

**PROVIDENT BANKSHARES CORPORATION/PROVIDENT BANK
CORPORATE GOVERNANCE GUIDELINES**

I. Introduction

The Board of Directors of Provident Bankshares Corporation, acting on the recommendation of its Corporate Governance Committee, has developed and adopted these Corporate Governance Guidelines to assist in the oversight of processes that best serve the interests of Provident. These Guidelines are a framework within which the Board and its committees may conduct business; they do not constitute a set of legally binding obligations. They should be interpreted within the context of all applicable laws and regulations as well as Provident's Articles of Incorporation, Bylaws, and other governing documents. All references to "Provident" in these Guidelines shall refer to Provident Bankshares Corporation, its subsidiaries and affiliates.

II. Duties and Responsibilities of the Board of Directors and Each Director

The Board is responsible for promoting and acting in the best interests of the shareholders of Provident. The Board is also responsible for the oversight of management of Provident. Finally, the Board undertakes the duties set forth in the Articles of Incorporation, Bylaws and committee charters of Provident, all as adopted and amended from time to time.

Each Director owes fiduciary duties of loyalty and care to Provident. The duty of loyalty requires Directors to exercise their powers in the best interests of Provident and not in the Director's own interest or in the interest of another person or organization. The duty of care requires that Directors exercise the care that a person in a like position would exercise under the circumstances.

III. Size of the Board of Directors

The Bylaws of the Provident provide that the Board of Directors shall consist of a minimum of three (3) Directors. The maximum size of the Board should not exceed a number that can function efficiently as a body. The Corporate Governance Committee considers and makes recommendations to the Board of Directors concerning the appropriate size of the Board.

IV. Term and Term Limits

The Bylaws of Provident provide that the Directors are to be classified into three classes of as equal size as possible, with each of the three classes to serve staggered three-year terms. The Board of Directors has not set term limits.

V. *Retirement*

Consistent with the Bylaws of Provident, upon attaining the age of seventy (70), a Director shall retire from the Board of Directors on the date of the next following annual meeting of shareholders.

VI. *Board Membership and Selection Criteria*

The Corporate Governance Committee identifies Director candidates and reviews the qualifications and experience of each person considered as a nominee for election as a Director in accordance with Provident's Criteria for Director Nominees, Procedure for Evaluating Director Nominees, and Policy on Shareholder Recommendations of Director Candidates. All resulting invitations to join the Board of Directors should be extended by the Chairman/CEO, on behalf of the entire Board.

VII. *Director Orientation and Continuing Education*

Provident will conduct an orientation program for each new Director within a reasonable period of time after their election as a Director. The orientation will familiarize the new Director with Provident's strategic plans, significant financial, accounting and risk management issues, compliance programs, Code of Business Conduct and Ethics, key policies and practices, principal officers and management structure, and auditing processes. Provident encourages its Directors to periodically pursue or obtain appropriate programs or materials on topics that will assist them in discharging their duties.

VIII. *Conflicts of Interest and Code of Ethics*

Directors are expected to avoid any action, position or interest that conflicts with an interest of Provident, or gives the appearance of a conflict. Provident solicits information from Directors at the time of their initial election to the Board, and annually thereafter, in order to monitor potential conflicts of interest, and Directors are expected to be mindful of their fiduciary obligations. Otherwise, issues of behavior, including conflicts of interest, are governed by Provident's Code of Business Conduct and Ethics.

IX. *Communication and Confidentiality*

The Board believes that maintaining confidentiality of information and deliberations is imperative. When public comments from the Board are appropriate, they should come from the Chairman/CEO. Inquiries to Board members from investors and/or the press should be referred to the Chairman/CEO.

X. Stock Ownership

The Board believes that Directors should hold a meaningful equity ownership position in Provident. The Board believes that ownership of 1,000 shares is meaningful and should be strived for within 2 years of a Director's election.

XI. Independence Requirement

A majority of the Board shall consist of Directors whom the Board has determined have no relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities as a Director of Provident. The Board's determination of independence will be consistent with all applicable laws and regulations, including the requirements of the SEC and NASDAQ.

A Director of Provident will not fail to be deemed "independent" solely as a result of a credit relationship between Provident and a company with which the Director is affiliated by reason of being an executive officer or a significant shareholder thereof; provided: 1) that such credit relationship was originated and is currently maintained a) in the ordinary course of business and b) on substantially the same terms (including interest rate and collateral) as those for comparable transactions with nonaffiliated persons; 2) credit underwriting procedures were followed that are not less stringent than those for comparable transactions with other nonaffiliated persons; and 3) the credit relationship did not at time of origination and does not currently involve more than the normal risk of repayment or present other unfavorable features.

XII. Limitation on Other Board Service

The Board of Directors believes that, in connection with the Board's overall evaluation of Board performance, it is appropriate for the Board, with assistance of the Corporate Governance Committee, to review on an individual basis, the number of other public company boards on which a Director serves. The purpose of the review is to ensure that such other board service does not impair the Director's service to Provident. Directors should advise Provident's Corporate Secretary in advance of accepting membership on any other public company board. In any event, no Director shall serve on the boards of directors of more than four (4) other public companies.

XIII. Change of Job Responsibility

Directors who retire or change the principle position they held when they were initially elected to the Board of Directors of Provident are expected to volunteer to resign from the Board as of the date of their retirement or change in position. The Board does not believe that a Director in this circumstance should necessarily be required to leave the Board; rather, the Board believes the Corporate Governance Committee should have the opportunity to assess each situation based on the individual circumstances and make a recommendation to the Board whether to accept or reject the resignation.

XIV. Failure to Receive Majority Vote

Consistent with the Bylaws of Provident, in an election of Directors at which a quorum is present, any nominee who fails to receive a majority of shares cast voted “for” his or her election shall not be elected to the Board.

XV. Board Compensation

The Compensation Committee shall periodically conduct a review of the components and amount of Board compensation in relation to the practices of Provident’s peer group and/or other similarly situated companies. This review may include information obtained from one or more third-party reports or surveys. The Compensation Committee shall make recommendations to the full Board of Directors as to the form and amount of Director compensation for the Board’s final approval. Directors who are also Provident employees are not compensated for their services as Directors.

XVI. Meetings

Number of Meetings. The Board of Directors has eleven (11) regularly scheduled meetings per year. In addition, special meetings may be called from time to time as determined by the needs of the business.

Location. Meetings are generally held at corporate headquarters. However, to provide Directors with first-hand knowledge to make strategic decisions and for their education about the environment in which Provident operates and competes, meetings are occasionally held at locations other than the corporate headquarters.

Attendance. Each Director is expected to attend all Board meetings and all meetings of Board committees on which the Director serves. Directors are also expected to attend the Annual Meeting of Shareholders. A Director should notify Provident’s Corporate Secretary as soon as practical if he or she is unable to attend a meeting. While attendance in person is preferred, attendance by telephone or videoconference is permitted.

Agenda. The Chairman/CEO generally determines the Board agenda. The agenda for each meeting is sent to the Directors in advance, along with written material supporting the agenda. Board members may suggest items to be included in the agenda and are free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review Provident's strategic plan and annual operating plan at least once each year.

Board Access to Management. Board members shall have access to management. The Board encourages the Chairman/CEO to bring members of management to Board meetings from time to time to:

- (a) provide management insight into items being discussed by the Board that involve the manager;
- (b) make presentations to the Board on matters that involve the manager; and
- (c) bring managers with high potential into contact with the Board.

Reliance on Management and Outside Advice. In carrying out its responsibilities, the Board and each committee shall be entitled to rely on the advice and information received from management and such experts, advisors and professionals with whom the Board or committee may consult. The Board and each committee shall have the authority to request that any officer or employee of Provident, Provident's outside legal counsel, independent auditor or any other professional retained by Provident to render advice, attend a meeting of the Board or committee, or meet with any members of or advisors to the Board or committee. The Board or any committee shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its responsibilities.

Lead Director. The Board believes that designating a lead independent Director may or may not serve the best interests of Provident and its shareholders at any given time, depending upon the circumstances at that time. The Board reserves its right to make such a designation, if and when it is deemed appropriate.

Executive Sessions. The independent Directors will meet periodically, but at least two times a year, in executive session. In the absence of a designated lead independent Director, the chairperson of the Audit, Compensation and Corporate Governance Committees shall alternate the responsibility to preside over these executive sessions. Such matters as the independent Directors may deem appropriate shall be discussed at executive sessions.

XVII. Committees

Number and Structure. The Board of Directors has three standing Committees – Audit, Compensation and Corporate Governance – each of which shall consist solely of independent Directors. Each of the standing committees has its own charter. The Board may establish or maintain additional committees to assist it in carrying out its duties as it deems necessary or appropriate.

Assignment of Committee Members. The Board of Directors shall appoint committees and each committee chairperson annually, on the recommendation of the Corporate Governance Committee and in consultation with management. In making such assignments, the particular expertise, knowledge and preferences of individual Directors should be considered. While rotating committee members should also be considered periodically, the Board of Directors believes that there are significant benefits attributed to continuity, experience gained serving on a particular committee and effectively utilizing an individual Director's talents. Therefore, the Board does not have a firm policy mandating rotation of committee assignments.

Meetings and Agendas. The chairperson of each committee, in consultation with management, will determine the frequency of committee meetings and will develop the committee's agenda. Each Board member may recommend agenda items for any committee meeting.

Committee Reports. The chairperson of each committee shall report on the activities of the committee at the Board of Directors meeting next following the date of the committee meeting. Minutes of committee meetings shall be distributed to all Directors for their information.

XVIII. Evaluation

The Corporate Governance Committee will sponsor an annual self-assessment of the performance of the Board of Directors and its committees, the results of which will be discussed with the full Board. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the governance of Provident. The purpose of the review will be to improve the performance of the Board as a unit, and not to target the performance of an individual Board member. The Corporate Governance Committee will utilize the results of the Board evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board.

XIX. Management

Selection of Chairman and CEO

The Board of Directors is free to make the selection of the Chairman of the Board and the Chief Executive Officer in the manner and upon the criteria that the Board deems appropriate at the time of the selection. The Board has no policy with respect to the separation of the roles of Chairman of the Board and Chief Executive Officer.

Board Requirements of Management

The Board of Directors shall rely upon management to:

- Develop strategies and build shareholder wealth over the long term.
- Recommend appropriate strategic and operating plans.
- Maintain effective control of operations.
- Provide strong, principled and ethical leadership
- Assure sound succession planning and management development.
- Inform the Board regularly regarding the status of key initiatives.
- Organize Board meetings that are well planned, allow meaningful participation, and provide for timely resolution of issues.
- Provide Board materials that contain useful information and are received in advance of meetings.

XX. Conclusion

Each year the Corporate Governance Committee shall review these Guidelines and recommend to the Board of Directors such amendments as deemed necessary or appropriate in order to assist the Board in more effectively discharging its responsibilities.