Holdings, Inc. will be held at the Riverside Art Museum, located at 3425 Mission Inn Avenue, Riverside, California, on Tuesday, November 26, 2013, at 11:00 a.m., local time, for the following purposes:

Proposal 1. To elect three directors to each serve for a term of three years;

Proposal 2. To approve, on an advisory basis (non-binding), our executive compensation as disclosed in this Proxy Statement;

Proposal 3. To adopt the Provident Financial Holdings, Inc. 2013 Equity Incentive Plan; and

Proposal 4. To ratify the appointment of Deloitte & Touche LLP as the independent auditor for Provident Financial Holdings, Inc. for the fiscal year ending June 30, 2014.

We will also consider and act upon such other matters as may properly come before the meeting or any adjournments or postponements thereof. As of the date of this notice, we are not aware of any other business to come before the meeting.

The Board of Directors has fixed the close of business on October 11, 2013 as the record date for the annual meeting. This means that shareholders of record at the close of business on that date are entitled to receive notice of, and to vote at, the meeting and any adjournment thereof. To ensure that your shares are represented at the meeting, please take the time to vote by signing, dating and mailing the enclosed proxy card which is solicited by the Board of Directors. The proxy will not be used if you attend the annual meeting and vote in person. Regardless of the number of shares you own, your vote is very important. Please act today.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ DONAVON P. TERNES

DONAVON P. TERNES  
Secretary

Riverside, California  
October 24, 2013

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IMPORTANT: The prompt return of proxies will save us the expense of further requests for proxies in order to ensure a quorum. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.

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PROXY STATEMENT  
OF  
PROVIDENT FINANCIAL HOLDINGS, INC.  
3756 CENTRAL AVENUE  
RIVERSIDE, CALIFORNIA 92506

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ANNUAL MEETING OF SHAREHOLDERS  
NOVEMBER 26, 2013

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The Board of Directors of Provident Financial Holdings, Inc. is using this Proxy Statement to solicit proxies from our shareholders for use at the annual meeting of shareholders. We are first mailing this Proxy Statement and the enclosed form of proxy to our shareholders on or about October 24, 2013.

The information provided in this Proxy Statement relates to Provident Financial Holdings, Inc. and its wholly-owned subsidiary, Provident Savings Bank, F.S.B. Provident Financial Holdings, Inc. may also be referred to as "Provident" and Provident Savings Bank, F.S.B. may also be referred to as "Provident Savings Bank" or the "Bank." References to "we," "us" and "our" refer to Provident and, as the context requires, Provident Savings Bank.

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INFORMATION ABOUT THE ANNUAL MEETING

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Our annual meeting will be held as follows:

Date:	Tuesday, November 26, 2013
Time:	11:00 a.m., local time
Place:	Riverside Art Museum, located at 3425 Mission Inn Avenue, Riverside, California

Matters to Be Considered at the Annual Meeting

At the meeting, you will be asked to consider and vote upon the following proposals:

Proposal 1. Election of three directors of Provident to each serve for a three-year term.

Proposal 2. Advisory (non-binding) vote to approve our executive compensation as disclosed in this Proxy Statement.

Proposal 3. Adoption of the Provident Financial Holdings, Inc. 2013 Equity Incentive Plan.

Proposal 4. Ratification of the appointment of Deloitte & Touche LLP as Provident's independent auditor for the fiscal year ending June 30, 2014.

We also will transact any other business that may properly come before the annual meeting. As of the date of this Proxy Statement, we are not aware of any other business to be presented for consideration at the annual meeting other than the matters described in this Proxy Statement.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on November 26, 2013

Our Proxy Statement and Annual Report to Shareholders, are available at <http://www.cfpproxy.com/3976>. The following materials are available for review:

Proxy Statement;  
proxy card; and  
Annual Report to Shareholders.

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Directions to attend the annual meeting, where you may vote in person, can be found online at <http://www.cfpproxy.com/3976>.

#### Who Is Entitled to Vote?

We have fixed the close of business on October 11, 2013 as the record date for shareholders entitled to notice of and to vote at our annual meeting. Only holders of record of Provident's common stock on that date are entitled to notice of and to vote at the annual meeting. You are entitled to one vote for each share of Provident common stock you own. On October 11, 2013, there were 10,201,348 shares of Provident common stock outstanding and entitled to vote at the annual meeting.

#### How Do I Vote at the Annual Meeting?

Proxies are solicited to provide all shareholders of record on the voting record date an opportunity to vote on matters scheduled for the annual meeting and described in these materials. You are a shareholder of record if your shares of Provident common stock are held in your name. If you are a beneficial owner of Provident common stock held by a broker, bank or other nominee (i.e., in "street name"), please see the instructions in the following question.

Shares of Provident common stock can only be voted if the shareholder is present in person or by proxy at the annual meeting. To ensure your representation at the annual meeting, we recommend you vote by proxy even if you plan to attend the annual meeting. You can always change your vote at the meeting if you are a shareholder of record.

Voting instructions are included on your proxy card. Shares of Provident common stock represented by properly executed proxies will be voted by the individuals named on the proxy card in accordance with the shareholder's instructions. Where properly executed proxies are returned to us with no specific instruction as how to vote at the annual meeting, the persons named in the proxy will vote the shares FOR the election of each of our director nominees, FOR advisory approval of our executive compensation as disclosed in this Proxy Statement, FOR the adoption of the 2013 Equity Incentive Plan and FOR the ratification of the appointment of the independent auditor. If any other matters are properly presented at the annual meeting for action, the persons named in the enclosed proxy and acting thereunder will have the discretion to vote on these matters in accordance with their best judgment. We do not currently expect that any other matters will be properly presented for action at the annual meeting.

You may receive more than one proxy card depending on how your shares are held. For example, you may hold some of your shares individually, some jointly with your spouse and some in trust for your children. In this case, you will receive three separate proxy cards to vote.

#### What if My Shares Are Held in Street Name?

If you are the beneficial owner of shares held in street name by a broker, your broker, as the record holder of the shares, is required to vote the shares in accordance with your instructions. If your common stock is held in street name, you will receive instructions from your broker that you must follow in order to have your shares voted. Your broker may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form that accompanies this Proxy Statement. If you do not give instructions to your broker, your broker may nevertheless vote the shares with respect to discretionary items, but will not be permitted to vote your shares with respect to non-discretionary items, pursuant to current industry practice. In the case of non-discretionary items, shares not voted are treated as "broker non-votes." The proposals to elect directors and adopt the 2013 Equity Incentive Plan, and the advisory vote on executive compensation are considered non-discretionary items; therefore, you must provide instructions to your broker in order to have your shares voted on these proposals.

If your shares are held in street name, you will need proof of ownership to be admitted to the annual meeting. A recent brokerage statement or letter from the record holder of your shares are examples of proof of ownership. If you want to vote your shares of common stock held in street name in person at the annual meeting, you will have to get a written proxy in your name from the broker, bank or other nominee who holds your shares.

### How Will My Shares of Common Stock Held in the Employee Stock Ownership Plan Be Voted?

We maintain an employee stock ownership plan (“ESOP”) for the benefit of our employees. Each ESOP participant may instruct the ESOP trustee how to vote the shares of Provident common stock allocated to his or her account under the ESOP by completing the proxy card, which represents a voting instruction to the trustees. If an ESOP participant properly executes the proxy card, the ESOP trustee will vote the participant’s shares in accordance with the participant’s instructions. Unallocated shares of Provident common stock held by the ESOP and allocated shares for which no voting instructions are received will be voted by the trustee in the same proportion as shares for which the trustee has received voting instructions.

### How Many Shares Must Be Present to Hold the Meeting?

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of at least a majority of the shares of Provident common stock entitled to vote at the annual meeting as of the record date will constitute a quorum. Proxies received but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

### What if a Quorum Is Not Present at the Meeting?

If a quorum is not present at the scheduled time of the meeting, a majority of the shareholders present or represented by proxy may adjourn the meeting until a quorum is present. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given unless the meeting is adjourned for 30 days or more. An adjournment will have no effect on the business that may be conducted at the meeting.

### Vote Required to Approve Proposal 1: Election of Directors

Directors are elected by a plurality of the votes cast, in person or by proxy, at the annual meeting by holders of Provident common stock. Accordingly, the three nominees for election as directors who receive the highest number of votes actually cast will be elected. Pursuant to our Certificate of Incorporation, shareholders are not permitted to cumulate their votes for the election of directors. Votes may be cast for or withheld from each nominee. Votes that are withheld and broker non-votes will have no effect on the outcome of the election because the nominees receiving the greatest number of votes will be elected. Our Board of Directors unanimously recommends that you vote FOR the election of each of its director nominees.

### Vote Required to Approve Proposal 2: Advisory Vote on Executive Compensation

Approval of the advisory (non-binding) vote on executive compensation requires the affirmative vote of the majority of the votes cast, in person or by proxy, at the annual meeting by holders of Provident common stock. Abstentions and broker non-votes do not constitute votes cast and therefore will have no effect on the approval of the proposal. Our Board of Directors unanimously recommends that you vote FOR the adoption of an advisory resolution to approve our executive compensation as disclosed in this Proxy Statement.

### Vote Required to Approve Proposal 3: Adoption of the 2013 Equity Incentive Plan

Approval of the Provident Financial Holdings, Inc. 2013 Equity Incentive Plan requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the annual meeting by holders of Provident common stock. Any shareholder represented in person or by proxy at the meeting and entitled to vote on the subject matter may elect to abstain from voting on this proposal. If so, such abstention will not be counted as a vote cast on the proposal and, therefore, will have no effect on the outcome of the vote on the proposal. Provided there is a quorum of shareholders present in person or by proxy, shareholders not attending the meeting, in person or by proxy, will also have no effect

on the outcome of this proposal. Broker non-votes do not constitute votes cast and will have no effect on the outcome of the proposal. Our Board of Directors unanimously recommends that you vote FOR approval of the 2013 Equity Incentive Plan.

Vote Required to Approve Proposal 4: Ratification of Appointment of Independent Auditor

Ratification of the appointment of the independent auditor requires the affirmative vote of a majority of the votes cast, in person or by proxy, at the annual meeting by holders of Provident common stock. Abstentions and broker non-votes do not constitute votes cast and therefore will have no effect on the approval of the proposal. Our Board of Directors unanimously recommends that you vote FOR the ratification of the appointment of Deloitte & Touche LLP as Provident's independent auditor for the fiscal year ending June 30, 2014.

May I Revoke My Proxy?

You may revoke your proxy before it is voted by:

submitting a new proxy with a later date;

notifying the Secretary of Provident in writing before the annual meeting that you have revoked your proxy; or

voting in person at the annual meeting.

If you plan to attend the annual meeting and wish to vote in person, we will give you a ballot at the annual meeting. However, if your shares are held in street name, you must bring a validly executed proxy from the nominee indicating that you have the right to vote your shares.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table sets forth, as of October 11, 2013, the voting record date, information regarding share ownership of:

those persons or entities (or groups of affiliated persons or entities) known by management to beneficially own more than five percent of Provident's common stock;

each director and director nominee of Provident;

each executive officer of Provident or Provident Savings Bank named in the Summary Compensation Table appearing under "Executive Compensation" below (known as "named executive officers"); and

all current directors and executive officers of Provident and Provident Savings Bank as a group.

Persons and groups who beneficially own in excess of five percent of Provident's common stock are required to file with the Securities and Exchange Commission ("SEC"), and provide a copy to us, reports disclosing their ownership pursuant to the Securities Exchange Act of 1934. To our knowledge, no other person or entity, other than those set forth below, beneficially owned more than five percent of the outstanding shares of Provident's common stock as of the close of business on the voting record date.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In accordance with Rule 13d-3 of the Securities Exchange Act, a person is deemed to be the beneficial owner of any shares of common stock if he or she has voting and/or investment power with respect to those shares. Therefore, the table below includes shares

owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership, over which shares the persons named in the table may possess voting and/or investment power. In addition, in computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to outstanding options that are currently exercisable or exercisable within 60 days after the voting record date are included in the number of shares beneficially owned by the person and are deemed outstanding for the purpose of calculating the person's percentage ownership. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Name	Number of Shares Beneficially Owned (1)	Percent of Shares Outstanding (%)
<b>Beneficial Owners of More Than 5%</b>		
Provident Savings Bank, F.S.B. Employee Stock Ownership Plan Trust 3756 Central Avenue Riverside, California 92506	1,276,047	12.51
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	1,115,719 (2)	10.94
Joseph Stilwell and affiliated entities 111 Broadway, 12th Floor New York, New York 10006	770,706 (3)	7.55
Sy Jacobs and affiliated entities 11 East 26th Street New York, New York 10010	604,989 (4)	5.93
Raffles Associates, L.P. One Penn Plaza, Suite 1628 New York, New York 10119	547,826 (5)	5.37
Dimensional Fund Advisors LP Palisades West, Building One, 6300 Bee Cave Road Austin, Texas 78746	538,863 (6)	5.28
<b>Directors and Director Nominees</b>		
Joseph P. Barr	54,018	*
Bruce W. Bennett	86,396 (7)	*
Judy A. Carpenter	1,000	*
Debbi H. Guthrie	58,013	*
Roy H. Taylor	132,204	1.30
William E. Thomas	118,773 (8)	1.16
<b>Named Executive Officers</b>		
Craig G. Blunden**	297,690 (9)	2.92
Donavon P. Ternes	247,078	2.42
	(10)	
Richard L. Gale	119,676	1.17
Kathryn R. Gonzales	76,337	*
David S. Weiant	67,908	*

All Executive Officers and Directors as a Group (11 persons)	1,259,093	12.34
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\* Less than one percent of shares outstanding.

\*\* Mr. Blunden is also a director of Provident.

(1) Shares held in accounts under the ESOP, as to which the holders have voting power but not investment power, are included as follows: Mr. Blunden, 50,867 shares; Mr. Ternes, 22,109 shares; Mr. Gale, 42,800 shares; Ms. Gonzales, 5,261 shares; Mr. Weiant, 4,908 shares; and all executive officers as a group, 125,945 shares. The amounts shown also include the following number of shares which the indicated individuals have the right to acquire within 60 days of the close of business on the voting record date through the exercise of stock options granted pursuant to our stock option plans: Messrs. Barr, Bennet and Taylor and Ms. Guthrie, 42,300 shares each; Mr. Thomas, 33,300 shares; Mr. Blunden, 125,000 shares; Mr. Ternes, 100,500 shares; Mr. Gale, 36,500 shares; Ms. Gonzales, 68,000 shares; Mr. Weiant, 60,000 shares; and all executive officers and directors as a group, 592,500 shares.

(Footnotes continue on following page)

- (2) Based solely on a Schedule 13G/A dated August 8, 2013, reporting sole voting and dispositive power over the shares reported.
- (3) Based solely on a Schedule 13D dated May 2, 2013. According to this filing, Stilwell Value Partners II, L.P., Stilwell Value Partners VI, L.P., Stilwell Value Partners VII, L.P., Stilwell Activist Fund, L.P., Stilwell Activist Investments, L.P., Stilwell Associates, L.P., Stilwell Associates Insurance Fund of the S.A.L.I. Multi-Series Fund L.P., Stilwell Value LLC, Stilwell Advisers LLC and Joseph Stilwell have shared voting and dispositive power over the shares reported.
- (4) Based solely on a Schedule 13G/A dated February 14, 2013. According to this filing: Sy Jacobs has sole voting and dispositive power over 45,000 shares and shared voting and dispositive power over 559,989 shares; Jacobs Asset Management, LLC has shared voting and dispositive power over 559,989 shares; and each of JAM Managers LLC and JAM Partners, L.P. have shared voting and dispositive power over 465,806 shares.
- (5) Based solely on a Schedule 13G/A dated February 13, 2013, reporting sole voting and dispositive power over the shares reported.
- (6) Based solely on a Schedule 13G dated February 8, 2013, reporting sole voting power over 531,875 shares and sole dispositive power over 538,863 shares.
- (7) Includes 1,980 shares owned by Mr. Bennett's spouse.
- (8) Includes 10,571 shares owned by the William E. Thomas, Inc. Profit Sharing Plan.
- (9) Excludes any shares owned by Mr. Blunden's spouse for which Mr. Blunden disclaims beneficial ownership as a result of a legal separation between the parties.
- (10) Includes 47,500 shares owned by Mr. Ternes' spouse.

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## PROPOSAL 1 – ELECTION OF DIRECTORS

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Our Board of Directors consists of seven members and is divided into three classes. Approximately one-third of the directors are elected annually to serve for a three-year period or until their respective successors are elected and qualified. The table below sets forth information regarding each director of Provident and each nominee for director. The Nominating Committee of the Board of Directors selects nominees for election as directors. Each of our nominees currently serve as directors of Provident and Provident Savings Bank. Each nominee has consented to being named in this Proxy Statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board of Directors may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority. At this time, we are not aware of any reason why a nominee might be unable to serve if elected.

The Board of Directors recommends a vote FOR the election of Joseph P. Barr, Bruce W. Bennett and Debbi H. Guthrie.

Name	Age as of June 30, 2013	Year First Elected Director (1)	Term to Expire
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### BOARD NOMINEES

Joseph P. Barr	67	2001	2016 (2)
Bruce W. Bennett	64	1993	2016 (2)
Debbi H. Guthrie	62	1994	2016 (2)

DIRECTORS CONTINUING IN OFFICE

Craig G. Blunden	65	1975	2014
Roy H. Taylor	62	1990	2014
Judy A. Carpenter	56	2012	2015
William E. Thomas	64	1997	2015

(1) For years prior to 1996, includes prior service on the Board of Directors of Provident Savings Bank.

(2) Assuming reelection.

Set forth below is the principal occupation of each nominee for director and each director continuing in office, as well as a brief description of the qualifications, attributes, skills and areas of expertise of each nominee or director that makes the director uniquely qualified to serve on Provident's Board of Directors. All nominees and directors have held their present positions for at least five years unless otherwise indicated.

Joseph P. Barr is a Certified Public Accountant in California and Ohio and has been in public accounting for more than 40 years. He is currently a principal with Swenson Accountancy Corp., a regional assurances and business services firm, with which he has been associated since 1996. He also serves on the Board of Directors of the Riverside Community Health Foundation and the A. Gary Anderson Graduate School of Management Advisory Committee at the University of California at Riverside. Mr. Barr currently serves as Chairman of our Audit Committee and serves on our Nominating and Corporate Governance Committee. As a certified public accountant, Mr. Barr brings a wealth of financial and risk management expertise to the Board and he possesses practical business experience from his many years of advising clients on business opportunities and best practices.

Bruce W. Bennett provides consulting services to the healthcare industry primarily related to quality assurance, risk management, marketing and business development. Previously, he was the President and owner of Community Care and Rehabilitation Center, a skilled nursing facility, with which he had been associated since 1973, until he sold the company in 2010. He serves on the Board of Directors of Riverside Community Hospital, the National Down Syndrome Congress, and is Chairman Emeritus of Riverside Community Health Foundation. Mr. Bennett currently serves on our Personnel/Compensation Committee and Nominating and Corporate Governance Committee. Mr. Bennett brings entrepreneurial knowledge and business management experience to the Board through his experience owning and operating a business in the highly regulated health care industry.

Debbi H. Guthrie is the Senior Vice President of Raincross Hospitality Corporation where she manages three subsidiary organizations: the Riverside Convention and Visitors Bureau; the Riverside Convention Center; and the Riverside Sports Commission, where she is also a director. Prior to that, she was the President and owner of Roy O. Huffman Roof Company with which she had been associated since 1971 until she sold the company in 2004. Currently, Ms. Guthrie is active in many community organizations. Ms. Guthrie serves on our Audit Committee and Nominating and Corporate Governance Committee. As a successful business owner and operator that provided construction services to the real estate community, public sector and locally owned businesses, Ms. Guthrie provides unique knowledge of the financial needs of businesses in the markets and communities we serve.

Craig G. Blunden has been associated with Provident Savings Bank since 1974, currently serving as Chairman and Chief Executive Officer of the Bank and Provident, positions he has held since 1991 and 1996, respectively. He served as President of the Bank from 1991 until June 2011 and as President of Provident from its formation in 1996 until June 2011. Mr. Blunden also serves on the Board of Directors of the California Bankers Association, the Federal Home Loan Bank of San Francisco and the Monday Morning Group. Mr. Blunden has gained invaluable banking expertise in all areas of banking from his years of service in the financial services industry.

Roy H. Taylor is the President, West Region, Hub International Limited, and the Chief Executive Officer of Hub International of California, Inc. ("Hub International"), with which he has been associated since 2004. Prior to that, Mr. Taylor was President of Talbot Agency, Inc., an insurance brokerage firm, with which he had been associated since 1972 and which was acquired by Hub International in 2004. Mr. Taylor currently serves as Chairman of our Personnel/Compensation Committee and serves on our Long Range Planning Committee and Nominating and Corporate Governance Committee. Mr. Taylor brings extensive knowledge of the financial services industry with a specialty in insurance and particular knowledge regarding strategic planning, risk management and mergers and acquisitions.

Judy A. Carpenter is the President and Chief Operating Officer of Riverside Medical Clinic, the largest physician owned multi-specialty medical group in the Inland Empire. Riverside Medical Clinic is comprised of 150 physicians and 750 employees, with five clinics and an outpatient surgery center. Ms. Carpenter is a graduate of California State Polytechnic University - Pomona in Business Administration with a major in Accounting, and is a Certified Public Accountant. Ms. Carpenter has over 30 years of healthcare industry experience, beginning her career in public accounting and joining Riverside Medical Clinic in 1988. Active in the community, she is a member of the Monday

Morning Group and the Raincross Group. In addition, she is Chairman for the Greater Riverside Chambers of Commerce. She currently serves on the boards for the Janet Goeske Senior Center and Foundation, Riverside County Regional Medical Center Foundation, and Riverside Community Health Foundation. Ms. Carpenter currently serves on our Audit Committee. Ms. Carpenter is uniquely qualified to serve on our Board of Directors with extensive business knowledge, financial expertise and unparalleled familiarity with our local markets and communities.

William E. Thomas, a principal of William E. Thomas, Inc., a Professional Law Corporation since 2001, is general counsel to a diversified assortment of medical groups and medical management companies in Southern California. From 1998 to the present, Mr. Thomas has served as Executive Vice President and General Counsel of Strategic Global Management, Inc., a medical ventures firm based in Riverside, California. Prior to that, Mr. Thomas was the founding and managing partner of a private law firm in Riverside, California. He currently serves as Chairman of our Long Range Planning Committee and Nominating and Corporate Governance Committee, and serves on our Personnel/Compensation Committee. As a practicing attorney, Mr. Thomas has advised boards of directors on corporate governance, mergers and acquisitions and regulatory matters, providing the Board with a unique understanding of a broad range of legal and regulatory responsibilities. Mr. Thomas is also a director of Integrated Healthcare Holdings, Inc.

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## BOARD OF DIRECTORS' MEETINGS, BOARD COMMITTEES AND CORPORATE GOVERNANCE MATTERS

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### Board of Directors

The Boards of Directors of Provident and Provident Savings Bank conduct their business through board and committee meetings. During the fiscal year ended June 30, 2013, the Provident Board of Directors held 11 meetings and the Bank Board of Directors held 11 meetings. No director attended fewer than 75% of the total meetings of the boards and committees on which that person served during this period.

### Committees and Committee Charters

Provident's Board of Directors has a standing Nominating and Corporate Governance Committee. The Boards of Directors of Provident and Provident Savings Bank have a joint Audit Committee and Personnel/Compensation Committee. All of these committees have adopted written charters, copies of which are available on our website at [www.myprovident.com](http://www.myprovident.com).

**Audit Committee.** The Audit Committee, which currently consists of Directors Barr (Chairman), Carpenter and Guthrie, is responsible for reviewing the adequacy of our system of internal accounting controls, approving the services provided by our independent outside auditor and meeting with the auditor to discuss the results of the annual audit and any related matters. The Audit Committee has a charter which specifies its obligations and the Committee believes it has fulfilled its responsibilities under the charter. Each member of the Audit Committee is "independent," in accordance with the requirements for companies listed on Nasdaq. The Audit Committee members do not have any relationship with us that may interfere with the exercise of their independence from management and Provident. None of the Audit Committee members are current officers or employees of Provident or its affiliates. Mr. Barr meets the definition of "audit committee financial expert," as defined by the SEC. The Audit Committee met four times during the fiscal year ended June 30, 2013.

**Nominating and Corporate Governance Committee.** The Nominating and Corporate Governance Committee, which currently consists of Directors Thomas (Chairman), Barr, Bennett, Guthrie and Taylor, selects the nominees for election as directors. The Committee also assists the Board in identifying individuals to become Board members and in developing and implementing corporation governance policies. Each member of the Committee is "independent," in accordance with the requirements for companies listed on Nasdaq. The Nominating and Corporate Governance Committee met once during the fiscal year ended June 30, 2013.

Only those nominations made by the Nominating and Corporate Governance Committee or properly presented by shareholders will be voted upon at the annual meeting of shareholders. In its deliberations for selecting candidates for nominees as director, the Committee considers the candidate's knowledge of the banking business; involvement in local community, business and civic affairs; record of accomplishment in his or her chosen field; depth and breadth of experience at an executive, policy-making level; personal and professional ethics, integrity and values; absence of real and perceived conflicts of interest; ability and willingness to devote sufficient time to become knowledgeable about Provident and to effectively carry out the duties and responsibilities of service; ability to attend all or almost all Board meetings in person; ability to develop a good working relationship with other Board members; ability to contribute to

the Board's working relationship with senior management; and whether the candidate would provide for adequate representation of Provident Savings Bank's market area. Any nominee for director made by the Committee must be highly qualified with regard to some or all these attributes. In addition, no person may serve as a director if that person receives compensation from any person or entity other than Provident in connection with candidacy or service as a director of Provident. Finally, viewpoint, skill, education, values, race, gender, national origin and culture are considered to provide for diversity on our Board of Directors. These diversity factors are considered when the Nominating and Corporate Governance Committee and Board are seeking to fill a vacancy or new seat on the Board.

In searching for qualified director candidates to fill vacancies on the Board, the Committee solicits its current Board of Directors for names of potentially qualified candidates. Additionally, the Committee may request that members of the Board of Directors pursue their own business contacts for the names of potentially qualified candidates. The Committee would then consider the potential pool of director candidates, select the candidate the Committee believes best meets the then-current needs of the Board, and conduct a thorough investigation of the proposed candidate's background to ensure there is no past history that would cause the candidate not to be qualified to serve as a director of Provident. Although the Committee's charter does not specifically provide for the consideration of shareholder nominees for directors, the Committee will consider director candidates recommended by our shareholders in accordance with Provident's Certificate of Incorporation. Because the Certificate of Incorporation provides a process for shareholder nominations, the Committee did not feel it was necessary to provide for shareholder nominations of directors in a charter. If a shareholder submits a proposed nominee, the Committee would consider the proposed nominee, along with any other proposed nominees recommended by members of our Board of Directors, in the same manner in which the Committee would evaluate its nominees for director. For a description of the proper procedure for shareholder nominations, see "Shareholder Proposals" in this Proxy Statement.

**Personnel/Compensation Committee.** The Personnel/Compensation Committee, currently consisting of Directors Taylor (Chairman), Bennett and Thomas, is responsible for establishing and implementing all compensation policies of Provident, Provident Savings Bank and its subsidiaries and may delegate lower level policies and procedures to the Human Resource Department. The Committee is also responsible for evaluating the performance of the Chief Executive Officer of the Bank and approving an appropriate compensation level. The Chief Executive Officer evaluates the performance of all senior officers of the Bank and recommends to the Committee individual compensation levels for approval by the Committee. The Committee met four times during the fiscal year ended June 30, 2013.

#### Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer are held by the same person. The Board has determined that it is in the best interests of Provident not to have a policy regarding the separation of these roles, allowing the Board greater flexibility to establish a leadership structure that fits the needs of Provident at any particular point in time. The current structure makes the best use of the Chief Executive Officer's extensive knowledge of our industry and of Provident; recognizes that he is best situated to lead discussions on important matters affecting the business of Provident; and creates a firm link between the Board and management fostering effective communication. Additionally, Provident does not have a lead independent director but believes that the chairmen of our Board committees demonstrate exemplary leadership working in concert with the remaining independent directors and Chairman of the Board.

#### Board Involvement in Risk Management Process

We believe that effective risk management is of primary importance to the success of Provident. We have a comprehensive risk management process that monitors, evaluates and manages the risks we assume in conducting our activities. Our Board's oversight of the risk management process is conducted through:

the responsibilities of the Board's standing committees;

Board-approved policies and procedures that limit the risk exposure of certain business activities;

periodic reports from management to ensure compliance with and evaluate the effectiveness of risk limits and controls;

employees who oversee day-to-day risk management duties, including the Risk Administrator who reports directly to the Audit Committee, and Compliance Officer;

selecting, evaluating, and retaining competent senior management; and

approval of long and short-term business objectives and goals contained in the Board approved business plan.

Directors keep themselves informed of the activities and condition of Provident and of the risk environment in which it operates by regularly attending Board and assigned Committee meetings, and by review of meeting materials, auditor's findings and recommendations, and regulatory communications. Directors stay abreast of general industry trends and statutory and regulatory developments by periodic briefings by senior management, counsel, auditors or other consultants, and by more formal director education.

#### Corporate Governance

We are committed to establishing and maintaining high standards of corporate governance. The Board of Directors is cognizant of its responsibility to comply with the provisions contained in the Sarbanes-Oxley Act of 2002, the rules and regulations of the SEC adopted thereunder, and the rules of Nasdaq with respect to corporate governance. The Board and its committees will continue to evaluate and improve our corporate governance principles and policies as necessary and as required.

**Director Independence.** Our common stock is listed on the Nasdaq Global Select Market. In accordance with Nasdaq requirements, at least a majority of our directors must be independent directors. The Board has determined that six of our seven directors are independent, as defined by Nasdaq. Directors Barr, Bennett, Carpenter, Guthrie, Taylor and Thomas are all independent. Only Craig Blunden, who is our Chairman and Chief Executive Officer, is not independent.

**Code of Ethics.** On June 30, 1995, the Board of Directors adopted, and on June 24, 2013 reviewed and approved the Code of Ethics. The Code is applicable to our employees, as well as the Board of Directors, Chief Executive Officer, Chief Financial Officer, Controller and senior management, and requires individuals to maintain the highest standards of professional conduct. A copy of the Code of Ethics is available on our website at [www.myprovident.com](http://www.myprovident.com).

**Shareholder Communication with the Board of Directors.** The Board of Directors maintains a process for shareholders to communicate with the Board. Shareholders wishing to communicate with the Board of Directors may do so by mailing a letter marked "Confidential" to the Board of Directors, Provident Financial Holdings, Inc., 3756 Central Avenue, Riverside, California 92506. Any communication must state the number of shares beneficially owned by the shareholder initiating the communication.

**Annual Meeting Attendance by Directors.** We do not have a policy regarding Board member attendance at the annual meetings of shareholders. All members of the Board of Directors attended the 2012 annual meeting of shareholders.

**Certain Relationships and Related Transactions.** During the year ended June 30, 2013, neither Provident nor Provident Savings Bank participated in any transactions, or proposed transactions, in which the amount involved exceeded \$120,000 and in which any related person had a direct or indirect material interest.



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DIRECTORS' COMPENSATION

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The following table shows the compensation paid to our directors for the fiscal year ended June 30, 2013, with the exception of Craig G. Blunden, who is our Chairman and Chief Executive Officer, and whose compensation is included in the section entitled "Executive Compensation." The directors did not receive any non-equity incentive plan compensation, nor do they participate in any pension plans or deferred compensation plans; therefore, these columns have been omitted from the table below.

Name	Fees Earned or Paid in Cash (\$)	Option Awards (\$)(1)	All Other Compensation (\$)(2)	Total (\$)
Joseph P. Barr	29,000	--	20,842	49,842
Bruce W. Bennett	28,200	--	20,842	49,042
Judy A. Carpenter	20,200	167,000 (3)	15,000	202,200
Debbi H. Guthrie	28,600	--	20,842	49,442
Roy H. Taylor	29,000	--	15,292	44,292
William E. Thomas	28,600	--	15,000	43,600

- (1) Represents the aggregate grant date fair value, computed in accordance with Financial Accounting Standards Board Accounting Standards Topic 718, "Compensation - Stock Compensation" ("FASB ASC Topic 718"). For a discussion of valuation assumptions, see Note 12 of the Notes to Consolidated Financial Statements in Provident's Annual Report on Form 10-K for the year ended June 30, 2013.
- (2) Represents Provident's cost for each director's participation in certain group life, health and disability insurance, and medical reimbursement plans that are generally available to salaried employees and do not discriminate in scope, terms or operation, as well as a \$15,000 bonus paid to each director.
- (3) Consists of an award of options to purchase 20,000 shares of Provident's stock, granted on December 20, 2012. The award has a cliff vesting schedule, with 50% vesting on December 20, 2014 and 50% vesting on December 20, 2016.

Non-employee directors of Provident Savings Bank currently receive a monthly retainer of \$2,500, a fee of \$400 for each committee meeting attended and a fee of \$1,000 for each special board meeting attended. The committee chairman receives a fee of \$500 per committee meeting attended. In addition, directors are covered under the Bank's policies for medical, dental and vision care. Dependent coverage is available at the directors' own expense. Following retirement from the Board of Directors, Director Taylor will continue to receive this coverage (or supplemental coverage if he is eligible to receive Medicare) as he was grandfathered into prior benefit practices. Remaining directors are ineligible for coverage subsequent to retirement. No separate fees are paid for service on the Provident Board of Directors. Employee directors receive no separate compensation for their services.

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EXECUTIVE COMPENSATION

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Compensation Discussion and Analysis

Personnel/Compensation Committee. The Personnel/Compensation Committee of the Provident and Provident Savings Bank Boards of Directors is responsible for establishing and implementing all compensation policies of Provident, Provident Savings Bank and its subsidiaries. The Committee is also responsible for evaluating the performance of the Chief Executive Officer and approving an appropriate compensation level. The Chief Executive Officer evaluates the performance of all senior officers and recommends to the Committee individual compensation levels for approval by the Committee.

Objectives and Overview of the Compensation Program. The Personnel/Compensation Committee believes that a compensation program for executive officers should take into account management skills, long-term performance results and shareholder returns. The principles underlying our compensation policies are:

to attract and retain key executives who are highly qualified and are vital to the long-term success of Provident and its subsidiaries;

to provide levels of compensation competitive with those offered throughout the banking industry;

to align the interests of executives with shareholders by having a significant portion of total compensation based on meeting defined performance measures;

to motivate executives to enhance long-term shareholder value by helping them build their own ownership in Provident; and

to integrate the compensation program with the Bank's long-term strategic planning and management process.

The Committee considers a variety of subjective and objective factors in determining the compensation package for individual executives including: (1) the performance of Provident and Provident Savings Bank on a consolidated basis with emphasis on annual performance factors and long-term objectives; (2) the responsibilities assigned to each executive; and (3) the performance of each executive of assigned responsibilities as measured by the progress of Provident and Provident Savings Bank during the year.

**Compensation Consultant.** The Personnel/Compensation Committee has the authority to retain compensation advisers. Although the Committee has not retained a compensation consultant in recent years, it engaged Pearl Meyer & Partners ("PM&P") to assist it with matters related to the adoption of the 2013 Equity Incentive Plan. The Committee asked PM&P to review the draft plan and the description of the plan included in this Proxy Statement. PM&P was retained by, and reported directly to, the Personnel/Compensation Committee, and provides no other services to Provident. Prior to engaging PM&P, the Committee assessed its independence as required by Nasdaq rules and concluded that PM&P is independent. The Committee reviewed and considered information provided to it by PM&P and based on its review and such factors as it deemed relevant, the Committee concluded that the information it received from PM&P is objective and did not raise any conflicts of interest.

**Compensation Program Elements.** The Personnel/Compensation Committee focuses primarily on the following three components in forming the total compensation package for our executive officers:

base salary;

annual incentive compensation; and

long-term equity-based compensation.

The current compensation program involves a combination of salary, at-risk incentives to reward short-term performance, and stock option and restricted stock awards to reward long-term performance. The Personnel/Compensation Committee monitors the allocation of compensation between long-term and currently paid items on an ongoing basis, with the goal of ensuring that the allocation is competitive in the banking industry.

**Base Salary.** Base salary is intended to reward the executive's ongoing performance and is based on the executive's level of responsibility, individual ability, experience, and past and potential performance. The salary levels of our executive officers are designed to be competitive with those of executives at similarly-sized banking institutions in our geographic area which have similar operations and performance. Individual annual performance is reviewed by the Personnel/Compensation Committee or the Chief Executive Officer, as appropriate, to determine annual salary adjustments. An executive may receive a material increase in salary upon taking on materially larger duties and responsibilities. Compensation information is obtained by reviewing proxy statements and various compensation surveys including the SNL Financial Executive Compensation Review, the California Bankers Association Survey and the Employers Group Survey. From these sources, the Personnel/Compensation Committee and the Chief Executive Officer create a compensation framework and set executive officer compensation based on the range of

base salaries and bonuses paid, and equity awards granted, by peer companies.

Annual Incentive Compensation. Incentive compensation is intended to reward short-term performance goals, keeping compensation aligned with goals that typically improve shareholder returns. The annual incentive plan is based on Provident's annual performance compared to the business plan and individual performance requirements. Each year,

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management prepares and the Board of Directors approves a one-year and three-year business plan, which establish strategic goals and objectives for Provident and each division of Provident. Each executive is responsible for his or her specific goals and the objectives outlined in the business plan, which is monitored through the use of individual action plans. Executives are graded each year on their successful completion of the action plans.

The Personnel/Compensation Committee suspended the annual incentive plan for the fiscal years ended June 30, 2009, 2010 and 2011 (although a discretionary bonus was paid for 2011 as a result of better than forecast results). The plan was suspended because the business plans developed for those years contained lower performance goals than the goals we have historically adopted. The Committee re-implemented the annual incentive plan for 2012 because it determined that the performance goals improved to a level that warranted the potential for incentive awards.

The annual incentive plan is designed to provide for a baseline bonus up to 50% of salary for the Chief Executive Officer, up to 45% of salary for the Chief Financial Officer, up to 25% of salary for senior officers, up to 12% of salary for certain managers (other than department managers) and up to 8% of salary for certain department managers. Actual bonuses may exceed the baseline if Provident performs better than the business plan and/or the individual employee performs better than the individual performance requirements. The business plan outlines a number of performance goals such as net income, return on assets, return on equity, efficiency ratio and diluted earnings per share, among others. Individual performance requirements are project related and consistent with the duties and responsibilities of the particular employee. The Personnel/Compensation Committee may use its discretion to modify a particular award or an individual's performance requirements, although it has not typically done so.

For the year ended June 30, 2013, the named executive officers had the following performance goals, with the exception of Richard L. Gale, whose incentive plan is discussed below.

	Threshold	Target	Maximum	Fiscal 2013 Actual
Net income	\$9,266,000	\$11,582,000	\$17,373,000	\$25,797,000
Return on average assets	0.72%	0.90%	1.36%	2.09%