

COLUMBIA BANCORP

AUDIT COMMITTEE

Committee Charter

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of Columbia Bancorp (the “Company”) will have the oversight responsibility, authority, and duties described in this Charter.

Mission

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the integrity of the Company’s financial statements and other financial information provided by the Company to its stockholders, (2) the Company’s compliance with legal and regulatory requirements, (3) the Company’s relationship with its independent accountants, including their engagement, performance, qualifications and independence and (4) the performance of the Company’s internal audit function, internal controls and disclosure controls. The Committee shall prepare the report of the Committee included in the Company’s annual proxy statement as required by the Securities and Exchange Commission (the “SEC”). In addition, the Committee provides an avenue for communication among the internal auditors, the independent accountants, financial management and the Board. The Committee’s responsibility is one of oversight, recognizing that the Company’s management is responsible for preparing the Company’s financial statements and that the independent accountants are responsible for auditing those financial statements. The independent accountants report directly to the Committee and are ultimately accountable to the Committee and the Board for such accountants’ audit of the financial statements of the Company.

Membership

The Committee shall be appointed annually by the Corporate Governance and Nominating Committee, taking into account the recommendation of the Chairman of the Board and the CEO. The Committee shall comprise at least three directors, each of whom shall meet the independence and financial literacy requirements of The Nasdaq Stock Market, Inc. (“Nasdaq”), the SEC and applicable law. In addition, at least one member of the Committee will possess accounting or financial management expertise as defined by Nasdaq, the SEC and applicable law. Based on the recommendation of the Chairman of the Board and the CEO, the Corporate Governance and Nominating Committee shall designate one member as Chair of the Committee. The Committee may, at its discretion in accordance with applicable law or regulation, delegate to one or more of its members the authority to act on behalf of the Committee.

Meetings

The Committee shall hold meetings as deemed necessary or desirable by the Chair of the Committee. In addition to such meetings of the Committee as may be required to perform the functions described under “Duties and Powers” below, the Committee shall meet at least annually with the chief financial officer, the internal auditors and the independent accountants to discuss any matters that the Committee or any of these persons or firms believe should be discussed. The Committee may, at its discretion, meet in executive session with or without the presence of the independent accountants, internal auditors or corporate officers.

Resources and Authority

The Committee shall have the resources and authority appropriate to discharge its responsibilities.

The Committee shall have the sole authority to select, evaluate, appoint and replace the independent accountants and shall approve in advance all engagement fees and all non-audit engagements with the independent accountants. The Chair of the Committee may act on behalf of the Committee for purposes of the review and approval of non-audit services.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain special legal, accounting, or other consultants to advise the Committee. The Company shall provide funding, as determined by the Committee, for payment of compensation to the independent accountants and to any advisors engaged by the Committee.

Duties and Powers

The following shall be the principal recurring functions of the Committee in carrying out its oversight responsibilities. The functions are set forth as a guide with the understanding that the Committee may modify or supplement them as appropriate.

Independent Accountants

1. Ensure that the independent accountants prepare and deliver at least annually a formal written statement delineating all relationships between the independent accountants and the Company addressing at least the matters set forth in Independence Standards Board, Standard No. 1, *Independence Discussions with Audit Committees*, as amended.
2. Discuss with the independent accountants any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and recommend that the Board take appropriate

action in response to the independent accountants' report to satisfy itself of the independent accountants' independence.

3. Obtain and review at least annually a report by the independent accountants describing: (a) the accounting firm's internal quality-control procedures and (b) any issues material to the Company's audit raised (i) by the most recent internal quality-control review or peer review of the accounting firm or (ii) by any inquiry or investigation by governmental or professional authorities and any steps taken to deal with any such issues.
4. Obtain from the independent accountants assurance that their audit of the Company's financial statements was conducted in accordance with auditing standards generally accepted in the United States.
5. Confirm that the independent accountants have complied with any applicable rotation requirements for the lead audit partner and any reviewing audit partner with responsibility for the Company's audit.
6. To the extent required by the rules of the SEC, obtain and review at least annually an attestation to and a report from the independent accountants regarding management's assessment of the effectiveness of the Company's internal controls and procedures for financial reporting to be included in the Company's Annual Report on Form 10-K, in advance of such filing.
7. Monitor compliance with regulatory requirements applicable to the hiring of employees and former employees of the independent accountants.

Internal Auditors and Compliance

1. Consult with management before the appointment or replacement of the Senior Internal Audit Officer.
2. Review with management the budget, plan, changes in plan activities, organizational structure and qualifications of the internal auditors, as needed.
3. Review with the Senior Internal Audit Officer the significant reports to management prepared by the internal auditors, together with management's responses and follow-up thereto, and also such other reports or matters as the Committee or the Senior Internal Audit Officer deems necessary or desirable.
4. On a timely basis, review with the Company's counsel any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and

regulations, and inquiries received from regulators or governmental agencies.

5. Review annually the Company's reporting under the Federal Deposit Insurance Corporation Act of 1991 (FDICIA).
6. Periodically review with the Senior Compliance Officer the status of the Company's compliance programs.

Financial Statements, Controls and Reports

1. Review and discuss with management and the independent accountants significant accounting and financial reporting issues, including complex or unusual transactions and judgments concerning significant estimates or significant changes in the Company's selection or application of accounting principles, and recent professional, accounting and regulatory pronouncements and initiatives, and understand their impact on the Company's financial statements.
2. Review with management and the independent accountants the results of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.
3. Review and discuss with management and the independent accountants the annual financial statements along with any off-balance sheet structures, including disclosures made in management's discussion and analysis, and recommend to the board of directors whether they should be included in the Company's Form 10-K.
4. Review and discuss with management and the independent accountants interim financial statements, including the results of the independent accountant's review of the quarterly financial statements, before filing the Company's Form 10-Q with the Commission or other applicable regulatory filings with regulators.
5. Review disclosures made to the Committee by the Company's CEO and CFO during their certification process for Form 10-K and Forms 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
6. At least annually prior to the filing of the audit report with the Commission (and more frequently if appropriate), review and discuss reports from the independent accountants on (1) all critical accounting policies and

practices to be used, (2) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent accountants and (3) other material written communications between the independent accountants and management.

7. Review with management and the independent accountants all matters required to be communicated to the Committee under generally accepted auditing standards, including matters required to be discussed by Statement on Auditing Standards No. 61 relating to conduct of the audit.
8. Discuss generally the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies to the extent required by applicable law or listing standards. The Committee need not discuss in advance each earnings release or each instance which the Company may provide earnings guidance.
9. Understand how management prepares interim financial information, and the nature and extent of internal and independent accountants involvement.

Reporting and Recommendations

1. Prepare any report, including any recommendation of the Committee, required by the rules of the SEC to be included in the Company's annual proxy statement.
2. Maintain minutes or other records of meetings and activities of the Committee.
3. Report the Committee's activities to the Board on a regular basis and make such recommendations with respect to the above as the Committee or the Board may deem necessary or appropriate.

Other Responsibilities

1. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors and determine funding for such advisors.
2. Establish and maintain procedures for (a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, (b) the confidential, anonymous submission by employees of the Company of concerns

regarding questionable accounting or auditing matters, and (c) the confidential, anonymous submission by employees of the Company of possible violations of the Company's Code of Conduct and Code of Ethics for Financial Professionals.

3. Review and approve (a) any change in or waiver to the Company's Code of Conduct and Ethics or Code of Ethics for Financial Professionals with respect to the Company's directors or executive officers and (b) any disclosure made on Form 8-K regarding such change or waiver.
4. Review and provide prior approval of all transactions or arrangements, exclusive of loan transactions approved by the Executive Committee and/or the Board, required to be disclosed pursuant to the rules of the SEC between the Company and any of its directors, officers, principal stockholders or any of their respective affiliates, associates or related parties.
5. Take such other actions as the Committee or the Board may deem necessary or appropriate.
6. Review the Committee's performance of the foregoing duties on at least an annual basis.

Annual Review

The Committee shall review, on at least an annual basis, this Charter and the scope of the responsibilities of this Committee. Any proposed changes, where indicated, shall be referred to the Corporate Governance Committee and Board for appropriate action.

Operating Procedures

Formal actions to be taken by the Committee shall be by unanimous written consent or by a majority of the persons present (in person or by conference telephone) at a meeting at which a quorum is present. A quorum shall consist of at least a majority of the members of the Committee.