

PROVIDENT BANKSHARES CORPORATION
AND PROVIDENT BANK
COMPENSATION COMMITTEE CHARTER

Purpose of Committee

The purpose of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Provident Bankshares Corporation and Provident Bank ("Provident") is to discharge the Board's responsibilities relating to compensation of Provident's directors and executives and to produce a recommended annual report on compensation for inclusion in Provident's proxy statement, in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC"). The Committee shall also provide oversight of the activity of Provident's Retirement Benefits Committee.

Committee Membership

The Committee shall consist solely of "independent directors," *i.e.*, those directors who are neither officers nor employees of Provident or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Members of the Committee must also otherwise be "independent" under the rules of the Nasdaq Stock Market.

Members of the Committee shall be appointed by the Board, based on nominations by Provident's Corporate Governance Committee. Members 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 may meet in person or telephonically at scheduled times and places determined by the Committee chairperson. The Committee 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. To recommend Provident's general compensation philosophy, and to oversee the development and implementation of compensation programs.
2. To review and recommend corporate goals and objectives relevant to the compensation of the CEO, to evaluate the performance of the CEO in light of those goals and objectives, and to recommend the CEO's compensation level based on this evaluation.
3. To provide input to be used by the CEO in setting corporate goals and objectives relevant to the compensation of the President, completing the evaluation of the performance of the President and setting the President's compensation level.
4. To provide oversight and review of Provident's cash and equity based incentive compensation plans, to discharge any responsibilities imposed on the Committee by these plans, and to ensure that shareholder interests are furthered by the terms of such plans.
5. To oversee regulatory compliance with respect to compensation matters.
6. To provide oversight and review of the activity of the Retirement Benefits Committee and the financial implications of that activity.
7. To review and recommend director compensation.
8. To review organizational structure and plans for succession in the ranks of executive and senior management.
9. To prepare a recommended report, or other disclosures, required by the rules of the SEC to be included in Provident's annual proxy statement.
10. To perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

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.

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 counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management.