

Growing bigger, better, stronger



Provident Bankshares Corporation

2003 SUMMARY ANNUAL REPORT



Provident Bankshares Corporation is the holding company for Provident Bank, the second-largest independent commercial bank headquartered in Maryland. With \$5.2 billion in assets, Provident serves individuals and businesses in Maryland and Virginia through a network of 118 banking offices in Maryland, Virginia, and southern York County, Pennsylvania. Provident Bank also offers related financial services through wholly owned subsidiaries. Securities brokerage, investment management and related insurance services are available through Provident Investment Company, and leases are through Court Square Leasing and Provident Lease Corporation. Visit Provident on the web at www.provbank.com.

Selected Financial Data

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
Interest Income (Tax-Equivalent) (1)	\$ 240,793	\$ 277,837	\$ 349,035	\$ 413,681	\$ 353,341
Interest Expense	91,239	135,522	208,933	258,677	207,421
Net Interest Income (Tax-Equivalent) (1)	149,554	142,315	140,102	155,004	145,920
Provision for Loan Losses	9,936	9,825	17,940	29,877	11,570
Net Interest Income after Provision for Loan Losses	139,618	132,490	122,162	125,127	134,350
Non-Interest Income (Excluding Net Gains (Losses))	92,752	86,394	74,955	64,470	55,445
Net Gains (Losses)	(4,379)	2,786	11,727	10,746	5,459
Non-Interest Expense	158,447	150,861	145,478	141,421	128,941
Income before Income Taxes (Tax-Equivalent) (1)	69,544	70,809	63,366	58,922	66,313
Income Tax Expense (Tax-Equivalent) (1)	18,089	22,504	20,741	19,217	22,163
Income before Accounting Change	51,455	48,305	42,625	39,705	44,150
Cumulative Effect of Accounting Change	—	—	(1,160)	—	—
Net Income	\$ 51,455	\$ 48,305	\$ 41,465	\$ 39,705	\$ 44,150
Tax-Equivalent Adjustment (1)	\$ 674	\$ 791	\$ 941	\$ 983	\$ 964
Per Share Amounts:					
Basic—Net Income before Accounting Change	\$ 2.10	\$ 1.94	\$ 1.65	\$ 1.44	\$ 1.58
Basic—Net Income	2.10	1.94	1.61	1.44	1.58
Diluted—Net Income before Accounting Change	2.05	1.88	1.60	1.41	1.53
Diluted—Net Income	2.05	1.88	1.56	1.41	1.53
Cash Dividends Paid	0.93	0.85	0.75	0.64	0.54
Book Value per Share	13.22	12.96	11.40	12.01	10.76
Total Assets	\$5,207,848	\$4,890,722	\$4,899,717	\$5,499,443	\$5,094,477
Total Loans	2,784,546	2,560,563	2,776,893	3,338,194	3,180,784
Total Deposits	3,079,549	3,187,966	3,356,047	3,954,770	3,808,528
Total Stockholders' Equity	324,765	315,635	286,282	310,306	274,599
Total Common Equity (2)	331,354	300,715	292,740	321,001	318,922
Total Long-Term Debt	1,153,301	814,546	860,106	792,942	666,280
Return on Average Assets (3)	1.03%	1.00%	0.81%	0.73%	0.90%
Return on Average Equity (3)	16.36	16.14	14.11	14.40	15.46
Return on Average Common Equity	16.47	16.22	14.05	12.48	14.61
Efficiency Ratio	65.39	65.96	67.64	64.44	64.03
Stockholders' Equity to Assets	6.24	6.45	5.84	5.64	5.39
Average Stockholders' Equity to Average Assets	6.26	6.15	5.73	5.07	5.83
Tier 1 Leverage Ratio	8.49	7.47	7.13	6.77	7.10
Tier 1 Capital to Risk-Weighted Assets	13.28	11.62	10.09	9.37	9.19
Total Regulatory Capital to Risk-Weighted Assets	15.32	12.70	11.09	10.31	10.12
Dividend Payout Ratio	45.44	45.10	48.35	45.41	34.26

(1) Tax-advantaged income has been adjusted to a tax-equivalent basis using the combined statutory federal income tax rate in effect of 35% in 2003 through 1999.

(2) Common equity excludes net accumulated other comprehensive income (loss).

(3) Exclusive of the cumulative change in accounting principle, return on average assets and return on average equity for 2001 would have been 0.83% and 14.50%, respectively.

...from Maryland through Virginia

Diluted earnings per share

increased 9%

to \$2.05 in 2003, up from \$1.88 in 2002

Net income totaled

\$51.5 million,

up 7% from \$48.3 million in 2002

Net interest margin

grew to 3.21%

in 2003, up from 3.14%

Return on average common equity was

16.47%,

up from 16.22% in 2002

Return on average assets was

1.03%,

up from 1.00% posted in 2002

Core commercial and consumer loans each

exceeded \$1 billion

at year end

Provident Bankshares Corporation and

**Southern Financial
Bancorp, Inc.**

announced a strategic merger that will strengthen Provident's presence in the Washington metro area and expand locations into central and eastern Virginia

In a recent survey by

**WB&A Market
Research,**

Provident Bank was the *only* Baltimore financial services company rated highly in all seven trust and ethics attributes

Provident grew its

ATM network to 183

and expanded into new markets in Maryland's Eastern Shore, New Jersey and Pennsylvania

A successful network expansion

strategy continued in 2003

with the addition of

12 new banking offices



Gary N. Geisel

Kevin G. Byrnes

I am pleased to report that Provident Bankshares Corporation posted another year of solid earnings in 2003. Net income was a record \$51.5 million, a 7% increase over 2002, and diluted earnings per share were \$2.05, a 9% increase over 2002. Average core loans increased 13% over the prior year, and average core deposits increased 5% over 2002. Credit quality remained strong, and we continued to show improvement in our financial fundamentals—return on assets, return on equity and the efficiency ratio.

During the fourth quarter, we announced our strategic merger with Southern Financial Bancorp of Warrenton, Virginia. The addition of the Southern franchise supports our strategy to expand into the vibrant Virginia and Washington metropolitan markets. These areas are performing, and have historically performed, above the national average economically. Northern Virginia has one of the highest median incomes in the country, led by Fairfax and Prince William counties. The region, along with the Washington metro area, enjoys

a robust business climate fueled by high-tech and government contracting companies. Highly skilled jobs dominate the workforce, and increased government spending on defense and security has further enhanced market economics. In the Richmond area, we see solid business growth and a balanced economy that includes the manufacturing and transportation sectors, as well as major universities with national reputations in research and development.

The merger also complements our strategy to grow our core consumer and commercial business lines, as we will combine Southern's commercial banking strength with Provident's proven ability to attract consumer loans and low-cost deposits.

Our transition and integration activities are in process and on schedule. We expect the transaction to close in the second quarter of 2004.

The Provident Distinction

This merger presents very exciting growth opportunities for us. We believe the combined Provident-Southern franchise will become a

regional banking powerhouse that can respond equally well to the needs of both consumer and commercial customers. Post-merger, we will have 159 branches covering southern Pennsylvania, the District of Columbia, Maryland and Virginia. We will also be one of only four commercial banks and thrift institutions headquartered in Maryland, D.C. or Virginia with more than \$5 billion in assets. This niche reinforces the Provident Distinction. We are unique in our region because we provide the products and services of our largest competitors, while delivering the level of service provided by only the best community banks.

Core Business Growth and Success

For 2003, Provident's financial accomplishments continue to be the result of the consistent execution of our fundamental business strategies:

- *Broaden our presence and customer base in the Virginia and Washington metropolitan markets*

We continue to increase our customer base in the Virginia and Washington metro areas. We now have 51 of our 118 branches in this market, with four de novo branches planned for 2004. We achieved double-digit growth in key categories for both consumer and commercial deposits. Average core consumer demand deposit balances in the Virginia-Washington metro market increased 27% over 2002, while average core commercial demand deposit balances increased an impressive 60% over the prior year. Commercial and consumer loan production also increased in 2003.

- *Grow commercial business in all our markets*
- Commercial loans and deposits increased at double-digit rates, as we continued to attract new customers and expand our relationships with existing ones. Average core commercial deposits were up \$102 million, or 28%, over 2002. This growth was driven by a 36% increase in average commercial demand deposit account balances for the period. Average core commercial loan balances also increased \$104 million, or 12%, from 2002. Growth occurred in our

Letter to shareholders

Baltimore, Washington metropolitan and Northern Virginia markets in virtually every loan category.

- *Focus resources on growth in core business lines*

We continue to execute our strategy to grow core loans and deposits and to reduce non-core assets and funding. We are particularly pleased with our core loan growth in 2003. We saw average core loans increase \$214 million, or 13%, from 2002 levels. Average core loans now comprise 72% of our total average loans, and average core deposits comprise 90% of our total average deposits. These results are evidence of the substantial progress we have made in the transition to a core-based balance sheet.

- *Improve financial fundamentals*

The transformation of our balance sheet and the successful execution of our key business strategies drove improvement in our financial fundamentals. Despite a very challenging rate environment, our net interest margin expanded from 3.14% in 2002 to 3.21% in 2003. Return on average assets was 1.03% for the year, and return on average common equity was 16.47%. Provident's asset quality remained strong, with net charge-offs at 0.29% of total average loans, down from 0.41% in 2002.

We have been committed to these core business strategies for the last three years. We are pleased with the progress we have made, and our improving financial fundamentals show the quality of our execution. We have succeeded in transitioning Provident from a

Baltimore-based thrift to a highly competitive regional commercial bank.

A Vibrant Regional Economy

Provident operates in an exceptionally vibrant region of the country, and we believe this region will be at the forefront of a national economic recovery. During the recent downturn, Maryland and Virginia consistently outperformed the overall economy. Our market has benefited from increased federal spending, particularly in the defense and security sectors. In addition to continued spending in these areas, the region stands to expand economically through anticipated growth in health care and educational spending during the coming year. All of these sectors also contribute highly skilled and well-educated workers to the regional labor pool. We believe Provident is uniquely positioned to take advantage of the economic growth our region will enjoy.

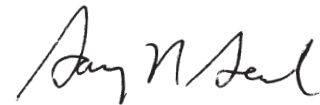
Outlook for 2004

We are excited by Provident's opportunities in 2004. We will remain focused on the execution of our core business strategies as we work to successfully integrate the Southern franchise. In 2004, we expect another year of double-digit core loan growth from our consumer and commercial business units, and we see credit quality remaining a strength for Provident. We are also confident in our continued ability to generate strong, low-cost deposit and solid non-interest income growth.

As always, Provident's corporate and financial success is the result of the skill, dedication and hard work of our employees. We are a results-driven team, committed to our core values of integrity, excellence, caring and partnership. These values guide our decisions and motivate our actions. At Provident, we all understand that our customers have choices about where to bank—and, that every day, each and every one of us has the opportunity to affect that choice. So, whether they directly serve our customers or work in the units that make service to our customers possible, Provident's staff is committed to living our core values and achieving our corporate goals.

We believe Provident is well positioned for success in 2004 and beyond. We thank you for your investment in Provident Bankshares Corporation and remain dedicated to providing increasing value to you, our shareholders.

Sincerely,

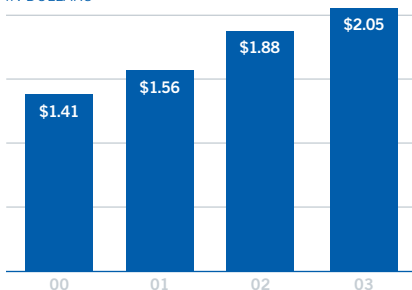


Gary N. Geisel
Chairman and Chief Executive Officer

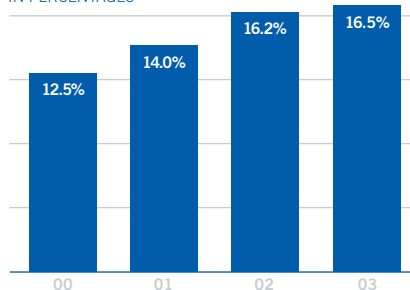


Kevin G. Byrnes
President and Chief Operating Officer

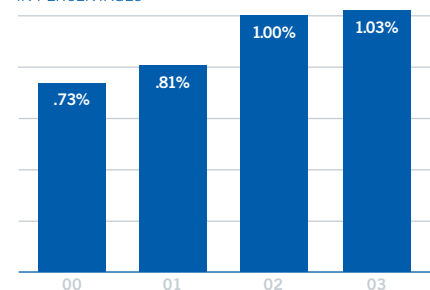
Diluted Earnings Per Share
IN DOLLARS



Return on Average Common Equity
IN PERCENTAGES



Return on Average Assets
IN PERCENTAGES



A Rapidly Expanding Branch Network

Provident's major announcement in November 2003 of a strategic merger with Southern Financial Bancorp, based in Warrenton, Virginia, will further expand our presence in the key Virginia and Washington metro region. Due to be completed in the second quarter of 2004, the Provident-Southern merger will build on a firm foundation of our vibrant and growing Virginia franchise. The merger also reinforces Provident's strategy to grow its consumer and commercial business operations in this dynamic market. The combination of Southern's commercial banking expertise with Provident's successful retail banking operation will form an even stronger financial institution. The addition of Southern Financial underlines our emphasis on regional expansion, commercial business relationship development and core loan and deposit growth.

Provident now has 51 of its 118 branches in the Washington metro area, with four additional branches planned in 2004. Overall, nine new branches are expected to open in Maryland and Virginia in 2004.

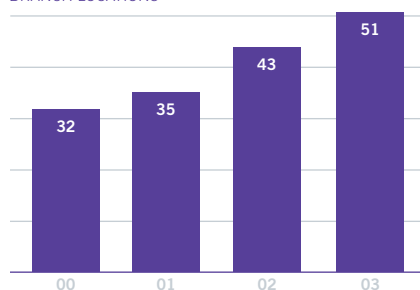
Provident also continued to increase its customer base in this key region. In 2003, our

Washington metro offices opened 33% more consumer checking accounts than in 2002. These branches also contributed more than 22% of the Bank's total home equity loan and line production.

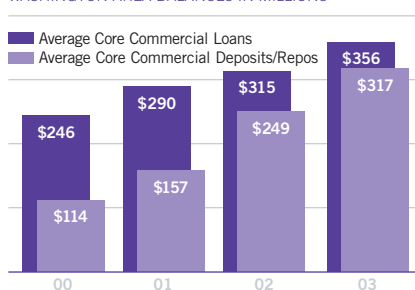
Provident made strong inroads with commercial and real estate customers in the Washington metropolitan area. Average core real estate loans were up 11% for the year, and average core commercial business loans were up 19%. On the deposit side, our Washington metropolitan units gained 11% for the year. This growth was the result of an expanded focus on developing new customers through our team of experienced relationship managers. Provident is becoming recognized for its expertise in the Northern Virginia government contracting market, with the addition of eight new business relationships in 2003.

Virginia is a successful expansion market for Provident across both consumer and commercial lines of business. The addition of Southern Financial will further strengthen Provident's presence, resulting in a regional powerhouse.

Branch Expansion in Metro Washington
BRANCH LOCATIONS



Commercial Loan and Deposit/Repo Growth
WASHINGTON AREA BALANCES IN MILLIONS



"Provident's ideal traditional branch," unveiled in Prince George's County, Maryland, includes a distinctive tower, a large drive-in and ATM area, as well as a spacious interior for banking transactions. This prototype branch sets the standard for all branches in the future, with a familiar look and feel.



Provident is on the move



This Southern Financial branch, located in the Georgetown area of Washington, D.C., will mark Provident's first official presence in the District. Reflecting our goal to expand further into the Washington metro area, the Provident-Southern merger will add 33 branches in Northern and Central Virginia.

A Year of Record Growth

Provident's Commercial Banking Group reported significant growth from Maryland to Virginia. Growth occurred in virtually every loan category in the Baltimore, Washington metro and Northern Virginia markets. Commercial loan balances passed the \$1 billion mark. Average core commercial deposits were up \$102 million, or 28%, over 2002. Commercial loans and deposits continued to grow at double-digit rates as a result of new relationships and increased business with existing customers. Cross-selling will continue to be a significant focus for all business lines in 2004, as we work to develop a synergy between our solid retail and business operations.

Provident saw commercial success in business and real estate banking across both the Maryland and Virginia markets while maintaining strong credit quality. In the Washington metro area, average commercial deposits increased 46% over 2002, led by a 60% increase in business checking account balances.

Real estate banking remains a strength at Provident, as we continue to do business with top builders and developers in the region. Commercial real estate loans were up 20% in 2003. Provident's real estate officers are active in the builder and developer community, and are considered experts in their field. Our highly regarded cash management products and responsive account teams are also valuable

tools in deepening relationships with our clients through deposit-based services that help businesses succeed. State-of-the-art products and consistent pricing, coupled with personal service, are Provident's formula for cash management success.

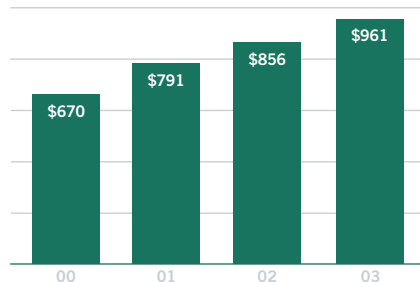
Another advantage to banking with Provident's Commercial Group was stated by the people we do business with every day—our clients. A recent survey of our commercial clients revealed that Provident outperformed other area banks for overall service, trust, experienced staff and responsiveness.

In 2003, Provident added seasoned professionals who have active business and community contacts. In many cases, these new Provident bankers attracted key customers from our competitors.

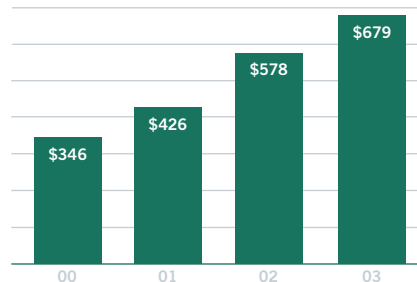
We also found that a majority of customers surveyed would *always* recommend Provident to their business associates. In fact, through calling efforts and customer referrals, we have expanded our customer base to include major title companies as well as accounting and legal firms.

By maintaining close relationships with our customers, Provident's commercial banking business is positioned to add additional relationships and continue its strong growth in 2004.

Core Commercial Loan Growth
AVERAGE BALANCES IN MILLIONS



Core Commercial Deposit/Repo Growth
AVERAGE BALANCES IN MILLIONS



Frederick L. Shreves II, President and CEO of RGS Title, LLC, confers with Barbara Scott, Deposit Administrator, at the McLean, Virginia, office. RGS Title, LLC, one of the largest title companies in the Washington metro area, relies on Provident exclusively for its depository, financing and sophisticated cash management needs.



Taking care of business



Robin Toomey, Senior Vice President, Washington Metro Commercial Banking Division, visits Century Distributors' Executive Officers in Rockville, Maryland: Debra Robins, David Sadugor and Lori Rodman. After other customers highly recommended the Bank's services, Century refinanced a real estate loan through Provident.



Cindy McAuliffe, President of Grayson Homes, is shown with her Relationship Manager, Tom Keigler, from the Baltimore Real Estate Banking Division. An award-winning builder/developer, Grayson depends on Provident for financing development and home-building projects as well as for cash management services.

A Successful Year for Core Banking Operations

2003 was an excellent year for Provident in terms of loan production. The Bank made inroads by continuing its emphasis on growing core loans and deposits. In fact, core consumer loan balances passed \$1 billion for the first time. Both consumer and commercial customers were attracted to our products and services throughout Maryland as well as Virginia. We improved efficiencies and credit quality throughout the organization, and watched core consumer loan production reach historic levels. Provident closed the year with average total core loans representing 72% of total loans, up from 62% in 2002. Record home equity and solid marine loan production drove this net increase.

Provident has been an active marine lender since 1992 and is a national leader with a portfolio of more than \$460 million at year-end.

Our telephone and Internet sales unit, known as ProvidentDirect, helped achieve an all-time high of \$383 million in new consumer loans. Adding to the total were customers who found a home equity loan through LendingTree.com, an Internet-based loan marketplace. Provident was rated number one among 200 LendingTree lenders, as loan production swung from \$12 million in 2002 to \$48 million this year.

With a focus on making Provident a major player in the fast-growing small business market, the Small Business Banking unit was repositioned this year. Relationship managers are primed in

2004 to pursue business and cross-sell initiatives, using our extensive delivery channels, from retail and telephone to online banking, to boost sales. Average deposit balances grew 17% over 2002, small business loan production increased 30%, and our “Free Business Checking” product has continued to grow in popularity since its introduction in 2001.

Provident’s growing branch network has translated into increased convenience for customers, as the Bank opened 12 branches in 2003 bringing its total network to 118 offices. In 2003, Provident reached its 10-year anniversary of in-store banking. Provident was one of the first banks in Maryland to offer the service, which allows customers to bank where they shop, seven days a week. Provident works with premier store partners, including Shoppers Food Warehouse, SuperFresh, BJ’s Wholesale Club and Wal-Mart. These lower-cost, high-volume branches made significant contributions to Provident’s performance by opening nearly 40,000 retail checking accounts in 2003. “Totally Free Checking” remains our most popular checking product, and Provident was the first major bank in Baltimore to introduce the innovation in 1993.

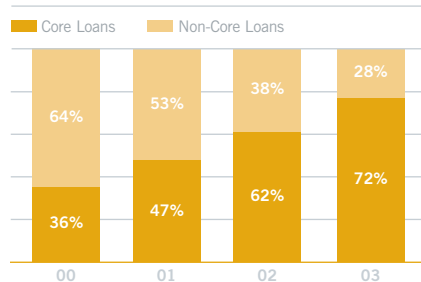
Developing new relationships and increasing business with existing customers, whether at the branches or through our cadre of relationship managers, are at the core of the Bank’s success.



Scott Hall (center), owner and President of Classic Landscaping near Frederick, Maryland, is shown with Rich Hunt (left), Small Business Banking Manager, and Relationship Manager, Craig Vogel (right). A new Small Business Banking customer, Hall was impressed with Provident’s comprehensive product lines, including commercial mortgages and lines of credit that could support business growth.

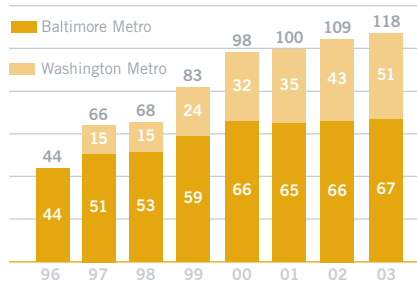
Core Business Line Growth

DECREASING RELIANCE ON NON-CORE LOANS



Branch Network

BRANCH LOCATIONS



Customers first



Patrick and Jeanette Mendonca are pictured with their family. Thanks to Provident, they were able to send their oldest son to college. Jeanette says, "Our Branch Manager, Afreen Husain, helped us by offering financing options that lowered our previous interest rates. We call the folks at the Damascus branch our Provident family!"

Working

Benefiting over 100 Nonprofits from Maryland through Virginia

From Provident's humble beginnings as a small savings thrift in Baltimore, the values that have guided the company for more than 117 years are aimed at supporting strong communities with opportunity for all. Our core results-driven values of integrity, excellence, caring and partnership illustrate our commitment to being a good citizen.

In 2003, Provident contributed over \$520,000 to nonprofit organizations, along with numerous volunteer hours from employees and members of the Provident Volunteer Corps. We focus on supporting programs in education, economic development, health and human services, and arts and culture. Throughout the year, Provident made a positive difference through several initiatives.

The Bank, in conjunction with the St. Ignatius Loyola Academy in Baltimore, created the Peter M. Martin Scholarship Endowment fund for inner-city youngsters. Provident employees and the Bank contributed \$30,000 to the fund to honor the Bank's retired Chairman and CEO, who was widely recognized as a champion of education and community involvement in the region.

For nearly 10 years, Provident has also worked with the Independent College Fund of Maryland to establish scholarships for students in need of financial aid at its member universities. This year, Provident also partnered with the University of Maryland at Baltimore County and the Hispanic College Fund in Washington, D.C. to sponsor four scholarships and internships for students interested in financial careers.

Provident targeted resources for financial literacy initiatives, such as "Project Money Wise." And when the Maryland Mentoring

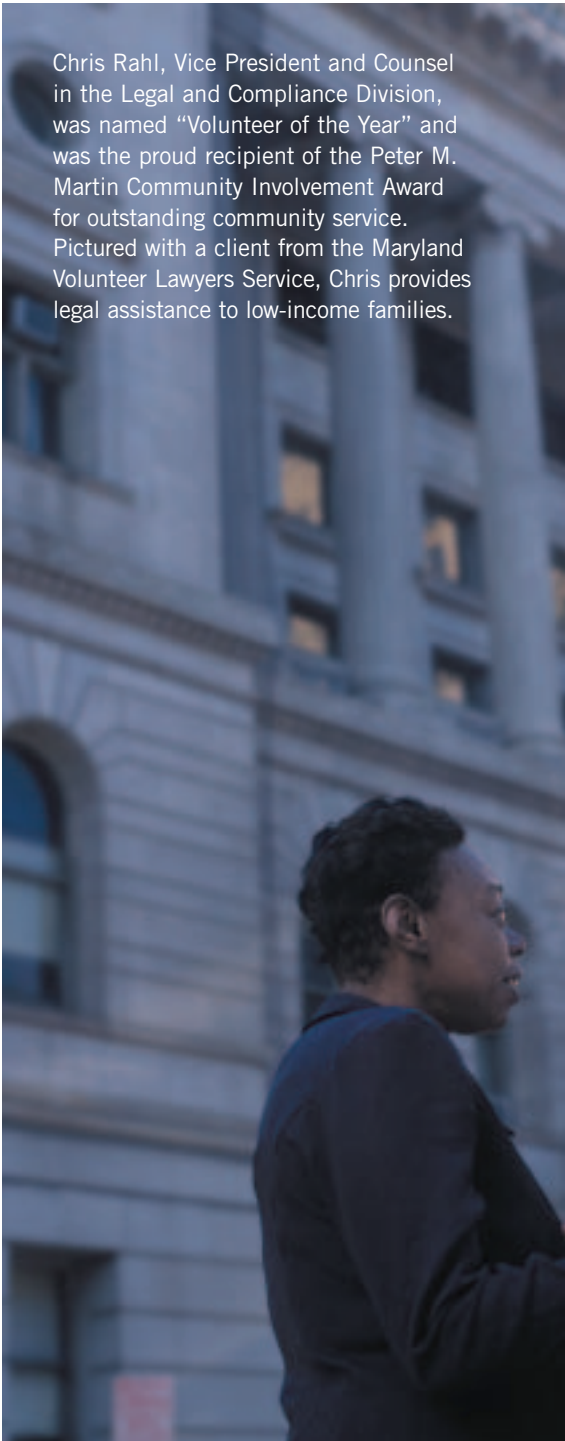
Partnership approached Provident about reaching out to children, more than 20 employees volunteered to mentor elementary school students at Featherbed Lane Intermediate School in Baltimore County.

Provident's charitable network stretches from Pennsylvania to Virginia. In the Washington metro area, the Bank sponsored the Fed Cup, a premier women's international tennis event. Several young tennis hopefuls from the Greater Washington YMCA attended the event as guests of Provident. In Montgomery County, many youngsters spent the summer attending Provident-sponsored outdoor concerts at the Strathmore Hall Arts Center. And in Reston, Virginia, employees laced up their running shoes for a 5K run/walk that benefited the Children's National Medical Center for Surgical Care.

The symbol of Provident's community outreach is its "Volunteer of the Year." This year's Peter M. Martin Community Involvement Award was presented to Chris Rahl, Vice President and Counsel in the Legal and Compliance Division, for his outstanding commitment to the community.

An inaugural award was also presented to a Provident employee who best represented the Bank's core values. Sondra Hyman, Branch Manager in Montgomery County, won the honor in recognition of her exemplary service to customers and for her extraordinary efforts in establishing a school in West Africa for youngsters who otherwise would receive no education at all.

These examples by Provident and its employees set the standard for future community involvement programs that express how we live up to our core values each and every day.



Chris Rahl, Vice President and Counsel in the Legal and Compliance Division, was named "Volunteer of the Year" and was the proud recipient of the Peter M. Martin Community Involvement Award for outstanding community service. Pictured with a client from the Maryland Volunteer Lawyers Service, Chris provides legal assistance to low-income families.

together for stronger communities



Sondra Hyman, Branch Manager in Montgomery County, Maryland, was the recipient of Provident's first Core Values Award. Sondra built and supports a school for children in Ghana, West Africa.

Each Employee Contributes to the Success of Our Key Business Strategies

Provident's commitment to improving the quality of its earnings resulted in significant increases in key performance ratios for 2003. Net interest margin expanded from 3.14% in 2002 to 3.21% in 2003, despite a very challenging rate environment. Return on average assets was 1.03%, while return on average common equity reached 16.47%. Earnings per share increased 9% in 2003, another indication of Provident's successful execution of key business strategies. In addition, credit quality remained strong.

The goal for 2004 is to build on this momentum with an even higher level of performance. "We've made progress in improving our key performance ratios toward the level of our high-performing peer banks. Our strategy is to continue our strong growth in core loans and deposits while tightly controlling our costs. This will result in stronger financial fundamentals that will support future earnings growth," according to Chief Financial Officer Dennis A. Starliper. He added, "We've done a good job of reducing our reliance on wholesale assets to meet earnings objectives. Currently, core loans make up 72% of our loan portfolio, which is up from 36% in 2000. Our aim is to move that figure to 95%, which will contribute to an even stronger balance sheet."

Provident's strategy to focus resources on growing core business lines will gain even stronger emphasis as the pending strategic Provident-Southern merger nears completion. The addition of Southern to the Provident network adds new markets in central and eastern Virginia for growing core loans and deposits. In addition, Provident will integrate its products into the Southern network. The merger will combine Southern's commercial banking strengths with Provident's proven ability to attract consumer loans and deposits.

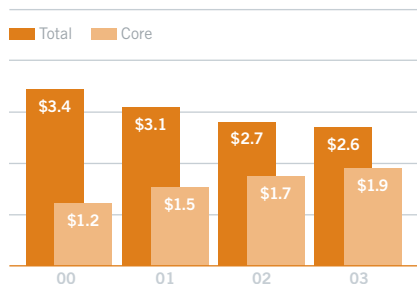
Provident's 2003 financial accomplishments are the result of the consistent execution of its business strategies, which are implemented by a conscientious and dedicated team of employees. From retail banking and commercial business to operations and technology, Provident employees, in every division, are committed to increasing value for our customers and shareholders. In 2003, the value of Provident's investment improved with a total return of 32.49%, outperforming the Dow and S&P 500. Provident's commitment to these core business strategies will continue in 2004, as we work toward an even greater return on your investment.

"We treat our customers like GUESTS and spell it out this way. Greet customers, Use their name, make Eye contact, Smile and say Thank You for banking with us!"

—Ed Crawley
DISTRICT BRANCH MANAGER

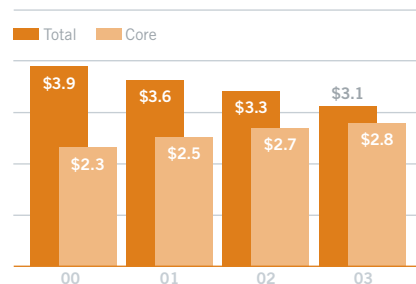
Core Loans vs Total Loans

AVERAGE BALANCES IN BILLIONS




Core Deposits vs Total Deposits

AVERAGE BALANCES IN BILLIONS

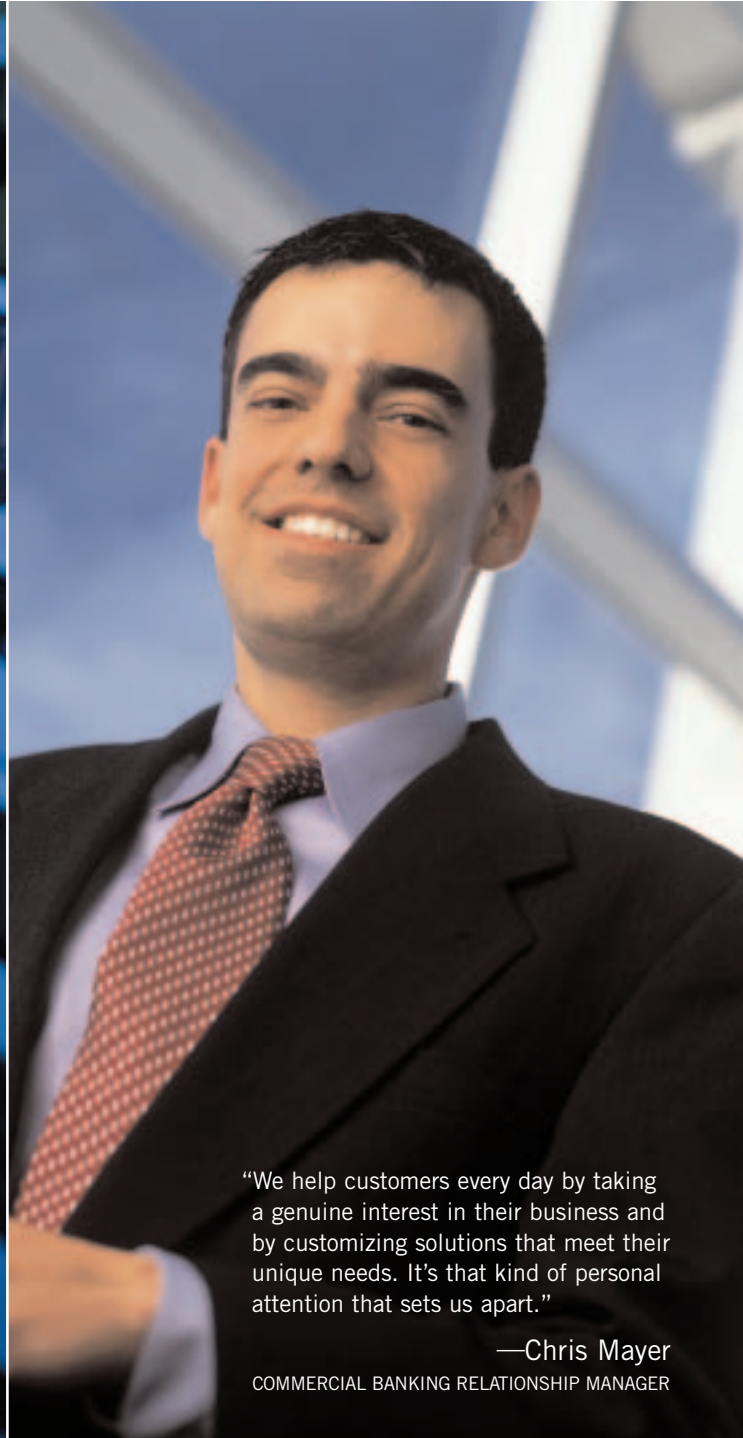


Looking forward



“Our customers rely on us to provide instant online access to their accounts. They trust us to make these services safe and secure, and we deliver on that responsibility with strict security measures and dependable service that give our clients peace of mind.”

—Jane Terry
NETWORK SUPPORT SERVICES



“We help customers every day by taking a genuine interest in their business and by customizing solutions that meet their unique needs. It’s that kind of personal attention that sets us apart.”

—Chris Mayer
COMMERCIAL BANKING RELATIONSHIP MANAGER

Consolidated Statements of Condition

DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS	2003	DECEMBER 31, 2002
Assets		
Cash and Due from Banks	\$ 127,048	\$ 145,063
Short-Term Investments	1,137	3,129
Mortgage Loans Held for Sale	5,016	8,899
Securities Available for Sale	2,086,510	1,993,229
Loans	2,784,546	2,560,563
Less Allowance for Loan Losses	35,539	33,425
Net Loans	2,749,007	2,527,138
Premises and Equipment, Net	49,575	47,031
Accrued Interest Receivable	25,413	28,101
Intangible Assets	8,932	9,340
Other Assets	155,210	128,792
Total Assets	\$5,207,848	\$4,890,722
Liabilities		
Deposits:		
Noninterest-Bearing	\$ 579,058	\$ 492,661
Interest-Bearing	2,500,491	2,695,305
Total Deposits	3,079,549	3,187,966
Short-Term Borrowings	627,861	539,758
Long-Term Debt	1,153,301	814,546
Accrued Expenses and Other Liabilities	22,372	32,817
Total Liabilities	4,883,083	4,575,087
Stockholders' Equity		
Common Stock (Par Value \$1.00) Authorized 100,000,000 Shares; Issued 32,213,590 and 31,737,237 Shares at December 31, 2003 and 2002, Respectively	32,214	31,737
Additional Paid-in Capital	298,928	289,698
Retained Earnings	153,545	124,862
Net Accumulated Other Comprehensive Income (Loss)	(6,589)	14,920
Treasury Stock at Cost—7,651,317 and 7,373,601 Shares at December 31, 2003 and 2002	(153,333)	(145,582)
Total Stockholders' Equity	324,765	315,635
Total Liabilities and Stockholders' Equity	\$5,207,848	\$4,890,722

Refer to the Provident Bankshares Corporation 2003 Annual Report on Form 10-K for a complete set of consolidated financial statements.

Consolidated Statements of Income

DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA	2003	YEAR ENDED DECEMBER 31, 2002	2001
Interest Income			
Loans, Including Fees	\$147,865	\$174,672	\$231,573
Investment Securities	90,727	100,468	114,036
Tax-Advantaged Loans and Securities	1,502	1,816	2,176
Short-Term Investments	25	90	309
Total Interest Income	240,119	277,046	348,094
Interest Expense			
Deposits	47,550	83,013	142,642
Short-Term Borrowings	4,796	6,338	12,462
Long-Term Debt	38,893	46,171	53,829
Total Interest Expense	91,239	135,522	208,933
Net Interest Income	148,880	141,524	139,161
Less Provision for Loan Losses	9,936	9,825	17,940
Net Interest Income, after Provision for Loan Losses	138,944	131,699	121,221
Non-Interest Income			
Service Charges on Deposit Accounts	75,984	70,710	60,331
Commissions and Fees	4,507	4,823	4,836
Net Gains (Losses)	(4,379)	2,786	11,727
Other Non-Interest Income	12,261	10,861	9,788
Total Non-Interest Income	88,373	89,180	86,682
Non-Interest Expense			
Salaries and Employee Benefits	79,354	74,215	70,307
Occupancy Expense, Net	15,730	14,225	13,404
Furniture and Equipment Expense	11,840	10,970	10,249
External Processing Fees	21,201	20,202	16,867
Other Non-Interest Expense	30,322	31,249	34,651
Total Non-Interest Expense	158,447	150,861	145,478
Income before Income Taxes	68,870	70,018	62,425
Income Tax Expense	17,415	21,713	19,800
Income before Cumulative Effect of Change in Accounting Principle	51,455	48,305	42,625
Cumulative Effect of Change in Accounting Principle, Net*	—	—	(1,160)
Net Income	\$ 51,455	\$ 48,305	\$ 41,465
Basic Earnings Per Share			
Income before Cumulative Effect of Change in Accounting Principle	\$ 2.10	\$ 1.94	\$ 1.65
Cumulative Effect of Change in Accounting Principle, Net*	—	—	(0.04)
Net Income	\$ 2.10	\$ 1.94	\$ 1.61
Diluted Earnings Per Share			
Income before Cumulative Effect of Change in Accounting Principle	\$ 2.05	\$ 1.88	\$ 1.60
Cumulative Effect of Change in Accounting Principle, Net*	—	—	(0.04)
Net Income	\$ 2.05	\$ 1.88	\$ 1.56

*Effective January 1, 2001, the Corporation adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."
Refer to the Provident Bankshares Corporation 2003 Annual Report on Form 10-K for a complete set of consolidated financial statements.



Corporate 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 43010
Providence, Rhode Island 02940-3010
Investor Relations: 1-866-820-0125
www.equiserve.com

Independent Accountants

KPMG L.L.P.
111 S. Calvert Street
Baltimore, Maryland 21202

Annual Meeting

The annual stockholders meeting will be held on Wednesday, April 21, 2004, 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:

Dennis A. Starliper
EVP and Chief Financial Officer
Provident Bankshares Corporation
114 East Lexington Street
Baltimore, Maryland 21202
410-277-2889 / 1-800-626-1580

Dividend Reinvestment and Stock Purchase Plan

Holders of Provident Bankshares Corporation (PBKS) 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 Direct Stock Purchase Plan (the "Plan"). New investors are also eligible to participate in the Plan. To obtain a Plan prospectus, Plan materials, or to enroll, contact EquiServe online at equiserve.com or by phone at 1-866-820-0125.

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.

« Senior Management PROVIDENT BANK

(LEFT TO RIGHT)

Lillian S. Kilroy, Managing Director, Marketing and Public Relations
John J. King, Group Manager, Community Banking
Richard J. Oppitz Jr., Executive Vice President, Consumer Lending Group
Russell G. Johnson, Group Manager, Operations
Dennis A. Starliper, Executive Vice President and Chief Financial Officer
Robert H. Newton Jr., Group Manager, Commercial Banking
Gary N. Geisel, Chairman and Chief Executive Officer
R. Wayne Hall, Group Manager, Risk Management
Kevin G. Byrnes, President and Chief Operating Officer
Enos K. Fry, Group Manager, Washington Metro Area
H. Les Patrick, Group Manager, Credit Administration
Jeanne M. Uphouse, Group Manager, Organizational Support Services

Board of Directors PROVIDENT BANKSHARES CORPORATION

Melvin A. Bilal
Attorney at Law

Thomas S. Bozzuto
President
The Bozzuto Group

Kevin G. Byrnes
President and Chief Operating Officer
Provident Bankshares Corporation/Provident Bank

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.

William J. Crowley Jr.
Retired
Arthur Andersen

Pierce B. Dunn
Chairman of the Board
MIRCON, Inc.

Enos K. Fry
Group Manager, Washington Metro Area
Provident Bank

Gary N. Geisel
Chairman of the Board and
Chief Executive Officer
Provident Bankshares
Corporation/Provident Bank

Mark K. Joseph
Chairman and Chief Executive Officer
Munimae Midland, LLC

Bryan J. Logan
Chairman and Chief Executive Officer
Earth Data International

Barbara B. Lucas
Senior Vice President and Corporate Secretary
The Black & Decker Corporation

Peter M. Martin
Retired Chairman and CEO
Provident Bankshares
Corporation/Provident Bank

Frederick W. Meier Jr.
President
Lord Baltimore Capital Corp.
and Lord Baltimore Properties

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

Donald E. Wilson, M.D., MACP
Vice President, Medical Affairs
University of Maryland
Dean, School of Medicine

Officers PROVIDENT BANKSHARES CORPORATION

Gary N. Geisel
Chairman and Chief Executive Officer

Kevin G. Byrnes
President and Chief Operating Officer

Dennis A. Starliper
Executive Vice President and
Chief Financial Officer

Robert L. Davis
General Counsel and Secretary

Karen L. Malecki
Treasurer

Managing Directors PROVIDENT BANK

Lawrence J. Beyer
Managing Director and Treasurer
Treasury

Ann M. Clair
Managing Director
Branch 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

L. Burwell Gunn
Managing Director
Washington Metro Commercial Banking

Cecilia A. Hodges
Managing Director
Washington Metro Real Estate Banking

Lillian S. Kilroy
Managing Director
Marketing and Public Relations

Karen L. Malecki
Managing Director and Controller
Finance and Control

Lisa J. Punt
Managing Director
Human Resources

Raymond E. Schlissler
Managing Director
Baltimore Real Estate Banking

Robert L. Schmidt
Managing Director
Deposit and Loan Support

Donald E. Sheeler
Managing Director
Provident Investment Company

Daniel C. Sigmon
Managing Director
Technology Management

Clifford O. Webster
Managing Director
Administrative Services



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Baltimore, Maryland 21202
www.provbank.com

Our Mission

Provident Bank's mission is to exceed customer expectations by delivering superior service, products and banking convenience. Every employee's commitment to serve our customers in this fashion will establish Provident Bank as the primary bank of choice for individuals, families, small businesses and mid-sized companies throughout our chosen markets.

Our Commitment

Our pursuit of this mission will be driven by our core values and strong commitment to being a:

Customer-focused organization—We recognize that our customers choose to bank with us, and that, every day, every one of us has the opportunity to affect that choice.

Preferred employer—We are responsible for creating a challenging, engaging and caring environment where expectations are high, talents are developed and achievements are rewarded.

Community partner—We actively participate in the markets we serve through employee volunteerism and financial support to organizations dedicated to improving the quality of life in the areas where we live, work and do business.

Sound investment—We earn our right to remain independent by providing shareholders with returns worthy of a long-term investment.

