

# PROVIDENT BANKSHARES CORPORATION



“2001 was a year of solid earnings growth and profitability for Provident Bankshares Corporation. Our successful execution of key growth strategies yielded positive financial results.”

Peter M. Martin  
Chairman and Chief Executive Officer

## Selected Financial Data

	Year Ended December 31,				
	2001	2000	1999	1998	1997
<i>(dollars in thousands, except per share data)</i>					
Interest Income (tax-equivalent)	\$ 349,035	\$ 413,681	\$ 353,341	\$ 319,240	\$ 280,167
Interest Expense	208,933	258,677	207,421	189,868	156,718
Net Interest Income (tax-equivalent)	140,102	155,004	145,920	129,372	123,449
Provision for Loan Losses	17,940	29,877	11,570	12,027	9,953
Net Interest Income after Provision for Loan Losses	122,162	125,127	134,350	117,345	113,496
Non-Interest Income	75,985	66,581	61,026	55,892	41,947
Net Securities Gains	11,442	8,499	312	6,749	2,337
Merger Related Expenses <sup>(1)</sup>	—	—	—	—	10,047
Non-Interest Expense	146,223	142,470	129,375	120,452	108,091
Income Before Income Taxes	63,366	57,737	66,313	59,534	39,642
Income Tax Expense (tax-equivalent)	20,741	18,802	22,163	20,504	14,683
Income Before Extraordinary Item	42,625	38,935	44,150	39,030	24,959
Extraordinary Item – Gain on Debt Extinguishment, net	—	770	—	—	—
Cumulative Effect of Accounting Change	(1,160)	—	—	—	—
Net Income	\$ 41,465	\$ 39,705	\$ 44,150	\$ 39,030	\$ 24,959
Per Share Amounts:					
Basic – Net Income Before Extraordinary Item	\$ 1.65	\$ 1.42	\$ 1.58	\$ 1.39	\$ .91
– Net Income	1.61	1.44	1.58	1.39	.91
Diluted – Net Income Before Extraordinary Item	\$ 1.60	\$ 1.39	\$ 1.53	\$ 1.34	\$ .88
– Net Income	1.56	1.41	1.53	1.34	.88
Cash Dividends Paid	\$ .75	\$ .64	\$ .54	\$ .45	\$ .36
Tax-Equivalent Adjustment <sup>(2)</sup>	\$ 941	\$ 983	\$ 964	\$ 1,133	\$ 1,055
Total Assets	\$ 4,899,717	\$ 5,499,443	\$ 5,094,477	\$ 4,675,897	\$ 3,926,739
Total Stockholders' Equity	286,282	310,306	274,599	296,077	270,182
Total Common Equity <sup>(3)</sup>	292,740	321,001	318,922	290,769	265,449
Total Long-Term Debt <sup>(4)</sup>	860,106	792,942	666,280	774,477	469,077
Return on Average Assets <sup>(5)</sup>	.81%	.73%	.90%	.90%	.68%
Return on Average Equity <sup>(5)</sup>	14.11	14.40	15.46	13.75	9.90
Return on Average Common Equity	14.05	12.48	14.61	13.99	9.91
Stockholders' Equity to Assets	5.84	5.64	5.39	6.33	6.88
Average Equity to Average Assets	5.73	5.07	5.83	6.52	6.89
Dividend Payout Ratio	48.35	45.41	34.26	32.16	39.92

(1) Merger Related Expenses - Exclusive of after-tax merger-related expenses incurred during 1997, net income would have been \$33.6 million. Return on average assets and return on average equity for 1997 would have been .92% and 13.33%, respectively. Basic earnings per share and diluted earnings per share would have been \$1.22 and \$1.18, respectively.

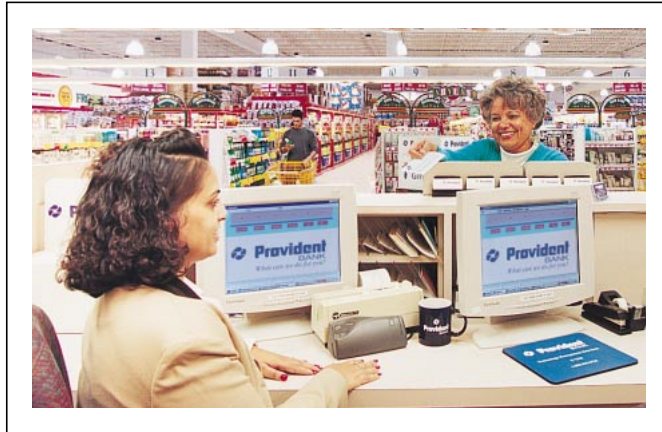
(2) Tax-advantaged income has been adjusted to a tax-equivalent basis using the combined statutory federal and state income tax rate in effect of 35% in 2001 through 1999, and 39.55% for 1998 and 1997.

(3) Common Equity excludes net accumulated other comprehensive income which is comprised of unrealized gains or losses on available for sale securities and unrealized gains or losses on the effective portion of cash flow hedges.

(4) Long-term debt is composed primarily of FHLB Advances and Trust Preferred Securities.

(5) Exclusive of Cumulative Change in Accounting Principle, Return on Average Assets and Return on Average Equity for 2001 would have been .83% and 14.50%, respectively.

# Welcome To Provident Bank. What Can We Do For You?



*Provident pioneered the convenience of in-store banking in the Baltimore region. Inside the Westminster, Maryland, Shoppers Food Warehouse, Branch Manager Tara Jadoo-Somers talks with customer Edna Roper.*

## Provident **Performs**

At Provident Bank, we're in the business of building relationships...one customer at a time. Founded in 1886, Provident's values are rooted in high quality personal service. We are a locally based team serving individuals and businesses in the Baltimore-Washington corridor with value-oriented products that offer creative, yet practical, solutions for our individual and business customers.

And, we're everywhere you are with a growing branch network of 100 offices that include convenient in-store locations and hours, 185 ATMs, an active customer call center and E-banking from the comfort of your home.

We are pleased to report solid earnings in 2001 of which you will read further in the Letter from the Chairman. Provident's financial focus in 2002 will remain on growing the franchise through increased core loans and deposits. We are also committed to broadening our banking presence in the core markets we serve including the vibrant, high-growth Washington metro area.

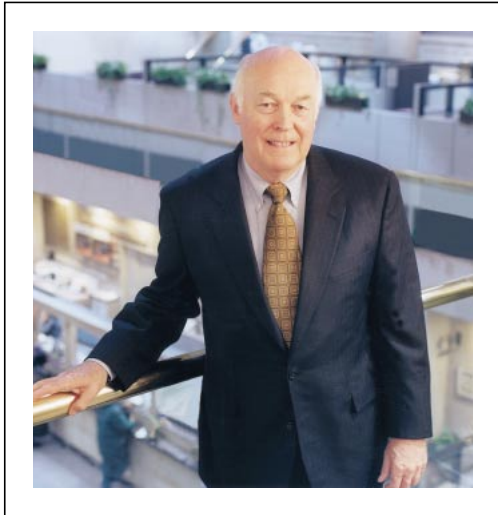
In this 2001 Summary Annual Report, you will hear in our customers' own words what sets Provident apart from other financial institutions. The Provident philosophy of personal service, market expertise, superior products and convenient delivery is put into practice every day.

Provident also has a vested interest in local entities because we live here too! Provident donated nearly \$600,000 to charitable and community organizations in 2001. Our network of corporate giving stretches across eight Maryland counties, Baltimore City, Northern Virginia and southern Pennsylvania. In addition, many employees actively volunteer and serve on boards and commissions in their neighborhoods. For example, Provident volunteers took part in the 15th annual Montgomery County Community Service day and also restored homes for underprivileged families for the ninth straight year as part of the Habitat for Humanity program.

In 2001, Provident again put its corporate giving focus on education. Student scholarships in Provident's name were provided to CollegeBound, Essex Community College, the St. Ignatius Loyola Academy and the Independent College Fund of Maryland. From the YMCA in Metro Washington to the Bags of Plenty Food Drive in Frederick, Provident's tradition of service contributes to an improved quality of life in our neighborhoods.

As one of our customers put it, "Banking with Provident is like going home."

# Letter from the Chairman



I am pleased to report that 2001 was a year of solid earnings growth and profitability for Provident Bankshares Corporation. Our successful execution of key growth strategies yielded positive financial results for the Corporation.

Provident's performance was driven by sustained revenue momentum generated through increases in core deposits, core loans and fee income. We have made significant progress in our continuing strategy to decrease wholesale operations while boosting core business. We remain committed to increasing our presence, delivery network and both retail and commercial customer bases throughout the Baltimore-Washington corridor.

## 2001 Financial Results

Provident's net income for 2001 was \$41.5 million or \$1.56 for diluted earnings per share. This represents a 4.4% increase in net income and a 10.6 % increase in earnings per share over 2000.

Income before extraordinary items and the cumulative effect of a change in accounting principles totaled \$42.6 million or \$1.60 per diluted share.

Overall, the Corporation reported solid earnings for the year despite a challenging second quarter during which an internal review of our then \$1.6 billion acquired second mortgage loan portfolio uncovered previously unidentified loan losses of \$13.8 million. The majority of these losses were related to deficiencies in loan servicing performed by a bankrupt outside provider. We took prompt action to deal with these acquired second mortgage portfolio losses and appropriate changes were made to our on-going management of the operation.

Return on average common equity for the year was 14.05% up from 12.48% in 2000. The 2001 net interest margin was 2.89%, down slightly from 2.93% in 2000. Return on average assets was .83%, exclusive of a cumulative change in accounting principle, up from the .73% reported in 2000.

Provident made significant progress on its five key financial growth strategies for 2001. This strong showing points to continued solid performance in 2002.

## Provident's Strategies for Growth

**Focus resources on core business line growth.** During 2001, the Corporation continued to focus resources on growing core business lines. We are very pleased with the results of this key business strategy. Core commercial and commercial real estate loans increased \$61 million. Direct consumer loans increased \$28 million. On the deposit side, core non-interest bearing demand deposit accounts increased \$57 million or 17%. Core interest bearing deposits increased \$59 million or 2.7%. Total non-interest income (excluding securities gains) was up 14% or \$9.4 million.

As core loans and deposits increased, we shed non-core or "wholesale" assets and liabilities. As a result, average loans and deposits were down for the year, despite continued strong growth in the company's core balance sheet. The Corporation's new business checking product line showed a 69% increase in the number of business accounts opened and Provident also opened more than 79,000 retail checking accounts in 2001. Overall branch banking fee income was up 16.9% and cash management fees assessed increased 28% in 2001.

**Grow commercial banking business in the Baltimore-Washington corridor.** Provident's Commercial Banking Group continued to grow revenues during 2001. This growth reflects increases in commercial and commercial real estate loans as well as strong growth in average commercial deposits. Driven by an 82% increase in deposit service fees, core commercial fees jumped 9% in 2001. These steady gains reflect Provident's outstanding service to existing customers and an intense effort to meet and acquire new customers.

**Broaden presence and customer base in the Washington metro market.** The Corporation continued to expand its business in the attractive Washington metro market in 2001. Forty-six of our 100 branches are now located in this key growth area where we now have over 40,000 retail checking customers, more than \$307 million of commercial loans and \$191 million of commercial deposit relationships. In fact, 32% of all new checking accounts opened in 2001 originated in the Washington metro market. Total 2001 branch banking fee income generated in the Washington region jumped 56.5% over 2000.

**Continue branch expansion in the attractive markets we serve.** In 2001, Provident opened its 100th office. This milestone branch joined two other offices which opened in the Corporation's key Northern Virginia expansion market. In addition, we grew our total ATM network to 185 locations. The Corporation plans to open 10-12 branches in 2002. These new offices will be evenly split between in-store and traditional branches in our targeted expansion markets. We will also continue to look for acquisition opportunities to enhance our network in key Washington metro areas.

**Improve efficiencies and productivity.** One of Provident's key goals in 2001 was to closely monitor and contain operating expenses. A bankwide team was formed to examine how we could best utilize our resources in a cost efficient manner. As a result of these efforts as well as exiting less profitable businesses such as indirect auto lending and redefining our mortgage lending operations, expenses for 2001 increased only \$3.8 million or 2.6% over 2000. Our ability to maintain excellent customer service, acquire new customers and still contain costs will remain a key focus in 2002 as we improve our efficiency ratio while continuing our network expansion plans.

### **Strategies for the Future**

We were very encouraged by positive fourth quarter results; earnings per share increased 23%. During that period, strong gains were made in key profitability ratios such as ROA and ROE. Return on average common equity was 16.73% for fourth quarter 2001, up significantly from 13.61% in the same quarter a year ago. Return on average assets was 1.00%, also up significantly from .78% for the final quarter last year. These trends point to continued positive results in 2002.

Continued improvement in the quality of our balance sheet and income during 2002 are reflected by goals to achieve an ROA of 1% or better and an ROE of 16% to 18% on an annual basis while improving our efficiency ratio, margin and earnings per share significantly. We also plan to strengthen our presence in the Baltimore-Washington market by adding branches, expanding customer relationships and by growing our commercial loan portfolio and cash management business.

We are very proud of the Provident product line and we provide high quality banking services to our customers. But the operative word is service, and excellent service means excellent people. Therefore, we will continue to emphasize the acquisition, retention and development of excellent employees. Our "Provident Team" truly makes the difference through initiative, teamwork and outstanding service to customers. Through the successes and challenges of 2001, our employees consistently went beyond the call of duty to ensure and enhance Provident's excellent reputation as a top performing bank. Our people differentiate Provident in the marketplace.

We look forward to 2002, believing that we are well positioned to achieve our financial goals. We will do so by focusing our efforts on core business, improved income and a stronger balance sheet. I believe the strategic objectives we have put into place and the ability of our employees to successfully execute our business plans will continue to increase our profitability and enhance shareholder value.



Sincerely,  
Peter M. Martin  
Chairman & Chief Executive Officer



# Provident Service

*A Provident trademark. It's good old-fashioned customer service that will never go out of style at our bank.*

## Personal Service You Deserve

Service quality is an easy promise to make; keeping that promise is a much more difficult undertaking. As convenience is a cornerstone of service quality-and, in fact, emerges consistently from customer surveys as one of our strongest suits-Provident offers unbeatable banking options. Our products and services, and the sophistication of our technology, match-and often exceed-those offered by larger banks.

However, we offer something the larger banks can't-personal attention and local market expertise. We feel we succeed. But don't take our word for it... just listen to our customers.

## Why Do You Bank At Provident?

"Provident came up with solutions. They work with us and provide the service we need. We work with a team and have a main contact who always gets us in touch with the right people."

*Kathleen Strakes/ Paytime commercial customer for one year*

"It's personal service..when you have a problem, you get a resolution."

*Tom Grinder retail customer for seven years*

"At Provident, we're treated like one of the big boys. When I opened my business, I knew nothing about business or accounting. The people at Provident took me by the hand."

*Nancy Rees/Kat Graphics, Inc. small business customer for seven years*

"People are helpful and look out for my interests. Banking with Provident is like going home."

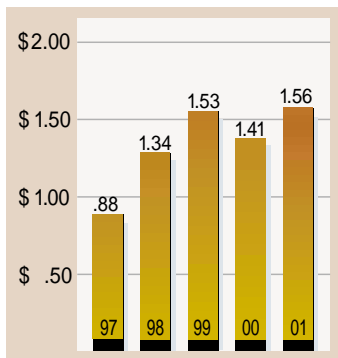
*Leonard Briscoe retail customer for twenty years*

"Provident has given us a chance to grow and become competitive in our market."

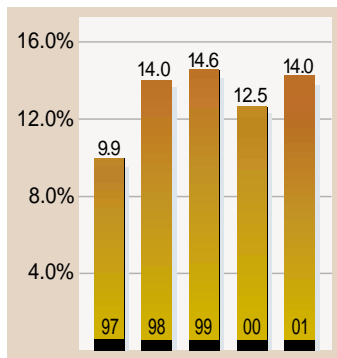
*Bob Tarr Jr./Reliable Printing Plates, Inc. retail and commercial customer for 3 years*

## Putting Customers First

Our customers make it clear that Provident offers what most other banks can't-a winning combination of personalized customer service, industry knowledge, and local decision-making that allows us to quickly craft individual banking solutions. When we ask, "What can we do for you?" we mean it.



Diluted Earnings Per Share  
*(in dollars)*



Return On Average Common Equity

Joe Cowan supplied his own dream and aspiration.  
Provident helped him drive into a profitable business.



Joe Cowan, President of Cowan Systems, LLC and Richard J. Oppitz, Provident EVP, look over one of the region's largest privately held trucking fleets.

*“As the owner of a trucking firm, I have to provide excellent service to my clients or they’ll hire someone else to do the job. I expect nothing less from my bank and Provident always delivers the goods. They know the growth potential of my company depends on our ability to negotiate business loans quickly. When it comes down to making timely decisions and quickly expediting our requests, Provident has always been there for us. There is a real level of trust on both sides and that’s why I not only use Provident for commercial needs but for personal business as well. It’s one stop banking at its best.”*



Chris Broseker didn't want to miss a minute of the big game.  
Provident's home equity line offered him the best seat in the house.



*Chris Broseker enjoys the video projection system in his new club room with Vanessa White, Provident's branch manager at the Shoppers Food Warehouse in Dale City, Virginia.*

*"I always wanted a home theater to watch football games and movies from the comfort of my own club room. Provident made it happen through a home equity line of credit that paid for these improvements. The process was quick, easy and hassle free. All I had to do was show up and sign. The financing paid for a new home entertainment center, a video projector, and these comfortable leather recliners. I even used part of the line of credit to renovate the kitchen. My lender made great suggestions and helped us cut costs. This investment also added value to my home which is a great benefit for now and in the future."*





# Provident Products

*It's just what you'd expect from a full service bank with a personal touch. We offer a full line of products and services designed to help you meet and often exceed your highest expectations. Imagine the possibilities.*

## Earning Your Interest

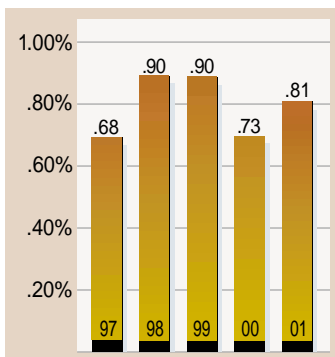
One of Provident's key strategic objectives in 2001 was to focus resources on core business lines. The results showed strong growth in retail and commercial products. In 2001's favorable rate environment, the Bank enhanced its consumer loan products with relationship rate discounts. Provident posted strong gains with \$191 million in new direct consumer loan production, an 80.9% increase. The Bank's premier home equity line was the only consumer product in the market priced at Prime +0% with further reductions tied to deposit balances. Provident also opened over 80,000 new checking accounts in 2001 with 32% of the increase generated in our newest trade area, the Washington metro market.

## Small Business Focus

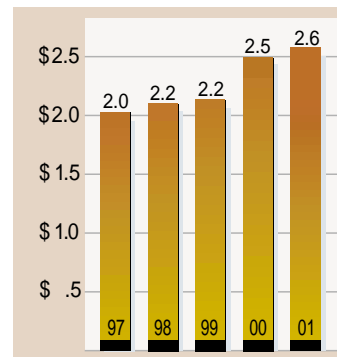
Provident tapped into the growing small business market in 2001 by forming a Small Business Center staffed by veteran bankers. The center provides comprehensive business product and sales support to expand existing customer relationships and acquire new clients. Provident revamped its business checking line and introduced a new set of accounts which included an option similar to the Bank's popular "Totally Free Checking" retail product. Josie Hill, Director of Finance for Site Support Services in Hunt Valley, Maryland, is among those who welcomed the changes. "We've done business with Provident for more than four years and the Small Business Center takes care of us now. They respond quickly when I have a question and it's handy to use one of your local branches for our day-to-day business. On a score of 1 to 10, I rate the Small Business Center a 10."

## Commercial Banking Solutions

The Bank is committed to growing its commercial market share in the Baltimore-Washington corridor by providing innovative products and responsive service that help businesses succeed. In addition to delivering customized credit solutions to our commercial customers, we also offer deposit based services that support business growth. The Bank's Commercial Cash Management Department showed solid increases in sales for 2001 with average commercial deposits up 13.3% for the year. Specialty niche operations such as Provident Lease Corp. and Court Square Leasing also showed steady gains. Diana Kozak, the leasing administrator for Golden Business Machines in Kingston, Pennsylvania, relies on Provident for this service. "We have a mutually beneficial relationship with Court Square. Since our company has five locations within the state, it's so much easier when you find an organization that works with you."



**Return On Average Assets**



**Core Deposits**  
(in billions of dollars)



# Provident Delivers

*We are a regional bank delivering the financial solutions you need... with the convenience and flexibility you expect.*

## Banking On Your Terms

From service to products to convenience, Provident offers retail customers unlimited banking access to its products through a variety of delivery options. Simply put, it's "how" we conduct business. Above all, we honor your preference whether it's face to face contact with our representatives, banking by telephone or online banking from the comfort of your home. Today's technology puts you in touch with our banking services, anytime, anywhere. But the bottom line remains the same. We deliver results.

## An Ever Expanding Network

Provident made gains in 2001 to broaden its presence and customer base in the Washington area. The Bank celebrated its 100th branch opening in Northern Virginia, a key growth area for future expansion. Provident plans to open 10-12 branches in 2002 in our core markets to provide even greater convenience for our customers. A growing ATM network also gives

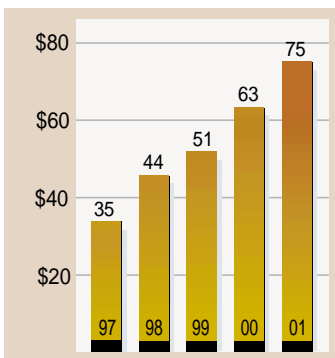
customers more banking options with 185 locations. 73 are in locations such as food markets and service stations.

## A Variety Of Convenient Options

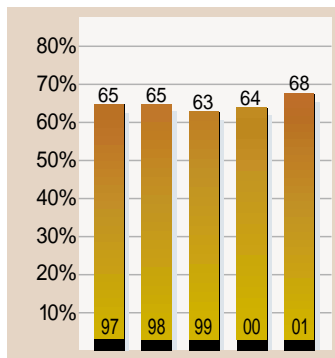
Provident launched "My Account Online" in 2001 to provide *all* customers account information and service via the Internet. Customers like Melissa Moore e-mailed us their thoughts: "This website is great. It lets customers have free access to their accounts 24-7." And Internet Banking with Bill Payment is also on the rise as accounts grew 103% from 2000. Provident also touches about 3,500 customers a day through telephone inquiries from callers like Donald Mercer. "I received excellent customer service during a phone call with your bank representative. She went the extra mile in assisting me with my account."

## We Want Your Business

Above all, Provident sets a premium on helping customers and businesses meet their needs through building long term relationships. We specialize in "hands-on" banking with personal visits to your business. In 2001, Provident's commercial banking officers embarked on an aggressive prospect-calling program to attract new customers and attain a larger portion of the commercial market share. Our years of experience and industry expertise have earned us an excellent reputation in the market. Just ask Apple Ford Chairman George Doetsch in Columbia, Maryland. "After using several different banks to handle our business, we chose Provident for personalized service and a direct line to the top decision makers."



**Core Non-Interest Income**  
*(in millions of dollars)*



**Efficiency Ratio**

Henry, John and Honey all chose Provident for the same reason.  
We listen... and then deliver results to help our clients' bottom line.



*Provident's commercial lenders congratulate three clients who worked together to build a new residence hall at Goucher College in Towson, MD. From left to right: Henry J. Knott III, Henry J. Knott Masonry, Inc., Ellen Fish, Provident Bank, John Stasiak, M. Nelson Barnes and Sons, Inc., Honey K. Kramer, Kramer Interiors, Emil Keller and Scott Guthrie of Provident Bank*

*"We're a Baltimore-based contractor in business since 1909. I knew that Provident also had a long history in the region. We moved our accounts to Provident because our old bank was getting out of the contracting field. Provident really went after our business and they've never taken us for granted." - John L. Stasiak, President, M. Nelson Barnes and Sons, Inc. "I'd heard that Provident was very relationship-oriented and that's why I switched my business accounts here. I get good advice on how to grow my business and they take the time to listen to my needs." - Henry J. Knott III, President, Henry J. Knott Masonry, Inc. "I've been a customer for ten years and have corporate and personal accounts with Provident. I feel like part of the family." - Honey K. Kramer, President, Kramer Interiors.*



## Consolidated Statement of Condition

<i>(dollars in thousands, except share amounts)</i>	<i>December 31, 2001</i>	<i>December 31, 2000</i>
<b>Assets</b>		
Cash and Due From Banks	\$ 105,986	\$ 84,166
Short-Term Investments	11,798	12,378
Mortgage Loans Held for Sale	6,932	8,243
Securities Available for Sale	1,804,234	1,876,509
Loans:		
Consumer	1,561,717	1,990,436
Commercial Business	379,616	356,041
Real Estate – Construction	308,568	265,918
Real Estate – Mortgage	526,992	725,799
Total Loans	2,776,893	3,338,194
Less: Allowance for Loan Losses	34,611	38,374
Net Loans	2,742,282	3,299,820
Premises and Equipment, Net	45,687	45,805
Accrued Interest Receivable	34,057	47,281
Other Assets	148,741	125,241
<b>Total Assets</b>	<b>\$ 4,899,717</b>	<b>\$ 5,499,443</b>
<b>Liabilities</b>		
Deposits:		
Noninterest-Bearing	\$ 384,009	\$ 327,334
Interest-Bearing	2,972,038	3,627,436
Total Deposits	3,356,047	3,954,770
Short-Term Borrowings	366,321	397,833
Long-Term Debt	860,106	792,942
Other Liabilities	30,961	43,592
Total Liabilities	4,613,435	5,189,137
<b>Stockholders' Equity</b>		
Common Stock (Par Value \$1.00) Authorized 100,000,000 Shares, Issued 31,405,793 and 29,708,943 Shares; at December 31, 2001 and 2000, respectively	31,406	29,709
Capital Surplus	284,457	251,184
Retained Earnings	97,749	104,488
Net Accumulated Other Comprehensive Income (Loss)	(6,458)	(10,695)
Treasury Stock at Cost - 6,294,201 and 3,861,969 Shares at December 31, 2001 and 2000, respectively	(120,872)	(64,380)
Total Stockholders' Equity	286,282	310,306
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 4,899,717</b>	<b>\$ 5,499,443</b>

Refer to the Provident Bankshares Corporation 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements.

## Consolidated Statement of Income

	Year Ended December 31,		
<i>(in thousands, except per share data)</i>	2001	2000	1999
<b>Interest Income</b>			
Interest and Fees on Loans	\$ 231,573	\$ 281,942	\$ 261,837
Interest on Securities	114,036	128,402	88,094
Tax-Advantaged Interest	2,176	2,092	2,337
Interest on Short-Term Investments	309	262	109
Total Interest Income	348,094	412,698	352,377
<b>Interest Expense</b>			
Interest on Deposits	142,642	177,696	151,071
Interest on Borrowings	66,291	80,981	56,350
Total Interest Expense	208,933	258,677	207,421
Net Interest Income	139,161	154,021	144,956
Less: Provision for Loan Losses	17,940	29,877	11,570
Net Interest Income after Provision for Loan Losses	121,221	124,144	133,386
<b>Non-Interest Income</b>			
Service Charges on Deposit Accounts	60,331	50,544	39,420
Mortgage Banking Activities	858	3,613	9,652
Commissions and Fees	4,836	4,737	5,280
Net Securities Gains	11,442	8,499	312
Other Non-Interest Income	9,960	7,687	6,674
Total Non-Interest Income	87,427	75,080	61,338
<b>Non-Interest Expense</b>			
Salaries and Employee Benefits	70,307	71,207	66,394
Occupancy Expense, Net	13,634	12,951	11,376
Furniture and Equipment Expense	10,249	10,073	8,927
External Processing Fees	16,867	16,080	14,762
Other Non-Interest Expense	35,166	32,159	27,916
Total Non-Interest Expense	146,223	142,470	129,375
Income before Income Taxes	62,425	56,754	65,349
Income Tax Expense	19,800	17,819	21,199
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	42,625	38,935	44,150
Extraordinary Item – Gain on Debt Extinguishment, Net	—	770	—
Cumulative Effect of Change in Accounting Principle, Net	(1,160)	—	—
Net Income	\$ 41,465	\$ 39,705	\$ 44,150
<b>Basic Earnings Per Share</b>			
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	\$ 1.65	\$ 1.42	\$ 1.58
Extraordinary Item – Gain on Debt Extinguishment, Net	—	.02	—
Cumulative Effect of Change in Accounting Principle, Net	(.04)	—	—
Net Income	\$ 1.61	\$ 1.44	\$ 1.58
<b>Diluted Earnings Per Share</b>			
Income before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	\$ 1.60	\$ 1.39	\$ 1.53
Extraordinary Item – Gain on Debt Extinguishment, Net	—	.02	—
Cumulative Effect of Change in Accounting Principle, Net	(.04)	—	—
Net Income	\$ 1.56	\$ 1.41	\$ 1.53

Refer to the Provident Bankshares Corporation 2001 Annual Report on Form 10-K for a complete set of consolidated financial statements.

# Provident Information



## Corporate Headquarters

114 East Lexington Street  
Baltimore, Maryland 21202  
Telephone: 410-277-7000  
www.provbank.com

## Registrar and Transfer Services

EquiServe  
P.O. Box 8040  
Boston, Massachusetts 02266-8040  
Investor Relations Number:  
1-866-820-0125  
www.equiserve.com

## Independent Accountants

PricewaterhouseCoopers LLP  
250 West Pratt Street  
Baltimore, Maryland 21202

## Annual Meeting

The annual stockholders meeting will be held on Wednesday, April 17, 2002, at 10 a.m. at the Corporate Headquarters of Provident Bankshares Corporation, 114 East Lexington Street, Baltimore, Maryland.

## Additional Information

Analysts, investors and others seeking financial data regarding the Corporation or the Form 10-K reports that are filed with the Securities and Exchange Commission may obtain information or copies without charge, upon written request to:  
Ellen Grossman  
Investor Relations Manager  
Provident Bankshares Corporation  
114 East Lexington Street  
Baltimore, Maryland 21202  
410-277-2889  
1-800-626-1580  
grossman@provbank.com

## Dividend Reinvestment and Stock Purchase Plan

Holders of Provident Bankshares Corporation common stock may reinvest their dividends and/or make optional cash investments to purchase additional common stock of the Corporation through the Dividend Reinvestment and Stock Purchase Plan. To obtain a prospectus brochure and authorization card, contact EquiServe at 1-800-730-4001.

## Stock Market Listing

The common stock of Provident Bankshares Corporation is traded in the over-the-counter (OTC) market and is quoted on the NASDAQ Stock Market under the symbol PBKS.

Statements contained in this summary annual report which are not historical facts are forward-looking statements, as the term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by the Company with the Securities and Exchange Commission from time to time.

## Board of Directors

Provident Bankshares Corporation

MELVIN A. BILAL

*President  
Bilal Consulting*

THOMAS S. BOZZUTO

*President  
The Bozzuto Group*

DR. CALVIN W. BURNETT

*President  
Coppin State College*

WARD B. COE III, ESQUIRE

*Partner  
Whiteford, Taylor & Preston, L.L.P.*

CHARLES W. COLE JR.

*Chairman of the Board  
Legg Mason Trust Company, F.S.B.*

PIERCE B. DUNN

*Chairman of the Board  
MIRCON, Inc.*

ENOS K. FRY

*Group Manager, Washington Metro Area  
Provident Bank*

GARY N. GEISEL

*President and Chief Operating Officer  
Provident Bankshares Corporation*

MARK K. JOSEPH

*Chairman and Chief Executive Officer  
Municipal Mortgage & Equity, LLC*

BARBARA B. LUCAS

*Senior Vice President and Corporate Secretary  
The Black & Decker Corporation*

PETER M. MARTIN

*Chairman and Chief Executive Officer  
Provident Bankshares Corporation*

FREDERICK W. MEIER JR.

*President  
Lord Baltimore Capital Corp. & Lord Baltimore  
Properties*

SISTER ROSEMARIE NASSIF

*President  
Holy Names College*

FRANCIS G. RIGGS

*Executive Vice President and Director  
Riggs, Counselman, Michaels and Downes, Inc.*

SHEILA K. RIGGS

*Chairperson  
Maryland Health and Higher Education  
Facilities Authority*

CARL W. STEARN

*Chairman of the Executive Committee and  
Retired Chairman and Chief Executive Officer  
Provident Bankshares Corporation*

## Officers

Provident Bankshares Corporation

PETER M. MARTIN

*Chairman and Chief Executive Officer*

GARY N. GEISEL

*President and Chief Operating Officer*

DENNIS A. STARLIPER

*Chief Financial Officer*

ROBERT L. DAVIS

*General Counsel and Secretary*

R. WAYNE HALL

*Treasurer*

JEANNINE C. MORGANTHALL

*Auditor*

## Executive Management

Provident Bank

PETER M. MARTIN

*Chairman and Chief Executive Officer*

GARY N. GEISEL

*President and Chief Operating Officer*

RICHARD J. OPPITZ JR.

*Executive Vice President  
Consumer Lending Group*

DENNIS A. STARLIPER

*Executive Vice President  
and Chief Financial Officer*

## Group Managers

Provident Bank

ENOS K. FRY

*Group Manager  
Washington Metro Area*

RUSSELL G. JOHNSON

*Group Manager  
Operations*

JOHN J. KING

*Group Manager  
Community Banking*

ROBERT H. NEWTON JR.

*Group Manager  
Commercial Banking*

H. LES PATRICK

*Group Manager  
Credit Administration*

JEANNE M. UPHOUSE

*Group Manager  
Organizational Support Services*

## Managing Directors

Provident Bank

LAWRENCE J. BEYER

*Managing Director and Treasurer  
Treasury*

ANN M. CLAIR

*Managing Director  
In-Store Banking*

ROBERT L. DAVIS

*Managing Director and General Counsel  
Legal and Compliance*

ERIC G. DAWES

*Managing Director  
Consumer Lending*

PETER C. GEORGOPOULOS

*Managing Director  
Residential Mortgage*

R. WAYNE HALL

*Managing Director and Controller  
Finance and Control*

LILLIAN S. KILROY

*Managing Director  
Marketing*

JEANNINE C. MORGANTHALL

*Managing Director and Auditor  
Audit*

RAYMOND E. SCHLISSLER

*Managing Director  
Real Estate Lending*

ROBERT L. SCHMIDT

*Managing Director  
Deposit and Loan Support*

DONALD E. SHEELER

*Managing Director  
Provident Investment Center, Inc.*

DANIEL C. SIGMON

*Managing Director  
Technology Management*

CLIFFORD O. WEBSTER

*Managing Director  
Administrative Services*



#### COVER PHOTOS

Top left: Provident prides itself on expert knowledge of the commercial and real estate market in the Baltimore-Washington corridor. That is why Cassidy & Pinkard, the largest locally owned and operated real estate brokerage and services company in the Washington metropolitan area, chose to do business with Provident. Here, Provident Suburban Maryland Real Estate Lending Department Manager Marty Kline reviews building plans with Managing Director Mike Windsor and Chief Financial Officer Mike Butler of Nanjemoy Investment, LLC, an affiliate of Cassidy & Pinkard. Provident provided \$8.9 million for the refinance and renovation of the Woodmont Plaza office building in Bethesda, Maryland. Mike Windsor says, "We bank with Provident because they understand the real estate business and we also like the fact they're locally based. We get quick answers regarding our financial needs and that helps our company's bottom line."

Top right: In 2001, Provident Bank opened its 100th branch at Van Dorn Plaza in Alexandria, Virginia. This milestone marked Provident's increased presence in the Northern Virginia market. Here, Branch Manager Sa'ud Habib offers financial advice to retail customer Ada Van Vloten. She's a Provident regular because "this location is convenient to my home and business, the service is quick and efficient and the staff at Van Dorn knows me by name. I'm glad to see that Provident is branching out into this area."

Bottom left: One of Provident's strategic initiatives in 2001 was to tap the growing and profitable small business market. The Bank opened a Small Business Center that offers a wide range of financial services for the small business customer. One of those satisfied customers is Dave Richardson, owner of the Lutherville Bike Shop in metropolitan Baltimore. Here, Dave talks with Portfolio Manager Karen Schulden about his business checking accounts. Dave says, "Provident is a small business bank that cares about small business people. My shop is important to them and they frequently check in with me to see how things are going. I've been approached by other banks but I'm sticking with Provident."

Bottom right: Provident Bank has a proud history of supporting communities where we do business. Our corporate giving stretches across Baltimore City, eight Maryland counties, southern Pennsylvania and Northern Virginia. In 2001, Provident was the lead sponsor of a youth soccer program run by the Baltimore Police Athletic League. The league offered a safe haven for children during after school hours and provided them with lessons on teamwork and leadership. Here, Provident's "PALS" proudly show off the winning trophy.

Provident Bankshares Corporation is the holding company for Provident Bank, a regional full service commercial bank with \$4.9 billion in assets. Provident serves individuals and businesses in the dynamic Baltimore-Washington corridor through a network of 100 offices in Maryland, Northern Virginia, and southern York County, PA. Provident Bank offers a complete line of financial services that include retail and commercial banking and additional services through wholly owned subsidiaries. Mutual funds, annuities and insurance products are available through Provident Investment Center and leases through Court Square Leasing and Provident Lease Corp. Visit Provident on the Web at [www.provbank.com](http://www.provbank.com).

