

PROVIDENT BANKSHARES CORPORATION
AND PROVIDENT BANK
AUDIT COMMITTEE CHARTER

Purpose of Committee

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Provident Bankshares Corporation and Provident Bank ("Provident") is to:

1. assist Board oversight of (i) the integrity of the Provident's financial statements, (ii) Provident's compliance with legal and regulatory requirements, (iii) the independent auditors' qualifications and independence, and (iv) the performance of the independent auditors and Provident's internal auditing function; and
2. prepare a recommended report pursuant to the rules of the SEC for inclusion in Provident's annual proxy statement.

Management of Provident is responsible for the preparation, presentation and integrity of Provident's financial statements. Management and Provident's internal auditing function are responsible for maintaining and validating appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for planning and carrying out, in accordance with Generally Accepted Auditing Standards, an audit of Provident's annual financial statements, reviews of Provident's quarterly financial statements prior to the filing of each quarterly report on Forms 10-Q, 10-K and other procedures. The function of the Committee is to exercise oversight of these processes. In fulfilling their responsibilities hereunder, it is recognized that members of the Committee are not full-time employees of Provident and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards.

The independent auditors for Provident are accountable to the Board and the Committee, as representatives of the stockholders. The Committee is directly responsible for the appointment, compensation and oversight of the work of the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting). The Committee has the authority and responsibility to appoint, retain and terminate Provident's independent auditors. Provident's independent auditors shall report directly to the Committee.

The independent auditors shall submit to the Committee annually a formal written statement (the "Auditors' Statement") describing: the auditors' internal quality-control procedures; any material issues raised by the most recent internal quality-control review of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues; and all relationships between the independent auditors and Provident.

The independent auditors shall submit to the Committee annually a formal written statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of Provident's annual financial statements and the reviews of the financial statements included in Provident's Quarterly Reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services, not included in clause (i) that are reasonably related to the performance of the audit or review of Provident's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by the independent auditors, in the aggregate and by each service.

Committee Membership

The Committee shall be comprised of at least three directors, each of whom is (i) "independent" under the rules of the Nasdaq Stock Market and the Sarbanes-Oxley Act of 2002 (the "2002 Act"), (ii) does not accept any consulting, advisory or other compensatory fee from Provident other than in his or her capacity as a member of the Board or any committee of the Board, (iii) is not an "affiliate" of Provident, and (iv) does not own or control 20% or more of the Provident's voting securities, or such lower measurement as may be established by the SEC. All members of the Committee must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement, and the Committee shall have at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the member's financial sophistication. The Board shall

also determine whether at least one member of the Committee is an “audit committee financial expert,” as defined by the SEC.

No member of the Committee may receive, directly or indirectly, any consulting, advisory, or other compensatory fee from Provident other than (i) director’s fees, which may be received in cash, stock options or other in-kind consideration ordinarily available to directors; (ii) a pension or other deferred compensation for prior service that is not contingent on future service; and (iii) any other regular benefits that other directors receive.

Members of the Committee shall be appointed by the Board based on nominations by the Provident’s Corporate Governance Committee and shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

Committee Structure and Operations

The Board shall designate one member of the Committee as its chairperson. The Committee shall meet once every fiscal quarter, or more frequently if circumstances dictate, to discuss with management the annual audited financial statements and quarterly financial statements, as applicable. The Committee shall meet separately with management, Provident’s internal auditing function and the independent auditors to discuss any matters that the Committee or any of these persons or firms believes should be discussed privately. The Committee may request any officer or employee of Provident or Provident’s outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall meet in executive session at least twice a year, and more frequently as necessary or appropriate, at regularly scheduled times and places determined by the Committee chairperson. The Committee may meet in person or telephonically and may also take action by unanimous written consent when deemed necessary or desirable.

Committee Duties and Responsibilities

The following are the duties and responsibilities of the Committee:

1. with respect to the independent auditors,
 - (i) to appoint, retain and terminate the independent auditors, including sole authority to approve all audit engagement fees and terms;
 - (ii) to pre-approve, or to adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors, and to consider whether the independent auditors’ provision of non-audit services to Provident is compatible with maintaining their independence;
 - (iii) to ensure that the independent auditors prepare and deliver annually an Independence Letter (it being understood that the independent auditors are responsible for the accuracy and completeness of this Letter), and to discuss with the independent auditors any relationships or services disclosed in this Letter that may impact the quality of audit services or their objectivity and independence;
 - (iv) to obtain from the independent auditors in connection with any audit, prior to the filing of Provident’s audit report with the SEC, a report relating to Provident’s annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences;
 - (v) to review and evaluate the qualifications, performance and independence of the lead partner of the independent auditors;
 - (vi) to discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself;
 - (vii) to take into account the opinions of management and Provident’s internal auditing function in assessing the independent auditors’ qualifications, performance and independence; and
 - (viii) to instruct the independent auditors that they are ultimately accountable to the Board and the Committee, as representatives of the stockholders.

2. with respect to Provident's internal auditing function,
 - (i) to review the appointment and replacement of the internal auditing function;
 - (ii) to advise the internal auditing function that it is expected to provide to the Committee summaries of and, as appropriate, the significant reports to management prepared by the internal auditing function and management's responses thereto; and
 - (iii) to consider the responsibilities, budget and staffing of the internal auditing function.
3. with respect to financial reporting principles and policies and internal audit controls and procedures,
 - (i) to advise management, the internal auditing function and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices;
 - (ii) to consider any reports or communications (and management's and/or the internal auditing function's responses thereto) submitted to the Committee by the independent auditors, including reports and communications related to:
 - deficiencies noted during the audit in the design or operation of internal controls;
 - consideration of fraud in a financial statement audit;
 - detection of illegal acts;
 - the independent auditors' responsibility under generally accepted auditing standards;
 - any restriction on audit scope;
 - significant accounting policies;
 - significant issues discussed with the national office respecting auditing or accounting issues presented by the engagement;
 - management judgments and accounting estimates;
 - any accounting adjustments arising from the audit that were noted or proposed by the auditors but were passed (as immaterial or otherwise);
 - the responsibility of the independent auditors for other information in documents containing audited financial statements;
 - disagreements with management;
 - consultation by management with other accountants;
 - major issues discussed with management prior to retention of the independent auditors;
 - difficulties encountered with management in performing the audit;
 - the independent auditors' judgments about the quality of Provident's accounting principles;
 - reviews of interim financial information conducted by the independent auditors.
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 - (iii) to meet with management, the independent auditors and, if appropriate, the internal auditing function:
 - to discuss the scope of the annual audit;
 - to discuss the annual audited financial statements and quarterly financial statements, including Provident's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
 - to discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditing function or the independent auditors, relating to Provident's financial statements;
 - to discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
 - to discuss any management or internal control letter issued, or proposed to be issued, by the independent auditors;

- to review the form of opinion the independent auditors propose to render to the Board and stockholders; and
 - to discuss, as appropriate: (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in Provident's selection or application of accounting principles, and major issues as to the adequacy of Provident's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative Generally Accepted Accounting Principles on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of Provident;
- (iv) to inquire as to the existence of any significant deficiencies in the design or operation of internal controls that could adversely affect Provident's ability to record, process, summarize and report financial data, any material weaknesses in internal controls, and any fraud, whether or not material, that involves management or other employees who have a significant role in Provident's internal controls;
 - (v) to discuss guidelines and policies governing the process by which senior management of Provident and the relevant departments assess and manage Provident's exposure to risk, and to discuss the major financial risk exposures and the steps management has taken to monitor and control such exposures;
 - (vi) to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended, which sets forth certain procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934;
 - (vii) to discuss with the Provident's General Counsel any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or Provident's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;
 - (viii) to establish procedures for the receipt, retention and treatment of complaints received by Provident regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Provident employees of concerns regarding questionable accounting or auditing matters; and
4. with respect to reporting and recommendations,
- (i) to prepare a recommended report, or other disclosures, required by the rules of the SEC to be included in Provident's annual proxy statement;
 - (ii) to review and reassess the adequacy of this Charter at least annually and recommend any changes to the full Board; and
 - (iii) to report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee may deem necessary or appropriate.

Delegation to Subcommittee

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee. The Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Committee at its next scheduled meeting.

Resources and Authority of the Committee

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.