SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

MERCANTILE BANKSHARES CORP

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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________________ to ____________________

Commission file number 0-5127

Mercantile Bankshares Corporation
(Exact name of registrant as specified in its charter)

Maryland	52-0898572
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
Two Hopkins Plaza, P. O. Box 1477, Baltimore, Maryland	21203
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (410) 237-5900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to section 12(g) of the Act:

Common Stock ($2 par value)
(Title of class)

Preferred Stock Purchase Rights
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained,

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to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

At February 26, 1999, the aggregate market value of shares of Common Stock held by non-affiliates of Registrant (including fiduciary accounts administered by affiliates) was $2,503,849,635 based on the last sale price on the Nasdaq National Market on February 26, 1999.

As of February 26, 1999, 69,536,010 shares of common stock were outstanding.

Documents Incorporated by Reference: Parts I, II and IV - Portions of Registrant's Annual Report to Stockholders for year ended December 31, 1998, as indicated, Part III - Definitive Proxy Statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

PART I

ITEM 1. BUSINESS

General

Mercantile Bankshares Corporation was incorporated under the laws of Maryland on May 27, 1969. It is a bank holding company registered under the Bank Holding Company Act of 1956. Mercantile Bankshares Corporation is referred to in this report as "Mercshares" or "Registrant."

Mercshares directly owns all of the outstanding stock of 21 Affiliated Banks and directly or indirectly owns all of the outstanding stock of certain other Affiliates. For purposes of segment reporting, two operating components have been identified. They are (1) the lead bank, Mercantile-Safe Deposit and Trust Company (including its Banking and Trust Divisions), and (2) twenty Community Banks. The entities making up each component are identified below, with headquarters locations.

<TABLE>
<CAPTION>

Lead Bank and Affiliates

<S>	<C>
Mercantile-Safe Deposit and Trust Company	Baltimore, Maryland
Mercantile Mortgage Corporation	
Hopkins Plaza Agency, Inc.	
MBC Leasing Corp.	
MBC Agency, Inc.	
Mercantile Life Insurance Company	

<CAPTION>

Community Banks

The Annapolis Banking and Trust Company	Annapolis, Maryland
Bank of Southern Maryland	LaPlata, Maryland
Calvert Bank and Trust Company	Prince Frederick, Maryland

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The Chestertown Bank of Maryland	Chestertown, Maryland
The Citizens National Bank	Laurel, Maryland
County Banking & Trust Company	Elkton, Maryland
The Fidelity Bank	Frostburg, Maryland
The First National Bank of St. Mary's	Leonardtown, Maryland
The Forest Hill State Bank	Bel Air, Maryland
Fredericktown Bank & Trust Company	Frederick, Maryland
Peninsula Bank	Princess Anne, Maryland
The Peoples Bank of Maryland	Denton, Maryland
Potomac Valley Bank	Gaithersburg, Maryland
St. Michaels Bank	St. Michaels, Maryland
The Sparks State Bank	Sparks, Maryland
Westminster Bank and Trust Company of Carroll County	Westminster, Maryland

Baltimore Trust Company	Selbyville, Delaware
Farmers & Merchants Bank - Eastern Shore	Onley, Virginia
The National Bank of Fredericksburg	Fredericksburg, Virginia
Marshall National Bank and Trust Company	Marshall, Virginia

</TABLE>

For certain financial, personnel and office location information concerning the companies listed above, see pages 53 to 59 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998, which information is incorporated by reference herein.

Mercshares periodically reviews and considers possible acquisitions of banks and corporations performing related activities and discusses such possible acquisitions with managements of the subject companies, and such acquisitions may be made from time to time. Acquisitions are normally subject to regulatory approval.

Operations

Mercantile-Safe Deposit and Trust Company and the Community Banks are engaged in a general commercial and retail banking business with normal banking services, including acceptance of demand, savings and time deposits and the making of various types of loans. Mercantile-Safe Deposit and Trust Company offers a full range of personal trust services, investment management services and (for corporate and institutional customers), investment advisory, financial and pension and profit sharing services. As of December 31, 1998, assets under the investment supervision of the Trust Division had an estimated value of $13.6 billion, assets held in its personal and corporate custody accounts had an estimated value of $25 billion and assets held in escrow accounts had an estimated value of $16.3 million.

Mercantile Mortgage Corporation, through offices in Maryland and Delaware, arranges for and services various types of mortgage loans as principal and as agent primarily for non-affiliated institutional investors and also for the Affiliated Banks.

Hopkins Plaza Agency, Inc. acts as agent in the sale of fixed rate

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annuities, and MBC Leasing Corp. provides tax oriented and finance leases of equipment.

MBC Agency, Inc., provides, under group policies, credit life insurance in connection with extensions of credit by Affiliated Banks. Mercantile Life Insurance Company reinsures the insurance provided by MBC Agency, Inc.

MBC Realty, LLC owns and operates various properties used by MercantileSafe Deposit and Trust Company.

For segment reporting information, see the following portions of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998, which information is incorporated by reference herein: Note 15 of Notes to Financial Statements on pages 43 and 44 of the Annual Report, and information under the caption "Segment Reporting" on page 12 of the Annual Report.

Statistical Information

The statistical information required in this Item 1 is incorporated by reference to the information appearing in Registrant's Annual Report to Stockholders for the year ended December 31, 1998, as follows:

<TABLE>
<CAPTION>

Disclosure Required by Guide 3		Reference to 1998 Annual Report
<S>		<C>
(I)	Distribution of Assets, Liabilities and Stockholder Equity; Interest Rates and Interest Differentials	...............Analysis of Interest Rates and Interest
		...............Differentials (pages 8-9)
		...............Rate/Volume Analysis (page 10)
		...............Non-performing Assets (pages 16-17)
(II)	Investment Portfolio	...............Bond Investment Portfolio (page 13)
(III)	Loan Portfolio	...............Year-End Loan Data (page 49)
		...............Loan Maturity Schedule (page 19)
		...............Asset/Liability and Liquidity
		...............Management (pages 18,20-21)
		...............Non-performing Assets (pages 16-17)
(IV)	Summary of Loan Loss	
	Experience	...............Allowance for Loan Losses
		...............(pages 15-16) and Credit Risk Analysis (page 14)
		...............Allocation of Allowance for Loan Losses (page 15)
(V)	Deposits	...............Analysis of Interest Rates and Interest

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		Differentials (pages 8-9)
	....	Notes to Financial Statements, Note 5 - Deposits (page 35)
(VI)	Return on Equity and Assets	...............Return on Equity and Assets (page 51)
(VII)	Short-Term Borrowings	...............Notes to Financial Statements, Note 6 (page 36)

</TABLE>

Employees

At December 31, 1998, Mercshares and its Affiliates had approximately 924 officers and 1,880 other employees. Of these, Mercantile-Safe Deposit and Trust Company employed 417 officers and 584 other employees and the Community Banks had 506 officers and 1,270 other employees.

Competition

The banking business, in all of its phases, is highly competitive. Within their service areas, Mercantile-Safe Deposit and Trust Company and the Community Banks compete with commercial banks (including local banks and branches or affiliates of other larger banks), savings and loan associations and credit unions for loans and deposits, and with insurance companies and other financial institutions for various types of loans. There is also competition for commercial and retail banking business from banks and financial institutions located outside our service areas. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "1994 Interstate Act"), which became law September 29, 1994, provided, among other things that, over time, bank holding companies that are adequately capitalized and managed will be permitted to acquire banks in any state, preempting essentially all state laws prohibiting interstate bank acquisitions and mergers, subject to certain state "opt-out" rights with respect to interstate mergers, as well as certain state "opt-in" rights with respect to other vehicles for interstate branching. Maryland, Virginia, Pennsylvania and numerous other states have "opted-in" to these provisions to the full extent permitted by the 1994 Interstate Act. As a result of this and other provisions of the Interstate Act and related state actions, competition may continue to increase.

While Mercshares is the second largest bank holding company headquartered in Maryland, it is the largest independent bank holding company in the state.

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Mercantile-Safe Deposit and Trust Company is the fourth largest commercial bank in Maryland. During 1998, Mercshares also competed with Maryland-based bank subsidiaries of the first, second, fourth and tenth largest bank holding companies in the United States as well as banking subsidiaries of other non-Maryland bank holding companies. Measured in terms of assets under investment supervision, Mercantile-Safe Deposit and Trust Company believes it is one of the largest trust institutions in the southeastern United States. Mercantile-Safe Deposit and Trust Company competes for various classes of fiduciary and investment advisory business with other banks and trust companies, insurance companies, investment counseling firms, mutual funds and others.

Mercantile Mortgage Corporation is a relatively small competitor in its area of activity. MBC Agency, Inc. is limited to providing credit life, health and accident insurance in connection with credit extended by the Affiliated Banks. Hopkins Plaza Agency, Inc. and MBC Leasing Corp. commenced business in 1996 and are small competitors in their areas of activity.

The 20 Community Banks ranged in asset size from $43 million to $598 million, at December 31, 1998. They face competition in their own local service areas as well as from the larger competitors mentioned above.

Supervision and Regulation

Mercshares

Mercshares, as a registered bank holding company, is subject to regulation and examination by the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 (the "Act") and is required to file with the Board of Governors quarterly and annual reports and such additional information as the Board of Governors may require pursuant to the Act. With various exceptions, Mercshares is prohibited from acquiring direct or indirect

ownership or control of more than 5% of any class of the voting shares of any company which is not a bank or bank holding company and from engaging in any business other than that of banking or of managing or controlling banks or of furnishing services to, or performing services for, its Affiliated Banks. The Act and Regulations promulgated under the Act require prior approval of the Board of Governors of the Federal Reserve System of the acquisition by Mercshares of more than 5% of any class of the voting shares of any additional bank.

Further, under Section 106 of the 1970 Amendments to the Act and the Board's Regulations, bank subsidiaries of bank holding companies are limited in engaging in certain tie-in arrangements with bank holding companies and their non-bank subsidiaries in connection with any extension of credit or provision of any property or services, subject to various exceptions.

The Act, generally, restricts activities of all bank holding companies and their subsidiaries to banking, and the business of managing and controlling

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banks, and to other activities which are determined by the Board of Governors of the Federal Reserve System to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Mercshares is also subject to certain restrictions with respect to engaging in the securities business.

It is Federal Reserve Policy that a bank holding company should serve as a source of financial and managerial strength for and commit resources to support each of its subsidiary banks even in circumstances in which it might not do so (or may not legally be required or financially able to do so) absent such a policy.

Changes in control of Mercshares and its Affiliated Banks are regulated under the Bank Holding Company Act of 1956, the Change in Bank Control Act of 1978 and various state laws.

Affiliated Banks

All Affiliated Banks, with the exception of The Citizens National Bank, Baltimore Trust Company, Farmers & Merchants Bank - Eastern Shore, The First National Bank of St. Mary's, The National Bank of Fredericksburg and Marshall National Bank and Trust Company are Maryland banks, subject to the banking laws of Maryland and to regulation by the Commissioner of Financial Regulation of Maryland, who is required by statute to make at least one examination in each calendar year (or at 18-month intervals if the Commissioner determines that an examination is unnecessary in a particular calendar year). Their deposits are insured by, and they are subject to certain provisions of Federal law and regulations and examination by, the Federal Deposit Insurance Corporation.

In addition, The Annapolis Banking and Trust Company, The Forest Hill State Bank and St. Michaels Bank are members of the Federal Reserve System, and are thereby subject to regulation by the Board of Governors of that System.

The Citizens National Bank, The First National Bank of St. Mary's, The National Bank of Fredericksburg and Marshall National Bank and Trust Company are national banks subject to regulation and regular examination by the Comptroller of the Currency in addition to regulation and examination by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, which insures their deposits.

Farmers & Merchants Bank - Eastern Shore is a Virginia bank, subject to the banking laws of Virginia and to regulation by its State Corporation Commission, which is required by statute to make at least one examination in every three year period. Its deposits are insured by, and it is subject to certain provisions of Federal law and regulation and examination by, the Federal Deposit Insurance Corporation.

Baltimore Trust Company is a Delaware bank, subject to the banking laws of

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Delaware and to regulation by the Delaware State Bank Commissioner, who is required by statute to make periodic examinations. Its deposits are insured by, and it is subject to certain provisions of Federal law and regulation and examination by the Federal Deposit Insurance Corporation.

Mercshares and its Affiliates are subject to the provisions of Section 23A of the Federal Reserve Act which limit the amount of loans or extensions of credit to, and investments in, Mercshares and its nonbanking Affiliates by the Affiliated Banks, and Section 23B of the Federal Reserve Act which requires that transactions between the Affiliated Banks and Mercshares and its nonbanking Affiliates be on terms and under circumstances that are substantially the same as with non-affiliates. Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, there are circumstances under which Affiliated Banks could be responsible to the Federal Deposit Insurance Corporation for losses incurred by it with respect to other Affiliated Banks.

Other Affiliates

As affiliates of Mercshares, the nonbanking Affiliates are subject to examination by the Board of Governors of the Federal Reserve System and, as affiliates of the Affiliated Banks, they are subject to examination by the Federal Deposit Insurance Corporation and the Commissioner of Financial Regulation of Maryland. In addition, MBC Agency, Inc., Mercantile Life Insurance Company and Hopkins Plaza Agency, Inc. are subject to licensing and regulation by state insurance authorities.

Other Banking Legislation

The 1994 Interstate Act made a number of major changes having a significant effect on the operations of banks. Although there were numerous provisions, the principal elements include those summarized below.

Bank holding companies that are adequately capitalized and managed are

permitted to acquire banks in any state. Adequately capitalized and managed banks are able to engage in interstate branching by merging banks in different states.

With respect to both interstate acquisitions and branching through mergers, states may require that banks to be acquired have been in existence for a period of time (not more than five years), may limit, on a non-discriminatory basis, the percent of deposits within a state that may be held by a bank, or bank holding company, and may adopt, on a non-discriminatory basis, laws relating to the operations of a bank within the state. The Federal Reserve Board may not permit an acquisition, and the responsible federal agency may not permit a merger, that would result in the acquiring institution controlling more than 10% of total insured deposits in the U. S., or 30% of a state's insured deposits (other than in connection with an initial entry into a state or with an interstate merger involving affiliated banks). This 30% limit may be increased or decreased by a state on a non-discriminatory basis. The pertinent federal agencies must take into account the acquiring institution's record under the Community Reinvestment Act and any applicable state community reinvestment laws. States may impose filing requirements and may continue to regulate intrastate branching in a non-discriminatory way, examine banks and branches operated in that state, impose non-discriminatory notification and reporting requirements, adopt laws relating to community reinvestment, consumer protection and fair

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lending, and exercise taxing authority.

The appropriate federal banking agency may also permit an adequately capitalized and managed bank to open and operate an interstate branch de novo in any state that has a law that applies equally to all banks and expressly permits all out-of-state banks to open and operate such a branch, provided the bank complies with state filing and community reinvestment requirements.

Subsidiaries of the same bank holding company may act as agents for one another in receiving deposits, closing and servicing loans and accepting loan payments without being deemed branches, but the new authority does not extend to originating or approving loans or opening deposit accounts.

Generally, foreign banks are allowed to engage in interstate banking in the same way as domestic banks without establishing U. S. bank subsidiaries.

There are many other provisions of the 1994 Interstate Act, such as prohibitions against interstate branches being operated primarily to produce deposits, requiring hearings on closing of certain branches, and requiring separate evaluations and ratings of a bank's Community Reinvestment Act performance in each state in which it operates, and separate evaluations for each metropolitan area and for the remaining non-metropolitan area in which the bank maintains a branch. The 1994 Interstate Act has had a substantial impact on the manner in which the banking business in the United States is conducted.

The Riegle Community Development and Regulatory Improvement Act was also enacted in 1994. It contains a number of provisions affecting the operations of financial institutions. Among these provisions were those that, (1) established a Community Development Financial Institutions Fund to promote economic revitalization and development in communities considered to be financially underserved, through investment in Community Development Financial Institutions, (2) removed certain impediments to the securitization of small business loans and leases in an effort to improve access to capital by small businesses, (3) reduced administrative requirements, previously imposed by regulations, of financial institutions to the extent consistent with safe and sound banking practices, (4) reduced and revised reporting requirements relating to money laundering, and (5) ameliorated certain provisions of Section 39 of the Federal Deposit Insurance Act relating to the establishment of regulatory requirements with respect to asset quality.

The "Economic Growth and Regulatory Paperwork Reduction Act of 1996" made numerous changes in Federal banking laws to recapitalize the Savings Association Insurance Fund ("SAIF"), provide regulatory burden relief, amend the Fair Credit Reporting Act, and limit lender liability for environmental cleanup. The recapitalization of SAIF required certain payments by banks to help pay interest on the bonds that funded the initial capitalization of SAIF and mandated regulatory actions to prevent the shifting of deposits from SAIF to the Bank

Insurance Fund ("BIF").

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In addition, in the past few years, all of the Federal bank regulatory agencies have undertaken to clarify, modernize and expedite many of their regulations and procedures. In this regard, the Board of Governors of the Federal Reserve System has adopted numerous changes to its procedures with respect to (1) the acquisition of banks and non-banks, (2) changes in bank control, (3) commencement of non-banking activity de novo, (4) simplifying and expanding the regulatory list of permissible non-banking activities, (5) alleviating the tying rules, and (6) removing outmoded restrictions on bank holding company activity. It has also adopted significant changes designed to facilitate entry of holding companies into the securities business within the confines of the Glass-Steagall Act.

Recently a variety of proposals have been considered by Congress for changes in the regulation of financial institutions, some of which could substantially alter Glass-Steagall Act restrictions and permit further consolidation among the commercial banking and investment industries. Such proposals have been controversial and the outcome is unpredictable.

Year 2000 Issue

Mercshares is implementing a comprehensive program to prepare the systems of Mercshares and its Affiliates for year 2000 compliance. The year 2000 issue relates to systems designed to use two digits rather than four to define the applicable year. This flaw can cause system failures and disruptions, including inability to process transactions. For information concerning this matter, see the text under the captions "Year 2000 Issues" and "Cautionary Statement" on pages 23 and 24 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998, which information is incorporated by reference herein.

Effects of Monetary Policy

All commercial banking operations are affected by the Federal Reserve System's conduct of monetary policy and its policies change from time to time based on changing circumstances. A function of the Federal Reserve System is to regulate the national supply of bank credit in order to achieve economic

results deemed appropriate by its Board of Governors, including efforts to combat unemployment, recession or inflationary pressures. Among the instruments of monetary policy used to implement these objectives are open market operations in the purchase and sale of U.S. Government securities, changes in the discount rate charged on bank borrowings and changes in reserve requirements against bank deposits. These means are used in varying combinations to influence the general level of interest rates and the general availability of credit. More specifically, actions by the Board of Governors of the Federal Reserve influence the levels of interest rates paid on deposits and other bank funding sources and charged on bank loans as well as the level of availability of bank funds with which loans and investments can be made.

The monetary policies of bank regulatory and other authorities have affected the operating results of commercial banks in the past and are expected to continue to do so in the future. In view of changing conditions in the national economy, in the money markets, and in the relationships of international currencies, as well as the effect of legislation and of actions by monetary and fiscal authorities, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand, or the business and

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earnings of the Affiliated Banks.

ITEM 2. PROPERTIES

The main offices of Mercshares and Mercantile-Safe Deposit and Trust Company are located in a 21-story building at Hopkins Plaza in Baltimore owned by MBC Realty, LLC, a wholly owned subsidiary of Mercshares. At December 31, 1998, these offices occupied approximately 142,000 square feet (together with about 11,000 square feet leased in a nearby building). At December 31, 1998, Mercantile-Safe Deposit and Trust Company also occupied approximately 132,000 square feet of leased space in a building located in Linthicum, Maryland, in which its operations and certain other departments are located. This building is also owned by MBC Realty, LLC. Of the 18 banking and bank-related offices occupied by Mercantile-Safe Deposit and Trust Company, four are owned in fee, four are owned subject to ground leases and ten are leased with aggregate annual rentals of approximately $1,346,000, not including rentals for the main office and adjacent premises owned by MBC Realty, LLC.

Of the 161 banking offices of the Community Banks, 91 are owned in fee, 15 are owned subject to ground leases and 55 are leased, with aggregate annual rentals of approximately $3,558,000 as of December 31, 1998.

ITEM 3. LEGAL PROCEEDINGS

There was no matter which is required to be disclosed in this Item 3 pursuant to the instructions contained in the form for this Report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders which is required to be disclosed pursuant to the instructions contained in the form for this Report.

SPECIAL ITEM: EXECUTIVE OFFICERS OF THE REGISTRANT

The Executive Officers of Registrant are:

<TABLE>
<CAPTION>

Name	Position	Age
H. Furlong Baldwin	Chairman of the Board, President and Chief Executive Officer	67
J. Marshall Reid (1)	President and Chief Operating Officer (Mercantile-Safe Deposit and Trust Company)	53
Jack E. Steil	Executive Vice President. Chairman - Credit Policy (Mercantile-Safe Deposit and Trust Company)	52
Alan D. Yarbro	General Counsel and Secretary	57
Terry L. Troupe	Chief Financial Officer and Treasurer	51
Robert W. Johnson	Senior Vice President	56
O. James Talbott, II	Senior Vice President	55

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</TABLE>

(1) Mr. Reid is an officer of Mercantile-Safe Deposit and Trust Company. He is included above as an executive officer because he participates in policy-making functions concerning Mercshares.

No family relationships, as defined by the Rules and Regulations of the Securities and Exchange Commission, exist among any of the Executive Officers.

All officers are elected annually by the Board of Directors and hold office at the pleasure of the Board.

Mr. Baldwin has been Chairman of the Board of Mercshares since 1984, and has been its Chief Executive Officer since 1976. He assumed the presidency of Mercshares in 1997. He has been Chairman of the Board and Chief Executive Officer of Mercantile-Safe Deposit and Trust Company since 1976.

Mr. Reid was elected President and Chief Operating Officer of Mercantile-Safe Deposit and Trust Company in September, 1997. He joined Mercantile-Safe Deposit and Trust Company as a Senior Vice President in 1993 and served as an Executive Vice President from 1994 until September, 1997.

Mr. Steil was elected Chairman - Credit Policy of Mercantile-Safe Deposit and Trust Company in September, 1997. He had previously served Mercantile-Safe Deposit and Trust Company as an Executive Vice President since 1994, and as Senior Vice President from 1988 to 1994. In March, 1999, Mr. Steil was elected an Executive Vice President of Mercshares.

Mr. Yarbro has been General Counsel of Mercshares and Mercantile-Safe Deposit and Trust Company since April, 1996 and was elected Secretary of both companies in June, 1996. His prior employment was as a partner of Venable, Baetjer and Howard, LLP, where he practiced law for 29 years.

Mr. Troupe has been Chief Financial Officer of Mercshares and Mercantile-Safe Deposit and Trust Company, and Treasurer of Mercshares, since September, 1996. He was Vice President and Chief Financial Officer of IREX Corporation, a specialty mechanical insulation contractor and distributor, from May, 1993 to May, 1996. Prior thereto, Mr. Troupe was Vice Chairman of Meridian Bancorp, Inc.

Mr. Johnson has been Senior Vice President of Mercshares since 1989. He has been a Vice President of Mercantile-Safe Deposit and Trust Company since 1982.

Mr. Talbott has been a Senior Vice President of Mercshares since 1989. He has been a Vice President of Mercantile-Safe Deposit and Trust Company since 1977.

Hugh W. Mohler was an Executive Vice President of Mercshares and Mercantile-Safe Deposit and Trust Company from 1994 until February, 1999, when he relinquished these positions with eligibility for retirement. He is no longer an executive officer.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

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MATTERS

Information required by this Item 5 is incorporated by reference to the

information appearing under the captions "Dividends" and "Recent Common Stock Prices" on page 23 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998.

The following information is given in response to Item 701 of Regulation S-K. In December, 1998, two directors of Mercshares received an aggregate of 850 shares of Mercshares common stock, at fair market value, in lieu of a cash retainer fee, under the Mercshares Retainer Stock Plan for Non Employee Directors. The shares issuable under the Plan have not been registered under the Securities Act of 1933 in reliance on Release 33-6188 (1980) and Release 33- 6281 (1981). The only potential Plan participants are outside directors, currently 16 in number. Mercshares common stock is actively traded on the Nasdaq National Market. The maximum number of shares (450,000) issuable over ten years under the Plan is less than 1% of the total shares outstanding.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item 6 is incorporated by reference to the information appearing under the caption "Five Year Selected Financial Data" on page 49 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The information required by this Item 7 is incorporated by reference to the information appearing under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 6 to 24 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 and the auditors' report thereon are incorporated by reference to pages 25 to 48 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

FINANCIAL DISCLOSURE

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There was no matter which is required to be disclosed in this Item 9 pursuant to the instructions contained in the form for this Report.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 with respect to the Executive Officers of Registrant appears in Part I of this Report.

The remaining information required by this Item 10 is incorporated by reference to the definitive proxy statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to the definitive proxy statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is incorporated by reference to the definitive proxy statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13, is incorporated by reference to the definitive proxy statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report, except as indicated.

(1) (2) The financial statements and schedules filed herewith or incorporated by reference are listed in the accompanying Index to Financial Statements.

(3) Exhibits filed herewith or incorporated by reference herein are set forth in the following table prepared in accordance with Item 601 of Regulation S-K.

Exhibit Table

(3) Charter and by-laws

A. Charter of the Registrant (Exhibits 3-A(1) through 3-A(5) listed below are incorporated by reference to Exhibits 3-A(1) through 3-A(5) to Form S-1 of the Registrant, No. 2-39545,

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Exhibit 3-A(6) listed below is incorporated by reference to Exhibit 3-A(6) of Form S-1 of the Registrant, No. 2-41379, Exhibit 3-A(7) listed below is incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended 1993, Exhibit 3-A(7), Commission File No. 0-5127, Exhibit 3-A(8) listed below is incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended 1993, Exhibit 3-A(8), Commission File No. 0-5127, Exhibit 3-A(9) listed below is incorporated by reference to Exhibit B attached to Exhibit 4-A of Form 8-K of Registrant filed September 27, 1989, Commission File No. 0-5127, Exhibit 3-A(10) listed below is incorporated by reference to Exhibit B attached to Exhibit 4-A of Form 8-K of the Registrant filed January 9, 1990, Commission File No. 0-5127, Exhibit 3-A(11) listed below is incorporated by reference to Exhibit 3-A(11) of the Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 0-5127, and Exhibit 3-A(12) listed below is incorporated by reference to Exhibit 3(i)(F) to Form S-4 of the Registrant, No. 333-43651.

(1) Articles of Incorporation effective May 27, 1969.
(2) Articles of Amendment effective June 6, 1969.
(3) Articles Supplementary effective August 28, 1970.
(4) Articles of Amendment effective December 14, 1970.
(5) Articles Supplementary effective May 10, 1971.
(6) Articles Supplementary effective July 30, 1971.
(7) Articles of Amendment effective May 8, 1986.
(8) Articles of Amendment effective April 27, 1988.
(9) Articles Supplementary effective September 13, 1989.
(10) Articles Supplementary effective January 3, 1990.
(11) Articles of Amendment effective April 26, 1990.
(12) Articles of Amendment effective April 30, 1997.

B. By-Laws of the Registrant, as amended to date (filed herewith).

(4) Instruments defining the rights of security holders, including indentures, Charter and by-laws: See Item 14(a)(3) above.

A. Rights Agreement dated as of September 12, 1989 between Registrant and the Rights Agent, including Form of Rights Certificate and Articles Supplementary (Incorporated by reference to Form 8-K of the Registrant filed September 27, 1989, Exhibit 4-A, Commission File No. 0-5127).

B. First Amendment, dated as of December 31, 1989, to Rights Agreement dated as of September 12, 1989 between Registrant and the Rights Agent, including amended Form of Rights Certificate and amended Form of Articles Supplementary (Incorporated by reference to Form 8-K of the Registrant filed January 9, 1990, Exhibit 4-A, Commission File No. 0-5127).

C. Second Amendment, dated as of September 30, 1993, to Rights Agreement dated as of September 12, 1989 between Registrant and the Rights Agent, including amended Form of

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Rights Certificate (Incorporated by reference to Form 8-K of the Registrant filed September 30, 1993, Exhibit 4-A, Commission File No. 0-5127).

D. Third Amendment, dated as of June 30, 1997, to Rights Agreement dated as of September 12, 1989, between Registrant and the Rights Agent, including amended form of Rights Certificate (Incorporated by reference to Form 8-K of Registrant, filed July 11, 1997, Exhibit 4-A, Commission File No. 0-5127).

E. Amendment No. 1 to Registrant's Registration Statement on Form 8-B, amending description of securities previously filed (Incorporated by reference to Form 8 filed December 20, 1991, Commission File No. 0-5127).

(10) Material contracts

A. Mercantile Bankshares Corporation and Affiliates Annual

Incentive Compensation Plan, as amended through March 10, 1998 (Incorporated by reference to Registrant's Annual Report on From 10-K for the year ended December 31, 1997, Exhibit 10 A, Commission File No. 0-5127).

B. Dividend Reinvestment and Stock Purchase Plan of Mercantile Bankshares Corporation (Incorporated by reference to the Plan text included in the Form S-3 Registration No. 33-44376.)

C. Executive Employment Agreement dated March 24, 1982, between Mercantile Bankshares Corporation, Mercantile-Safe Deposit and Trust Company and H. Furlong Baldwin, as amended by Agreements dated March 13, 1984 and December 13, 1988 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, Exhibit 10 D, Commission File No. 0-5127), as amended by Agreement dated January 29, 1997 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, Exhibit 10 C, Commission file No. 0-5127), as amended by Agreement dated January 28, 1999 (filed herewith).

D. Deferred Compensation Agreement, including supplemental pension and thrift plan arrangements, dated September 30, 1982, between Mercantile-Safe Deposit and Trust Company and H. Furlong Baldwin, as amended by Agreements dated as of October 24, 1983, March 13, 1984, January 1, 1987, December 8, 1987 and January 1, 1989 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, Exhibit 10 E, Commission File No. 0-5127), as amended by Agreement dated February 1, 1997 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, Exhibit 10 D, Commission File No. 0-5127).

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E. Mercantile Bankshares Corporation and Participating Affiliates Unfunded Deferred Compensation Plan for Directors, as amended

through January 1, 1984 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, Exhibit 10 G, Commission File No. 0-5127), as amended and restated by amendment effective December 31, 1995 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10 F, Commission File No. 0-5127).

F. Mercantile Bankshares Corporation Employee Stock Purchase Dividend Reinvestment Plan dated February 13, 1995 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, Exhibit 10 I, Commission File No. 0-5127).

G. Executive Severance Agreement dated as of December 31, 1989 between Mercantile Bankshares Corporation and Mercantile-Safe Deposit and Trust Company, and H. Furlong Baldwin (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, Exhibit 10 Q, Commission File No. 0-5127), as amended by Agreement dated January 29, 1997 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, Exhibit 10 J, Commission File No. 0-5127).

H. Mercantile Bankshares Corporation Omnibus Stock Plan (Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 1997, Exhibit 10 K, Commission File No. 0-5127).

I. Supplemental Pension Agreement, dated February 10, 1995, between Mercantile Bankshares Corporation and Mercantile-Safe Deposit and Trust Company, Peninsula Bank and Hugh W. Mohler (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, Exhibit 10 Q, Commission File No. 0-5127).

J. Mercantile Bankshares Corporation and Participating Affiliates Supplemental Cash Balance Executive Retirement Plan, dated April 27, 1994, effective January 1, 1994 (Incorporated by reference to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, Exhibit 10 R, Commission File No. 0-5127).

K. Mercantile Bankshares Corporation and Participating Affiliates Supplemental 401(k) Executive Retirement Plan, dated December 13, 1994, effective January 1, 1995

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(Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994, Exhibit 10 S, Commission File No. 0-5127).

L. Mercantile Bankshares Corporation Option Agreement with each of H. Furlong Baldwin (dated August 22, 1995 for 80,000 options) and Hugh W. Mohler (dated August 22, 1995 for 30,000 options) the Net Operating Income of each being that of Mercantile-Safe Deposit and Trust Company, (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10 Q, Commission File No. 0-5127).

M. Mercantile Bankshares Corporation Retainer Stock Plan For Non-Employee Directors dated March 12, 1996 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995, Exhibit 10 R, Commission File No. 0-5127).

N. Supplemental Cash Balance Plan and Thrift Agreement, dated April 12, 1996, between Mercantile Bankshares Corporation and Alan D. Yarbro (Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1996, Exhibit 10 S, Commission File No. 0-5127).

O. Executive Severance Agreement, dated as of April 24, 1996, between Mercantile Bankshares Corporation and Alan D. Yarbro

(Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 1996, Exhibit 10 T, Commission File No. 0-5127).

P. Mercantile Bankshares Corporation Option Agreement with Alan D. Yarbro, dated April 26, 1996 (Incorporated by reference to Registrant's Quarterly Report for the period ended June 30, 1996, Exhibit 10 U, Commission File No. 0-5127).

Q. Agreement dated February 24, 1999 among Mercantile Bankshares Corporation, Mercantile-Safe Deposit and Trust Company and Hugh W. Mohler (filed herewith).

R. Mercantile Bankshares Corporation Option Agreement with J. Marshall Reid, dated August 21, 1995 (filed herewith).

S. Mercantile Bankshares Corporation Option Agreement with Jack E. Steil, dated August 21, 1995 (filed herewith).

(13) Annual Report to security holders for the year ended December 31, 1998 (filed herewith).

(21) Subsidiaries of the Registrant

Information as to subsidiaries of the Registrant (filed herewith).

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(23) Consent

Consent of Certified Public Accountants (filed herewith)

(24) Power of Attorney

Power of Attorney dated March 9, 1999 (filed herewith)

(b) No reports on Form 8-K were filed during the last quarter of the period covered by this Report.

INDEX TO FINANCIAL STATEMENTS

The Report of Independent Certified Public Accountants as pertaining to the Consolidated Financial Statements of Mercantile Bankshares Corporation and Affiliates and related notes is incorporated by reference to page 25 of the Registrant's Annual Report to Stockholders for the year ended December 31, 1998.

Consolidated Financial Statements and related notes are incorporated by reference to the Registrant's Annual Report to Stockholders for the year ended December 31, 1998, and may be found on the pages of said Report as indicated in parentheses:

Consolidated Balance Sheets, December 31, 1998 and 1997 (page 26)
Statement of Consolidated Income for the years ended December 31, 1998, 1997 and 1996 (page 27)
Statement of Consolidated Cash Flows for the years ended December 31, 1998, 1997 and 1996 (pages 28 and 29)
Statement of Changes in Consolidated Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996 (page 30)
Notes to Consolidated Financial Statements (pages 31 to 48)

Supplementary Data:

Quarterly Results of Operations are incorporated by reference to the information appearing under the caption "Quarterly Results of Operations" on page 45 of the Registrant's Annual Report to Stockholders for the fiscal year ended December 31, 1998.

Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the information called for is included in the Consolidated Financial Statements or notes thereto.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities

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and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MERCANTILE BANKSHARES CORPORATION

By: /S/ H. Furlong Baldwin March 25, 1999

H. Furlong Baldwin, Chairman of the
Board, President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

/S/ H. Furlong Baldwin March 25, 1999

H. Furlong Baldwin, Chairman of the
Board, President and Chief Executive Officer

Principal Financial Officer

/S/ Terry L. Troupe March 25, 1999

Terry L. Troupe
Chief Financial Officer

Principal Accounting Officer

/S/ Jerry F. Graham March 25, 1999

Jerry F. Graham
Vice President and Controller

A majority of the Board of Directors: Cynthia A. Archer, H. Furlong Baldwin, Thomas M. Bancroft, Jr., Richard O. Berndt, William R. Brody, George L. Bunting, Jr., B. Larry Jenkins, Mary Junck, Robert A. Kinsley, William J. McCarthy, Morton B. Plant, Christian H. Poindexter, Donald J. Shepard.

By: /S/ H. Furlong Baldwin March 25, 1999

H. Furlong Baldwin
For Himself and as Attorney-in-Fact

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Exhibit (3) B

By-Laws of the Registrant

The provisions of Article Two, Section 2 of the By-Laws, changing the number of directors from 17 to 15, will be effective at the Commencement of the Annual Meeting of Stockholders to be held April 28, 1999, at 10:30 a.m.

Exhibit (3) B

BYLAWS

MERCANTILE BANKSHARES CORPORATION

ARTICLE I

SECTION 1. Annual Meeting. The annual meeting of the stockholders of the Corporation for the election of directors and the transaction of such other business as may properly come before the meeting shall be held at the time and on the day in April of each year as shall be fixed from time to time by the Board of Directors or by the Executive Committee. Notice of the time and place of such annual meeting shall be given to each stockholder in the manner provided in Section 1 of Article X of these bylaws not less than ten days nor more than ninety days before the meeting.

SECTION 2. Special Meetings. Special meetings of the stockholders may be called at any time by the Board of Directors, the Chairman of the Board, the Vice-Chairman of the Board, the President, or as otherwise provided by law. Notice of the time, place and purpose of each special meeting of stockholders shall be given to each stockholder in the manner provided in Section 1 of Article X of these bylaws not less than ten days nor more than ninety days before the meeting. No business shall be transacted at a special meeting except that specified in the notice.

SECTION 3. Removal of Directors. At any special meeting of the stockholders called in the manner provided for by this Article, the stockholders, by a majority of the votes entitled to be cast by the stockholders entitled to vote thereon, may remove any director or directors from office and may elect a successor or successors to fill any resulting vacancies from the remainder of his or their terms.

SECTION 4. Voting; Proxies; Record Date. At all meetings of stockholders any stockholder shall be entitled to vote by proxy. Such proxy shall be in writing and signed by the stockholder or by his duly authorized attorney in fact. It shall be dated but need not be sealed, witnessed or

acknowledged. The Board of Directors may fix the record date for the

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determination of stockholders entitled to vote in the manner provided in Article IX, Section 4 of these bylaws.

SECTION 5. Quorum. If at any annual or special meeting of stockholders a quorum shall fail to attend, those attending in person or by proxy may, by majority of the votes entitled to be cast, adjourn the meeting from time to time, not exceeding sixty days in all, and thereupon any business may be transacted which might have been transacted at the meeting originally called had the same been held at the time so called.

SECTION 6. Filing Proxies. At all meetings of stockholders, the proxies shall be filed with and be verified by the Secretary of the Corporation or, if the meeting shall so decide, by the Secretary of the meeting.

SECTION 7. Place of Meetings. All meetings of stockholders shall be held at the principal office of the Corporation in the State of Maryland or at such other place either within or without the State of Maryland as may be designated in the notice of the meeting.

SECTION 8. Order of Business. At all meetings of stockholders, any stockholder present and entitled to vote in person or by proxy shall be entitled to require, by written request to the Chairman of the meeting, that the order of business shall be as follows:

(1) Organization.

(2) Proof of notice of meeting or of waivers thereof.

(The certificate of the Secretary of the Corporation, or the affidavit of any other person who mailed or published the notice or caused the same to be mailed or published, being proof of service of notice.)

(3) Submission by Secretary, or by Inspectors, if any shall have been elected or appointed, of list of stockholders entitled to vote, present in person or by proxy.

(4) If an annual meeting or a special meeting called for that purpose, reading of unapproved minutes of preceding meetings and action thereon.

(5) Reports.

(6) The election of directors if an annual meeting or a special meeting called to elect directors, or to remove directors and elect their successors.

(7) Unfinished business.

(8) New Business.

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(9) Adjournment.

SECTION 9. Advance Notice of Matters to be Presented at an Annual Meeting of Stockholders.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting as set forth below. To be properly brought before an annual meeting, such business must (1) be specified in the notice of the meeting (or any supplement thereto) given by the Corporation pursuant to Section 1 of Article X of these bylaws, or (2) be brought before the meeting by or under the direction of the Board of Directors (or the Chairman or Vice Chairman of the Board or the President), or (3) be properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary. To be timely, such stockholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting (or, with respect to a proposal required to be included in the Corporation's proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, or any successor provision to Rule 14a-8, the earlier date such

proposal was received); provided, however, that if less than 70 days' prior public disclosure of the date of the meeting is made by the Corporation, any such notice by a stockholder must be so received not later than the 10th day following the day on which such prior public disclosure of the date of the meeting is made by the Corporation. Public disclosure by the Corporation of a meeting date or other matter contemplated by this Article shall be deemed to have been made if communicated by notice to stockholders pursuant to Section 1 of Article X of these bylaws, or by any filing with the Securities and Exchange Commission, or by any general mailing to stockholders of record, or by public announcement or by other means reasonably calculated to constitute public disclosure. With respect to action proposed by any stockholder which is permitted by Article XII of these bylaws, to change or rescind action taken by the Board of Directors pursuant to said Article XII, notice of such proposed action by the stockholder shall be deemed timely if given no earlier than the time prescribed above for stockholder notices and no later than the later of the 10th day following public disclosure by the Company of such Board action or the 60th day prior to the meeting. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

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Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 9; provided, however, that nothing in this Section 9 shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting in accordance with such procedures.

The presiding officer at the meeting shall have the authority, if the facts warrant, to determine that business was not properly brought before the meeting in accordance with the provisions of this Section 9, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 10. Advance Notice of Nominees for Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors at any meeting of stockholders. Nominations of persons for election to the Board of Directors of the Corporation may be made at an annual meeting of stockholders or at a special meeting of stockholders as to which the notice of meeting provides for election of directors, by or under the direction of the Board of Directors, or by any nominating committee or person appointed by the Board of Directors, or by any stockholder of the Corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 10. Such nominations, other than those made by or under the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, such stockholder's notice shall be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the meeting; provided, however, that if less than 70 days' prior public disclosure of the date of the meeting is made by the Corporation, any such notice by a stockholder must be so received not later than the 10th day following the day on which such prior public disclosure of the date of the meeting is made by the Corporation.

Such stockholder's notice shall set forth: (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii)

the class and number of shares of stock of the Corporation which are beneficially owned by the person, and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to the proxy rules under the Securities Exchange Act of 1934 or any successor rule thereto; and (b) as to the stockholder giving the notice, (i) the name and record address of the stockholder and (ii) the class and number of shares of the Corporation which are beneficially owned by

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the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as a director of the Corporation. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth herein.

The presiding officer at the meeting shall have the authority, if the facts warrant, to determine that a nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE II

DIRECTORS.

SECTION 1. Powers. The Board of Directors shall have the control and management of the affairs, business and properties of the Corporation. They shall have and exercise in the name of the Corporation and on behalf of the Corporation all the rights and privileges legally exercisable by the Corporation, except as otherwise provided by law, by the Charter or by these bylaws. A director need not be a stockholder.

SECTION 2. Number. There shall be fifteen directors. The number of directors may be

decreased to not less than seven or increased to not more than thirty from time to time by amendment of this bylaw by the stockholders or by the Board of Directors. Each director, unless sooner removed by the stockholders, shall serve until the next annual meeting of stockholders or until his successor shall be elected and shall have qualified.

No person shall be eligible for election as a director, either by the stockholders or by the Board of Directors, who at the time of such proposed election has passed his 70th birthday.

SECTION 3. Vacancies. If the office of a director becomes vacant, or if the number of directors is increased, such vacancy may be filled by the Board by a vote of a majority of directors then in office although such majority is less than a quorum. The stockholders may, however, at any time during the term of such director, elect some other person to fill said vacancy and thereupon the election by the Board shall be superseded and such election by the stockholders shall be deemed a filling of the vacancy and not a removal and may be made at any meeting called for that purpose.

If the entire Board of Directors shall become vacant, any stockholder may call a special meeting in the same manner that the President may call such meeting, and directors for the unexpired term may be elected at the said special meeting, in the manner provided for their election at annual meetings.

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SECTION 4. Meetings. Four or more regular meetings of the Board of Directors shall be held at an office of the Corporation each year. One of such meetings shall be held on the same day as and immediately following the annual meeting of stockholders and the remaining meetings shall be held on such days and at such times as shall be fixed by the chief executive officer but there shall be at least one regular meeting in each calendar quarter. Notice of the date and time of every regular meeting shall be mailed or telegraphed or given personally to each director not less than five

days before the meeting.

SECTION 5. Special Meetings. Special meetings of the Board of Directors may be called by the Board of Directors, the Executive Committee, the Chairman of the Board, the Vice-Chairman of the Board or the President and shall be called at the request of two or more directors. Notice of the time and place of any special meeting shall be given to each director in the manner provided in Section 2 of Article X of these bylaws not less than twenty-four hours before the meeting.

SECTION 6. Quorum. One-third of the total number of directors, but not less than four, shall constitute a quorum for the transaction of business. If less than a quorum be present at any meeting duly called, a majority of those present may adjourn the meeting from time to time with notice to absent directors.

SECTION 7. Place of Meetings. Regular or special meetings of the Board may be held within or without the State of Maryland as the Board may from time to time determine. The time and place of a meeting may be fixed by the party making the call.

SECTION 8. Rules and Regulations. The Board of Directors may adopt such rules and regulations for the conduct of their meetings and the management of the affairs of the Corporation as they may deem proper and not inconsistent with the laws of the State of Maryland or these bylaws or the Charter.

SECTION 9. Compensation. The directors may receive a stated salary for their services or a fixed sum and expenses of attendance may be allowed for attendance at each regular or special meeting of the Board of Directors. Such stated salary or attendance fee shall be determined by resolution of the Board unless the stockholders have adopted a resolution relating thereto. Nothing herein contained shall be construed to preclude a director from serving in any other capacity and receiving compensation therefor.

ARTICLE III

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COMMITTEES.

SECTION 1. Executive Committee. There shall be an Executive Committee of such number not more than fourteen nor less than seven as the Board of Directors may determine. The Chairman of the Board, the Vice-Chairman of the Board, the President and the chief executive officer if an officer other than the officers stated above, shall be members ex officio. The remaining members shall be elected annually by the Board of Directors from among its members, preferably at the first meeting after the annual meeting of stockholders, and shall serve during the pleasure of the Board. The chief executive officer or such other person as shall be designated by the Board shall act as chairman of the committee. Additional or substitute members may be elected by the Board at any time. In addition, the chief executive officer shall have power to make temporary appointments to the committee of members of the Board of Directors to serve as additional members or to act in the place and stead of members of the committee who temporarily cannot attend its meetings. The Executive Committee shall have and may exercise, so far as may be permitted by law, all of the powers of the Board of Directors during intervals between meetings thereof.

SECTION 2. Other Committees. The Board of Directors may also appoint from their number other committees and, to the extent permitted by law, may delegate to any such committee the exercise of powers of the Board of Directors during intervals between meetings thereof. The Chairman of the Board, the Vice-Chairman of the Board, the President and the chief executive officer if an officer other than the officers stated above, shall be members ex officio of all such committees, but no officer shall be a member of any committee designated by the Board of Directors as an Audit Committee or Compensation Committee.

SECTION 3. Committee Meetings. All actions of any committee shall be recorded in minutes of its meetings and all such actions shall be reported to the next succeeding meeting of the Board of Directors. Meetings of any committee may be held at any time and place upon the call of the Chairman of the Board, the Vice-Chairman of the Board, the President, the chief executive officer if an officer other than the officers stated above, or any other member of the committee called to meet. Notice of the time and place of any special meeting of any committee shall be given in the manner provided in Section 2 of Article X of these bylaws not less than twelve hours before the meeting. Six members of the Executive Committee and four members of any other committee shall constitute a quorum unless otherwise provided by the Board of Directors for any particular committee.

ARTICLE IV

OFFICERS.

SECTION 1. Officers and their Duties. The officers of the Corporation shall consist of the Chairman of the Board, the Vice-Chairman of the Board, the President, the Secretary, the Treasurer and whenever deemed advisable by the

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Board one or more executive vice presidents, one or more vice presidents, assistant secretaries, assistant treasurers or other officers. All of said officers shall be chosen by the Board of Directors and shall hold office only during the pleasure of the Board or until their successors are chosen and qualify. The Chairman of the Board, the Vice-Chairman of the Board and the President shall be chosen from among the directors. Any two offices except those of Chairman of the Board and Vice-Chairman of the Board, and President and Vice President may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, when such instrument is required to be executed, acknowledged, or verified by any two or more officers. The Board of Directors may from time to

time appoint such other agents and employees, with such powers and duties as they may deem proper.

The Board of Directors shall, from time to time, designate from among the officers, a chief executive officer who shall direct the management of the Corporation under the supervision of the Board of Directors or the appropriate committees thereof and, subject to the same supervision, may also assign to the other officers of the Corporation duties in addition to those prescribed by these bylaws or assigned to them by the Board of Directors. The Board of Directors may, from time to time, designate from among the officers, the officer or officers who shall act as chief executive officer in case of the absence or inability to act of the then designated chief executive officer.

SECTION 2. Chairman of the Board. The Chairman of the Board shall preside at all meetings of stockholders and of the Board of Directors and shall perform such other duties as may be assigned to him by the Board of Directors.

SECTION 3. Vice-Chairman of the Board. In the absence of the Chairman of the Board, the Vice-Chairman of the Board shall act in the place of the Chairman of the Board and assume his duties and be vested with all his powers and authorities. He shall perform such other duties as may be assigned to him by the Board of Directors.

SECTION 4. President. In the absence of the Chairman of the Board and the Vice-Chairman of the Board, the President shall act in the place of the Chairman of the Board and assume his duties and be vested with all his powers and authorities. He shall perform such other duties as may be assigned to him by the Board of Directors.

SECTION 5. Vice-Presidents. The executive vice-presidents and vice-presidents shall perform such duties as the Board of Directors may direct.

SECTION 6. Treasurer. The Treasurer shall perform such duties as may be assigned to him

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by the Board of Directors.

SECTION 7. Secretary. The Secretary shall keep the minutes of the meetings of the stockholders and of the Board of Directors, and shall attend to the giving and serving of all notices of the Corporation required by law or these bylaws. He shall maintain at all times in the principal office of the Corporation at least one copy of the bylaws with all amendments to date and shall make the same, together with the minutes of the meetings of the stockholders, the annual statement of the affairs of the Corporation and any voting trust agreement on file at the office of the Corporation, available for inspection by any officer, director or stockholder during reasonable business hours. He shall perform such other duties as may be assigned to him by the Board of Directors.

SECTION 8. Assistant Treasurer and Assistant Secretary. The assistant treasurers and assistant secretaries shall perform such duties as may from time to time be assigned to them by the Board of Directors.

SECTION 9. Substitutes. The Board of Directors may from time to time in the absence of any one of said officers or at any other time designate any other person or persons, on behalf of the Corporation, to sign any contracts, deeds, notes, or other instruments in the place or stead of any of said officers, and may designate any person to fill any one of said offices, temporarily or for any particular purpose; and any instruments so signed in accordance with a resolution of the Board shall be the valid act of this Corporation as fully as if executed by any regular officer.

ARTICLE V

RESIGNATION OF DIRECTOR OR OFFICER.

Any director or officer may resign his office at any time. Such resignation shall be made in writing and shall take effect from the time of its receipt by the Corporation unless some other time

be fixed in the resignation, and then from that time. The acceptance of a resignation shall not be required to make it effective unless the resignation so provides.

ARTICLE VI

COMMERCIAL PAPER, ETC.

All bills, notes, checks, drafts and commercial paper of all kinds to be executed by the Corporation as maker, acceptor, endorser, or otherwise, and all assignments and transfers of stock, contracts or written obligations of the Corporation, and all negotiable instruments shall be made in the name of the

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Corporation and shall be signed by the President, the Treasurer or such other person or persons as the Board of Directors may from time to time designate.

ARTICLE VII

FISCAL YEAR.

The fiscal year of the Corporation shall cover such period of twelve months as the Board of Directors may determine. In the absence of any such determination the accounts of the Corporation shall be kept on a calendar year basis.

ARTICLE VIII

SEAL.

The seal of the Corporation shall be a circle inscribed with the name of the Corporation and the year and State in which it is incorporated.

ARTICLE IX

MISCELLANEOUS PROVISIONS - STOCK.

SECTION 1. Issue. All certificates of stock shall be signed by the Chairman of the Board, the Vice-Chairman of the Board, the President, or any Vice-President and countersigned by the Treasurer or Assistant Treasurer or Secretary or Assistant Secretary, any of which may be facsimile

signatures if the certificate is countersigned by the Transfer Agent, and sealed with the seal of the Corporation.

SECTION 2. Transfers. No transfers of stock shall be recognized or binding upon the Corporation until recorded on the books of the Corporation upon surrender and cancellation of certificates for a like number of shares.

SECTION 3. Form of Certificates; Procedure. The Board of Directors shall have power and authority to determine the form of stock certificates (except in so far as prescribed by law), and to make all such rules and regulations, as they may deem expedient concerning the issue, transfer and registration of said certificates, and to appoint one or more transfer agents or registrars to countersign and register the same.

SECTION 4. Record Dates for Dividends and Stockholders' Meetings. The Board of Directors may fix the time, not exceeding twenty days preceding the date of any meeting of stockholders, any dividend payment date or any date for the allotment of rights, during which the books of the Corporation shall be closed against transfers of stock, or the Board of Directors may fix a date not exceeding ninety days preceding the date of any meeting of stockholders, any

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dividend payment date or any date for the allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends or rights, as the case may be, and only stockholders of record on such date shall be entitled to notice of and to vote at such meeting or to receive such dividends or rights, as the case may be. In the case of a meeting of stockholders the record date shall be fixed not less than ten days prior to the date of the meeting.

SECTION 5. Lost and Destroyed Certificates. The holder of any shares of this Corporation shall immediately notify it of any loss or destruction of the stock certificate representing such

shares. A new certificate may be issued upon satisfactory proof of the loss, or destruction, and delivery to this Corporation of a bond which shall be in such form, contain such terms and provisions, and have such surety or sureties as the officers of this Corporation may direct.

ARTICLE X

NOTICE.

SECTION 1. Notice to Stockholders. Whenever by law or these bylaws notice is required to be given to any stockholder, such notice may be given to each stockholder by leaving the same with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to him at his address as it appears on the books of the Corporation. Such leaving or mailing of notice shall be deemed the time of giving such notice.

SECTION 2. Notice to Directors and Officers. Whenever by law or these bylaws notice is required to be given to any director or officer, such notice may be given in any one of the following ways: by personal notice to such director or officer, by telephone communication with such director or officer personally, by wire addressed to such director or officer at his then address or at his address as it appears on the books of the Corporation, or by depositing the same in writing in the post office or in a letter box in a post-paid, sealed wrapper addressed to such director or officer at his then address or at his address as it appears on the books of the Corporation; and the time when such notice shall be mailed or consigned to a telegraph company for delivery shall be deemed to be the time of the giving of such notice.

SECTION 3. Waiver of Notice. Notice to any stockholder or director of the time, place and purpose of any meeting of stockholders or directors required by these bylaws may be dispensed with if such stockholder shall either attend in person or by proxy, or if such director shall attend in person, or if such absent stockholder or director shall, in writing filed with the records of the

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meeting either before or after the holding thereof, waive such notice.

ARTICLE XI

VOTING OF STOCK IN OTHER CORPORATIONS.

Any stock in other corporations, which may from time to time be held by the Corporation may be represented and voted at any meeting of stockholders of such other corporations by the Chairman of the Board, Vice-Chairman of the Board, President, or a Vice President or by proxy or proxies appointed by any one of said officers or otherwise pursuant to authorization thereunto given by a resolution of the Board of Directors adopted by a vote of the majority of the Directors.

ARTICLE XII

AMENDMENTS.

These bylaws may be added to, altered, amended, repealed or suspended by a majority vote of the entire Board of Directors at any regular meeting of the Board or at any special meeting called for that purpose. Any action of the Board of Directors in adding to, altering, amending, repealing or suspending these bylaws shall be reported to the stockholders at the next annual meeting and may be changed or rescinded by majority vote of all of the stock then outstanding and entitled to vote. In no event shall the Board of Directors have any power to amend this Article.

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Exhibit (10) C

Fourth Amendment to Executive Employment Agreement
with H. Furlong Baldwin

Exhibit (10) C

FOURTH AMENDMENT TO
EXECUTIVE EMPLOYMENT AGREEMENT

THIS FOURTH AMENDMENT to EXECUTIVE EMPLOYMENT AGREEMENT is made this 28th day of January, 1999, by and between MERCANTILE BANKSHARES CORPORATION and MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY, both Corporations of the State of Maryland, 2 Hopkins Plaza, Baltimore, Maryland 21201 (collectively, the "Employer"), and H. Furlong Baldwin, of Baltimore, Maryland (the "Executive").

WHEREAS, Employer and Executive entered into an Executive Employment Agreement dated March 24, 1982, which was amended by a first Amendment on March 13, 1984, by a Second Amendment on December 13, 1988, and by a Third Amendment on January 29, 1997 (collectively, the "Agreement"); and

WHEREAS, the Agreement is scheduled to terminate on February 1, 1999, subject to extension at the request of Employer.

WHEREAS, Employer has requested an extension, to which Executive has agreed.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, receipt of which is hereby acknowledged, and in further consideration of the mutual covenants contained in the Agreement, the parties do hereby agree that the Agreement is hereby amended as follows:

FIRST AND ONLY CHANGE

Paragraph 2 shall be deleted in its entirety and the following substituted in lieu thereof:

> "2. Term. The current term of Executive's employment, now scheduled to terminate on February 1, 1999, shall be extended to and shall terminate on February 1, 2000.

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In all other respects, the provisions of the Agreement, as heretofore amended, remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Fourth Amendment to Executive Employment Agreement the day and year first written above.

WITNESS OR ATTEST:

MERCANTILE BANKSHARES CORPORATION

/s/ Alan D. Yarbro

Alan D. Yarbro, Secretary

By: /s/ O. James Talbott, II

O. James Talbott, II, Senior Vice President

MERCANTILE-SAFE DEPOSIT AND TRUST COMPANY

/s/ Alan D. Yarbro

Alan D. Yarbro, Secretary

By: /s/ J. Marshall Reid

J. Marshall Reid, President

/s/ Alan D. Yarbro

/s/ H. Furlong Baldwin

H. Furlong Baldwin

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Exhibit (10) Q

Agreement dated February 24, 1999
with Hugh W. Mohler

Exhibit (10) Q

AGREEMENT AND GENERAL RELEASE

This is an Agreement and General Release (Agreement) between Mercantile Bankshares Corporation and Mercantile-Safe Deposit and Trust Company (the Companies) and Hugh W. Mohler (Mr. Mohler). It embodies the mutual agreement of the parties for Mr. Mohler's retirement from his employment with the Companies. The parties agree as follows:

1. The Companies will pay Mr. Mohler, in bi-weekly payments, his current regular salary which is $295,000 annually (less all lawful deductions). Mr. Mohler shall be entitled to these bi-weekly payments for the period from the effective date of this Agreement to February 1, 2000. In the event that Mr. Mohler accepts other employment, any remaining balance of the amount due him under this paragraph shall be paid to him in a lump sum (less all lawful deductions) within a reasonable time after Mr. Mohler notifies the Companies of his obtaining other employment.

2. The Companies will provide Mr. Mohler his current level of employee benefits for the same period set forth in Paragraph 1 for salary payments. In accordance with the salary payment period, these benefits shall cease upon acceptance of other employment except to the extent that Mr. Mohler is entitled to such benefits under the Companies' retirement program. The Companies will provide these benefits to Mr. Mohler in the following areas: dental coverage, medical coverage, life insurance coverage, pension benefits, thrift plan, employee assistance program, blood program, and checking account benefits. Payment for benefits and premiums for benefit coverage will continue to be made in the same manner as prior to this Agreement, and allowable deductions from Mr. Mohler's pay shall be made for such payments. The Companies and Mr. Mohler will continue to make payment for benefits and benefit premiums in substantially the same proportion as before this Agreement. The level of benefits specified in this paragraph shall be at the same level as if Mr. Mohler remained employed in his current capacities for the Companies, except that the parties expressly agree that if any of the benefit programs or plans change for comparable employees of the Companies, Mr. Mohler's level of benefits and proportional share of payments or premiums will change in a like manner.

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3. With respect to the Supplemental Executive Retirement Plans (SERPs), Mr. Mohler shall receive a lump sum payment for the amounts vested as of February 1, 1999 or such earlier date as he retires from the Companies, for the cash balance SERP and for the 401(K)SERP, and any accrued interest thereon pursuant to the SERPs. If Mr. Mohler has not accepted other employment by February 1, 2000, the Companies will further supplement his retirement benefits with a lump sum payment of $25,000.

Mr. Mohler is a participant for 1998 in the Annual Incentive Compensation Plan of Mercantile Bankshares Corporation and Affiliates ("AICP"). The AICP incentive compensation will be payable in the first quarter of 1999. Mr. Mohler will not be eligible for AICP participation for the year 1999 or thereafter.

4. The Companies will provide to Mr. Mohler the title, free and clear of any liens, to the automobile currently provided for his use. The Companies shall be responsible for transfer taxes incurred in this transfer of title. Mr. Mohler will be solely responsible for any insurance coverage on or related to the vehicle. The Companies will

cease any insurance coverage on the automobile as of five days following the effective date of this Agreement. In addition, the parties expressly agree that the Companies will cease all travel and accident coverage applicable to Mr. Mohler, and will cease the payment of any club dues for Mr. Mohler, as of the effective date of this Agreement. Mr. Mohler's Caves Valley membership privileges have terminated.

5. The Companies will provide Mr. Mohler with outplacement assistance. This assistance will include the provision of an office, telephone and secretarial assistance for a period of six months at an outside facility.

6. Mr. Mohler's positions as an officer of the Companies, as an officer or director of any subsidiaries of the Companies, and as a member of committees of the Companies and subsidiaries, have terminated. Mr. Mohler shall, after the effective date of this Agreement, not be required to perform any executive or line management responsibilities for the Companies but he shall make himself available for transitional activities during the period specified for salary payments in paragraph 2 of this Agreement.

7. Mr. Mohler agrees that the benefits listed in paragraphs 1 through 5 are not benefits to which he is otherwise entitled by reason of his employment, and that in consideration of the promises set forth in paragraphs 1 through 5, he will, and hereby does, forever and irrevocably release and discharge the Companies, their officers, directors, employees, agents, subsidiaries, affiliates, predecessors, successors, purchasers, assigns, and representatives, of any and all grievances, claims, demands, debts, defenses, actions or causes of action, obligations, damages, and liabilities whatsoever which he now has, has had, or may have, whether the same be at law, in equity,

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or mixed, in any

way arising from or relating to any act, occurrence, or transaction before the date of this Agreement. This is a General Release. Mr. Mohler expressly acknowledges that this General Release includes, but is not limited to, Mr. Mohler's intent to release the Companies from any claim of age, race, sex, religion, national origin or any other claim of employment discrimination under the Age Discrimination in Employment Act (29 U.S.C. ss.2000 et seq.), the Employee Retirement Income Security Act (29 U.S.C. ss.1001 et seq.), Article 49B of the Maryland Annotated Code, and any other law prohibiting employment discrimination. Mr. Mohler agrees not to sue the Companies or to join in any lawsuit against the Companies, or any other person or entity specified in this paragraph, concerning any matter which arose on or before the date of this Agreement. Mr. Mohler agrees that he shall not be regarded as the prevailing party for any purpose, including, but not limited to, determining responsibility for or entitlement to attorneys' fees, under any statute or otherwise.

8. Mr. Mohler will retire from his employment with the Companies on or before February 1, 2000 or such earlier time as he accepts other employment. Mr. Mohler has received this Agreement on January 22, 1999. Mr. Mohler understands that he has twenty-one (21) days from his receipt of this Agreement to consider his decision to sign it. By signing this Agreement, Mr. Mohler expressly acknowledges that his decision to sign this Agreement was of his own free will. Mr. Mohler understands that he may revoke this Agreement for up to and including seven (7) days after his execution of the Agreement, and that the Agreement shall not become effective until the expiration of seven days from its execution, the effective date of this Agreement.

Mr. Mohler has been advised by the Companies to consult an attorney regarding the terms of this Agreement before signing it.

9. Mr. Mohler expressly acknowledges and understands that this Agreement is not an admission of liability under any statute or otherwise by the Companies, and does not admit any violation of Mr. Mohler's legal rights, but is solely entered into as an exchange for the terms described above.

10. This Agreement shall be binding upon and inure to the benefit of the assigns, heirs, executors, and administrators of Mr. Mohler and the Companies, their officers, directors, employees, agents, subsidiaries, affiliates, predecessors, successors, purchasers, assigns, and representatives, that this Agreement contains the entire agreement and understanding of the parties, that there are no additional promises or terms among the parties other than those contained herein, and that this Agreement shall not be modified except in writing signed by each of the parties.

11. This Agreement shall in all respects be interpreted, enforced, and governed under the laws of the State of Maryland. The language of all parts of this Agreement shall in all cases be construed as a whole,

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according to its fair meaning, and not strictly for or against any of the parties.

12. Mr. Mohler represents that he has read this Agreement, that he understands all of its terms, and that he enters into this Agreement voluntarily and with knowledge of its effect.

2-24-99	/s/ Hugh W. Mohler
Date	Hugh W. Mohler

Mercantile Bankshares Corporation

February 24, 1999	By: /s/ H. Furlong Baldwin
Date	H. Furlong Baldwin, Chairman, President and Chief Executive Officer

Mercantile-Safe Deposit and Trust Company

February 24, 1999	By: /s/ H. Furlong Baldwin
Date	H. Furlong Baldwin, Chairman And Chief Executive Officer

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Exhibit (10) R

Option Agreement dated August 21, 1995
with J. Marshall Reid

Exhibit (10) R

MERCANTILE BANKSHARES CORPORATION

This Option Agreement is entered into this 21st day of August 21, 1995, by and between Mercantile Bankshares Corporation ("MBC"), a Maryland corporation, and J. Marshall Reid ("Grantee").

ARTICLE 1
DEFINITIONS

For the purposes of this Agreement, the definitions set forth in Sections 1.1 through 1.27 shall be applicable.

Section 1.1 Affiliate. "Affiliate" shall mean: (i) any corporation in which MBC owns, directly or indirectly, within the meaning of ss.424(f) of the Code, fifty percent (50%) or more of the total combined voting power of all classes of stock of such corporation on a Grant Date; and (ii) any parent corporation of MBC, within the meaning of ss.424(e) of the Code.

Section 1.2 Agreement. "Agreement" shall mean this Option Agreement and shall include the applicable provisions of the Plan which is hereby incorporated into and made a part of the Agreement.

Section 1.3 Anniversary Date. "Anniversary Date" shall mean the first four (4) anniversaries of the Grant Date.

Section 1.4 Anniversary Date Option Amount. "Anniversary Date Option Amount" shall mean twenty-five percent (25%) of the Option Amount.

Section 1.5 Base Year. "Base Year" shall mean the 1994 calendar year.

Section 1.6 Board. "Board" shall mean the Board of Directors of MBC.

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Section 1.7 Calculation Year. "Calculation Year" shall mean the calendar year ending immediately prior to the calendar year in which an Anniversary Date falls.

Section 1.8 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

Section 1.9 Committee. "Committee" shall mean the Committee appointed pursuant to Section 3.3 of the Plan.

Section 1.10 Disability. "Disability" shall mean Grantee's inability to engage in any substantial gainful activity, by reason of any medically determined physical or mental impairment that may be expected to result in death or that has lasted or may be expected to last for a continuous period of not less than twelve (12) months, as determined by the Committee based on proof of the existence of such disability in such form and manner and at such times as the Committee may require.

Section 1.11 Earnings. "Earnings" shall mean the earnings per share of Stock for a calendar year (including the Base Year), as reported in the Annual Report to Shareholders for such calendar year and as may be adjusted by the Committee in its discretion.

Section 1.12 Earnings AGR. "Earnings AGR" shall mean the annual rate of growth in Earnings, expressed as a percentage (rounded up to the nearest whole percent), determined in accordance with the following formula:

$$\frac{(A-B)\ (100)}{B}$$

where "A" equals Earnings for the Calculation Year, and "B" equals Earnings for the calendar year immediately preceding the Calculation Year.

Section 1.13 Earnings CGR. "Earnings CGR" shall mean the compounded growth rate of Earnings and shall be determined by calculating the rate of interest at which Earnings for the Base Year would have to be invested to yield the Earnings for

the Calculation Year in question, assuming such interest compounded annually during the period commencing with the first day of the calendar year immediately succeeding the Base Year and ending on the last day of such Calculation Year.

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Section 1.14 Exercise Date. "Exercise Date" shall mean the date on which the Committee receives the written notice required under Section 3.4 of this Agreement that Grantee has exercised the Option.

Section 1.15 Fair Market Value. "Fair Market Value" of a share of Stock on the Grant Date or Exercise Date, as the case may be, shall mean the last reported sale price per share of Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on a national securities exchange or included for quotation on the NASDAQ-National Market, or if the Stock is not so listed or admitted to trading or included for quotation, the last quoted price, or if the Stock is not so quoted, the average of the high bid and low asked prices, regular way, in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Stock is not quoted by any such organization, the average of the closing bid and asked prices, regular way, as furnished by a professional market maker making a market in the Stock as selected in good faith by the Committee or by such other source or sources as shall be selected in good faith by the Committee; provided, however, that the determination of Fair Market Value shall be made by the Committee in good faith in accordance with the Code. If, as the case may be, the Grant Date or the Exercise Date is not a trading day, the determination shall be

made as of the next preceding trading day. As used herein, the term "trading day" shall mean a day on which public trading of securities occurs and is reported in the principal consolidated reporting system referred to above, or if the Stock is not listed or admitted to trading on a national securities exchange or included for quotation on the NASDAQNational Market, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are closed.

Section 1.16 Grant Date. "Grant Date" shall mean March 14, 1995.

Section 1.17 Incentive Stock Option. "Incentive Stock Option" shall mean an option as defined in ss.422(b) of the Code.

Section 1.18 Net Operating Income. "Net Operating Income" shall mean the dollar amount of net after tax operating income for a calendar year for Mercantile-Safe Deposit and Trust Company, as reported to the Board and as may be adjusted by the Committee in its discretion.

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Section 1.19 Net Operating Income AGR. "Net Operating Income AGR" shall mean the annual rate of growth in Net Operating Income, expressed as a percentage (rounded up to the nearest whole percent), determined in accordance with the following formula:

$$\frac{(A-B)(100)}{B}$$

where "A" equals Net Operating Income for the Calculation Year, and "B" equals Net Operating Income for the calendar year immediately preceding the Calculation Year.

Section 1.20 Net Operating Income CGR. "Net Operating Income CGR" shall mean the compounded growth rate of Net Operating Income, determined by calculating the rate of interest at which Base Year Net Operating Income would have to be invested

to yield the Net Operating Income for the Calculation Year in question, assuming such interest compounded annually during the period commencing with the first day of the calendar year immediately succeeding the Base Year and ending on the last day of such Calculation Year.

Section 1.21 Normal Retirement Date. "Normal Retirement Date" shall mean the first day of the month coincident with or next following the date on which Grantee attains age sixty-five (65).

Section 1.22 Option. "Option" shall mean an option to acquire Stock and, as is hereby designated by the Committee in accordance with and to the fullest extent permitted by the Code and other applicable law, shall mean an Incentive Stock Option.

Section 1.23 Option Amount. "Option Amount" shall mean 30,000 shares of Stock.

Section 1.24 Option Price. "Option Price" shall mean the price per share of Stock at which the Option may be exercised.

Section 1.25 Plan. "Plan" shall mean the Mercantile Bankshares Corporation Omnibus Stock Plan.

Section 1.26 Retirement. "Retirement" shall mean early or normal retirement in accordance with the terms of The Cash Balance Plan for Employees

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of Mercantile Bankshares Corporation and Participating Affiliates, as it may exist from time to time, or any successor plan.

Section 1.27 Stock. "Stock" shall mean shares of MBC's authorized but unissued common stock, par value of Two Dollars ($2.00) per share.

ARTICLE 2

GRANT OF OPTION

Section 2.1 Grant of Option. On the Grant Date, MBC, pursuant to the Plan, granted to Grantee an Option to purchase shares of Stock, not to exceed the Option Amount, at an Option Price of Twenty-one Dollars and Eighty-seven and one-half Cents ($21.875) per share.

Section 2.2 Term of Option. The Option granted pursuant to Section 2.1 shall expire on March 13, 2005, unless all or a portion of the Option terminates earlier pursuant to other provisions of this Agreement.

ARTICLE 3

RESTRICTIONS ON EXERCISE

Section 3.1 Termination of Option or Portion of Option. The Option shall become exercisable, if at all, only on an Anniversary Date. The extent to which the Option shall become exercisable on any Anniversary Date shall be determined pursuant to the provisions of Sections 3.2 and 3.3 of the Agreement; provided that, except as otherwise provided under Section 4.4 of the Agreement, in no case shall the Option become exercisable on any one (1) Anniversary Date for more than the Anniversary Date Option Amount. To the extent that, by application of the provisions of Sections 3.2 or 3.3 of the Agreement, no portion of the Option becomes exercisable on an Anniversary Date, or the Option becomes exercisable for less than the Anniversary Date Option Amount on such Anniversary Date, the Option shall terminate with respect to that number of shares of Stock that is equal to the difference between the Anniversary Date Option Amount and the number of shares of Stock as to which the Option becomes exercisable on such Anniversary Date.

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Section 3.2 Attainment of Earnings CGR. No portion of the Option shall become exercisable on an Anniversary Date unless the Earnings CGR for the Calculation Year applicable to that Anniversary Date equals or exceeds five percent (5%). If such Earnings CGR equals or exceeds five percent (5%), the portion of the Anniversary Date Option Amount that shall become exercisable on such Anniversary Date shall be determined pursuant to the provisions of Section 3.3 of the Agreement.

Section 3.3 Determination of Exercisable Portion of Anniversary Date Option Amount.

(a) Amounts Dependent on Earnings. Subject to the provisions of the first sentence of Section 3.2 of the Agreement, if the Earnings AGR for the Calculation Year applicable to an Anniversary Date equals or exceeds six percent (6%), Grantee may, on and after such Anniversary Date, exercise the Option with respect to that percentage of the Anniversary Date Option Amount that corresponds to the Earnings AGR in the following chart.

Earnings AGR	Anniversary Date Option Amount That May Be Exercised
6%	10%
7%	20%
8%	30%
9%	40%
10%	50%

(b) Amounts Dependent on Net Operating Income. Subject to the provisions of the first sentence of Section 3.2 of the Agreement, if, and only if, the Net Operating Income CGR for the Calculation Year applicable to an Anniversary Date equals or exceeds five percent (5%) and if the Net Operating Income AGR for such Calculation Year equals or exceeds six percent (6%), Grantee may, on and after such Anniversary

Date, exercise the Option with respect to that percentage of the Anniversary Date Option Amount that corresponds to the Net Operating Income AGR in the following chart.

Net Operating Income AGR	Anniversary Date Option Amount That May Be Exercised
6%	10%

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7%	20%
8%	30%
9%	40%
10%	50%

Section 3.4 Manner of Exercise. The Option may be exercised, in whole or in part, by delivering written notice to the Committee in such form as the Committee may require from time to time. Such notice shall specify the number of shares of Stock subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Option Price of the shares of Stock as to which the Option is being exercised. Payment of the Option Price may be made either in cash or shares of Stock (including shares of Stock acquired upon the exercise of an option) having a total Fair Market Value on the Exercise Date equal to the Option Price multiplied by the number of shares of Stock as to which the Option is being exercised. The Option may be exercised only in multiples of whole shares and no partial shares shall be issued. If, as of the fourth Anniversary Date, the total number of shares as to which the Option is exercisable includes a partial share, the Option for such partial share, whether or not previously designated by the Committee as an Incentive Stock Option, shall be deemed to be a non-Incentive Stock Option. On the first date, on or after the fourth Anniversary Date, that the Fair Market Value of a share of Stock equals or exceeds the Option Price, Grantee shall be deemed to have simultaneously exercised the Option for such partial share and to have sold same to MBC for such Fair Market

Value. MBC shall remit to Grantee, in payment of the purchase price of such partial share, the excess, if any, of the Fair Market Value of such partial share over the Option Price.

Section 3.5 Issuance of Shares and Payment of Cash upon Exercise. Upon exercise of the Option, in whole or in part, in accordance with the terms of the Agreement, and upon payment of the Option Price for the shares of Stock as to which the Option is exercised, MBC shall issue to Grantee the number of shares of Stock so paid for, in the form of fully paid and non-assessable Stock.

Section 3.6 Loan or Guaranty. Solely at the discretion of the Committee, and upon Grantee's written request, MBC may, but shall not be required to, assist Grantee in the exercise of the Option by making a loan to Grantee or by guaranteeing a third-party loan to Grantee. Such a loan or guaranty shall be conditioned upon prior receipt by the Committee of satisfactory assurances of Grantee's net worth and repayment ability. Subject to Regulations G and U of the Federal Reserve Board, any such loan or guaranty may be in an amount up to one hundred percent (100%) of the Option Price of the

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shares of Stock as to which the Option is being exercised. All loans shall bear interest at a rate determined by the Committee based upon loans of similar maturity, but in no event shall the interest rate be less than the rate necessary to avoid the imputation of interest or original issue discount under the provisions of the Code. All other terms of any loan or guaranty (including terms of repayment) shall be established by the Committee, subject to Regulations G and U of the Federal Reserve Board and all other applicable federal and state laws and regulations.

ARTICLE 4

TERMINATION OF OPTION

Section 4.1 Termination of Employment For Reason Other Than Death, Disability, or Retirement. The Option granted to Grantee shall terminate with respect to any shares of Stock as to which the Option has not been exercised as of the date Grantee is no longer employed by either MBC or an Affiliate for any reason other than Grantee's death, Disability or Retirement, whether or not the Option was exercisable on such date.

Section 4.2 Upon Grantee's Death. In the event that upon Grantee's date of death any portion of the Option is exercisable, then Grantee's executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be, may exercise all or any part of the portion of the Option exercisable as of the date of death, provided such exercise occurs within twelve (12) months after the date Grantee dies, but not later than the end of the stated term of the Option. Upon Grantee's death, the portion of the Option, if any, that has not become exercisable as of the date of Grantee's death shall terminate on the date of Grantee's death.

Section 4.3 Termination of Employment By Reason of Disability. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Disability, the portion of the Option, if any, that has become exercisable as of the date of Disability may be exercised in whole or in part at any time on or after the date of Disability, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement. Upon Grantee's termination of employment by reason of Disability, the portion of the Option, if any, that has not become

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exercisable as of the date of Disability shall terminate on the date of Disability.

Section 4.4 Termination of Employment By Reason of Retirement.

(a) Early Retirement.

(i) Exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement at any time prior to Grantee's Normal Retirement Date, the portion of the Option, if any, that has become exercisable as of the date of Retirement may be exercised in whole or in part at any time on or after the date of Retirement, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement.

(ii) Non-exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement at any time prior to Grantee's Normal Retirement Date, the portion of the Option, if any, that has not become exercisable as of the date of Retirement shall terminate on the date of Retirement.

(b) Normal Retirement Date.

(i) Exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement, the portion of the Option, if any, that has become exercisable as of the date of Retirement may be exercised in whole or in part at any time on or after the date of Retirement, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement.

(ii) Non-exercisable Portion of Option. In the event that upon the occurrence of Grantee's Normal Retirement Date all or a portion of the Option has not become exercisable solely because one (1) or more of the first four (4) Anniversary

Dates have not occurred (hereinafter referred to as the "Remaining Portion"), then such Remaining Portion shall become exercisable, if at all, on the Anniversary Date coincident with or immediately following Grantee's Normal Retirement Date. In all cases, the Remaining Portion shall not include any portion of the Option that has terminated pursuant to the provisions of Sections 3.1, 3.2, 3.3, 4.1, 4.2 or 4.3 of the Agreement. The extent to which the

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Remaining Portion shall become exercisable shall be determined pursuant to the provisions of Sections 3.2 and 3.3 of the Agreement; provided, however, that the term "Remaining Portion" shall be substituted for the term "Anniversary Date Option Amount" in all places noted therein. The amount, if any, of the Remaining Portion of the Option that becomes exercisable on such Anniversary Date may be exercised in whole or in part at any time on or after such Anniversary Date, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement. Notwithstanding anything in the Agreement to the contrary, the provisions of this Section 4.4(b)(ii) of the Agreement shall apply as of the occurrence of Grantee's Normal Retirement Date, regardless of whether Grantee continues to be an employee of MBC or an Affiliate after such date.

ARTICLE 5
MISCELLANEOUS

Section 5.1 Non-Guarantee of Employment. Nothing in the Plan or the Agreement shall be construed as a contract of employment between MBC (or an Affiliate) and Grantee, or as a contractual right of Grantee to continue in the employ of MBC or an Affiliate, or as a limitation of the right of MBC or an Affiliate to discharge Grantee at any time.

Section 5.2 No Rights of Stockholder. Grantee shall not have any of the rights

of a stockholder with respect to the shares of Stock that may be issued upon the exercise of the Option until such shares of Stock have been issued to him upon the due exercise of the Option.

Section 5.3 Notice of Disqualifying Disposition. If Grantee makes a disposition (as that term is defined in ss.424(c) of the Code) of any shares of Stock acquired pursuant to the exercise of an Incentive Stock Option within two (2) years of the Grant Date or within one (1) year after the shares of Stock are transferred to Grantee, Grantee shall notify the Committee of such disposition in writing.

Section 5.4 Withholding Taxes. MBC or any Affiliate shall have the right to deduct from any compensation or any other payment of any kind (including withholding the issuance of shares of Stock) due Grantee the amount of any federal, state or local taxes required by law to be withheld as the result of the exercise of the Option or the disposition (as that term is defined in ss.424(c) of the Code) of shares of Stock acquired pursuant to the exercise of the Option. In lieu of such deduction, MBC may require Grantee to make a cash payment to MBC or an Affiliate equal to the amount required to be withheld. If

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Grantee does not make such payment when requested, MBC may refuse to issue any Stock certificate under the Plan until arrangements satisfactory to the Committee for such payment have been made.

Section 5.5 Limitation on Exercise. Notwithstanding anything in the Plan or Agreement to the contrary, the Committee may restrict the right to exercise the Option to the extent that such exercise would trigger an "excess parachute payment" (as that term is defined in ss.280G(b) of the Code) unless Grantee shall have the right to receive such an excess parachute payment under an agreement with MBC or an Affiliate.

Section 5.6 Nontransferability of Option. The Option shall be nontransferable

otherwise than by will or the laws of descent and distribution. During the lifetime of Grantee, the Option may be exercised only by Grantee or, during the period Grantee is under a legal disability, by Grantee's guardian or legal representative.

Section 5.7 Agreement Subject to Charter and By-Laws. This Agreement is subject to the Charter and By-Laws of MBC, and any applicable federal or state laws, rules or regulations.

Section 5.8 Gender. As used herein the masculine shall include the feminine as the circumstances may require.

Section 5.9 Headings. The headings in the Agreement are for reference purposes only and shall not affect the meaning or interpretation of the Agreement.

Section 5.10 Notices. All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to Grantee at the address contained in the records of MBC or an Affiliate, or to MBC for the attention of its Secretary at its principal office.

ARTICLE 6

SCOPE OF AGREEMENT

Section 6.1 Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto.

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Section 6.2 Counterparts. The Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

ATTEST:	MERCANTILE BANKSHARES CORPORATION
/s/ John A. O'Connor, Jr.	By:/s/ Edward K. Dunn, Jr.
John A. O'Connor, Jr.	Edward K. Dunn, Jr.
WITNESS:	GRANTEE
/s/ Alice K. Reid	/s/ J. Marshall Reid
	J. Marshall Reid

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Exhibit (10) S

Option Agreement dated August 21, 1995
with Jack E. Steil

Exhibit (10) S

MERCANTILE BANKSHARES CORPORATION
OPTION AGREEMENT

This Option Agreement is entered into this 21st day of August 21, 1995, by and between Mercantile Bankshares Corporation ("MBC"), a Maryland corporation, and Jack E. Steil ("Grantee").

ARTICLE 1
DEFINITIONS

For the purposes of this Agreement, the definitions set forth in Sections 1.1 through 1.27 shall be applicable.

Section 1.1 Affiliate. "Affiliate" shall mean: (i) any corporation in which MBC owns, directly or indirectly, within the meaning of ss.424(f) of the Code, fifty percent (50%) or more of the total combined voting power of all classes of stock of such corporation on a Grant Date; and (ii) any parent corporation of MBC, within the meaning of ss.424(e) of the Code.

Section 1.2 Agreement. "Agreement" shall mean this Option Agreement and shall include the applicable provisions of the Plan which is hereby incorporated into and made a part of the Agreement.

Section 1.3 Anniversary Date. "Anniversary Date" shall mean the first four (4) anniversaries of the Grant Date.

Section 1.4 Anniversary Date Option Amount. "Anniversary Date Option Amount" shall mean twenty-five percent (25%) of the Option Amount.

Section 1.5 Base Year. "Base Year" shall mean the 1994 calendar year.

Section 1.6 Board. "Board" shall mean the Board of Directors of MBC.

Section 1.7 Calculation Year. "Calculation Year" shall mean the calendar year ending immediately prior to the calendar year in which an Anniversary Date falls.

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Section 1.8 Code. "Code" shall mean the Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

Section 1.9 Committee. "Committee" shall mean the Committee appointed pursuant to Section 3.3 of the Plan.

Section 1.10 Disability. "Disability" shall mean Grantee's inability to engage in any substantial gainful activity, by reason of any medically determined physical or mental impairment that may be expected to result in death or that has lasted or may be expected to last for a continuous period of not less than twelve (12) months, as determined by the Committee based on proof of the existence of such disability in such form and manner and at such times as the Committee may require.

Section 1.11 Earnings. "Earnings" shall mean the earnings per share of Stock for a calendar year (including the Base Year), as reported in the Annual Report to Shareholders for such calendar year and as may be adjusted by the Committee in its discretion.

Section 1.12 Earnings AGR. "Earnings AGR" shall mean the annual rate of growth in Earnings, expressed as a percentage (rounded up to the nearest whole percent), determined in accordance with the following formula:

$$\frac{(A-B)\ (100)}{B}$$

where "A" equals Earnings for the Calculation Year, and "B" equals Earnings for the calendar year immediately preceding the Calculation Year.

Section 1.13 Earnings CGR. "Earnings CGR" shall mean the compounded growth rate of Earnings and shall be determined by calculating the rate of interest at which Earnings for the Base Year would have to be invested to yield the Earnings for

the Calculation Year in question, assuming such interest compounded annually during the period commencing with the first day of the calendar year immediately succeeding the Base Year and ending on the last day of such Calculation Year.

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Section 1.14 Exercise Date. "Exercise Date" shall mean the date on which the Committee receives the written notice required under Section 3.4 of this Agreement that Grantee has exercised the Option.

Section 1.15 Fair Market Value. "Fair Market Value" of a share of Stock on the Grant Date or Exercise Date, as the case may be, shall mean the last reported sale price per share of Stock, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on a national securities exchange or included for quotation on the NASDAQ-National Market, or if the Stock is not so listed or admitted to trading or included for quotation, the last quoted price, or if the Stock is not so quoted, the average of the high bid and low asked prices, regular way, in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Stock is not quoted by any such organization, the average of the closing bid and asked prices, regular way, as furnished by a professional market maker making a market in the Stock as selected in good faith by the Committee or by such other source or sources as shall be selected in good faith by the Committee; provided, however, that the determination of Fair Market Value shall be made by the Committee in good faith in accordance with the Code. If, as the case may be, the Grant Date or the Exercise Date is not a trading day, the determination shall be

made as of the next preceding trading day. As used herein, the term "trading day" shall mean a day on which public trading of securities occurs and is reported in the principal consolidated reporting system referred to above, or if the Stock is not listed or admitted to trading on a national securities exchange or included for quotation on the NASDAQNational Market, any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are closed.

Section 1.16 Grant Date. "Grant Date" shall mean March 14, 1995.

Section 1.17 Incentive Stock Option. "Incentive Stock Option" shall mean an option as defined in ss.422(b) of the Code.

Section 1.18 Net Operating Income. "Net Operating Income" shall mean the dollar amount of net after tax operating income for a calendar year for Mercantile-Safe Deposit and Trust Company, as reported to the Board and as may be adjusted by the Committee in its discretion.

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Section 1.19 Net Operating Income AGR. "Net Operating Income AGR" shall mean the annual rate of growth in Net Operating Income, expressed as a percentage (rounded up to the nearest whole percent), determined in accordance with the following formula:

$$\frac{(A-B)(100)}{B}$$

where "A" equals Net Operating Income for the Calculation Year, and "B" equals Net Operating Income for the calendar year immediately preceding the Calculation Year.

Section 1.20 Net Operating Income CGR. "Net Operating Income CGR" shall mean the compounded growth rate of Net Operating Income, determined by calculating the rate of interest at which Base Year Net Operating Income would have to be invested

to yield the Net Operating Income for the Calculation Year in question, assuming such interest compounded annually during the period commencing with the first day of the calendar year immediately succeeding the Base Year and ending on the last day of such Calculation Year.

Section 1.21 Normal Retirement Date. "Normal Retirement Date" shall mean the first day of the month coincident with or next following the date on which Grantee attains age sixty-five (65).

Section 1.22 Option. "Option" shall mean an option to acquire Stock and, as is hereby designated by the Committee in accordance with and to the fullest extent permitted by the Code and other applicable law, shall mean an Incentive Stock Option.

Section 1.23 Option Amount. "Option Amount" shall mean 25,000 shares of Stock.

Section 1.24 Option Price. "Option Price" shall mean the price per share of Stock at which the Option may be exercised.

Section 1.25 Plan. "Plan" shall mean the Mercantile Bankshares Corporation Omnibus Stock Plan.

Section 1.26 Retirement. "Retirement" shall mean early or normal retirement in accordance with the terms of The Cash Balance Plan for Employees of Mercantile Bankshares Corporation and Participating Affiliates, as it may

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exist from time to time, or any successor plan.

Section 1.27 Stock. "Stock" shall mean shares of MBC's authorized but unissued common stock, par value of Two Dollars ($2.00) per share.

ARTICLE 2

GRANT OF OPTION

Section 2.1 Grant of Option. On the Grant Date, MBC, pursuant to the Plan, granted to Grantee an Option to purchase shares of Stock, not to exceed the Option Amount, at an Option Price of Twenty-one Dollars and Eighty-seven and one-half Cents ($21.875) per share.

Section 2.2 Term of Option. The Option granted pursuant to Section 2.1 shall expire on March 13, 2005, unless all or a portion of the Option terminates earlier pursuant to other provisions of this Agreement.

ARTICLE 3

RESTRICTIONS ON EXERCISE

Section 3.1 Termination of Option or Portion of Option. The Option shall become exercisable, if at all, only on an Anniversary Date. The extent to which the Option shall become exercisable on any Anniversary Date shall be determined pursuant to the provisions of Sections 3.2 and 3.3 of the Agreement; provided that, except as otherwise provided under Section 4.4 of the Agreement, in no case shall the Option become exercisable on any one (1) Anniversary Date for more than the Anniversary Date Option Amount. To the extent that, by application of the provisions of Sections 3.2 or 3.3 of the Agreement, no portion of the Option becomes exercisable on an Anniversary Date, or the Option becomes exercisable for less than the Anniversary Date Option Amount on such Anniversary Date, the Option shall terminate with respect to that number of shares of Stock that is equal to the difference between the Anniversary Date Option Amount and the number of shares of Stock as to which the Option becomes exercisable on such Anniversary Date.

Section 3.2 Attainment of Earnings CGR. No portion of the Option

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shall become exercisable on an Anniversary Date unless the Earnings CGR for the Calculation Year applicable to that Anniversary Date equals or exceeds five percent (5%). If such Earnings CGR equals or exceeds five percent (5%), the portion of the Anniversary Date Option Amount that shall become exercisable on such Anniversary Date shall be determined pursuant to the provisions of Section 3.3 of the Agreement.

Section 3.3 Determination of Exercisable Portion of Anniversary Date Option Amount.

(a) Amounts Dependent on Earnings. Subject to the provisions of the first sentence of Section 3.2 of the Agreement, if the Earnings AGR for the Calculation Year applicable to an Anniversary Date equals or exceeds six percent (6%), Grantee may, on and after such Anniversary Date, exercise the Option with respect to that percentage of the Anniversary Date Option Amount that corresponds to the Earnings AGR in the following chart.

Earnings AGR	Anniversary Date Option Amount That May Be Exercised
6%	10%
7%	20%
8%	30%
9%	40%
10%	50%

(b) Amounts Dependent on Net Operating Income. Subject to the provisions of the first sentence of Section 3.2 of the Agreement, if, and only if, the Net Operating Income CGR for the Calculation Year applicable to an Anniversary Date equals or exceeds five percent (5%) and if the Net Operating Income AGR for such Calculation Year equals or exceeds six percent (6%), Grantee may, on and after such Anniversary

Date, exercise the Option with respect to that percentage of the Anniversary Date Option Amount that corresponds to the Net Operating Income AGR in the following chart.

Net Operating Income AGR	Anniversary Date Option Amount That May Be Exercised
6%	10%

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7%	20%
8%	30%
9%	40%
10%	50%

Section 3.4 Manner of Exercise. The Option may be exercised, in whole or in part, by delivering written notice to the Committee in such form as the Committee may require from time to time. Such notice shall specify the number of shares of Stock subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Option Price of the shares of Stock as to which the Option is being exercised. Payment of the Option Price may be made either in cash or shares of Stock (including shares of Stock acquired upon the exercise of an option) having a total Fair Market Value on the Exercise Date equal to the Option Price multiplied by the number of shares of Stock as to which the Option is being exercised. The Option may be exercised only in multiples of whole shares and no partial shares shall be issued. If, as of the fourth Anniversary Date, the total number of shares as to which the Option is exercisable includes a partial share, the Option for such partial share, whether or not previously designated by the Committee as an Incentive Stock Option, shall be deemed to be a non-Incentive Stock Option. On the first date, on or after the fourth Anniversary Date, that the Fair Market Value of a share of Stock equals or exceeds the Option Price, Grantee shall be deemed to have simultaneously exercised the Option for such partial share and to have sold same to MBC for such Fair Market

Value. MBC shall remit to Grantee, in payment of the purchase price of such partial share, the excess, if any, of the Fair Market Value of such partial share over the Option Price.

Section 3.5 Issuance of Shares and Payment of Cash upon Exercise. Upon exercise of the Option, in whole or in part, in accordance with the terms of the Agreement, and upon payment of the Option Price for the shares of Stock as to which the Option is exercised, MBC shall issue to Grantee the number of shares of Stock so paid for, in the form of fully paid and non-assessable Stock.

Section 3.6 Loan or Guaranty. Solely at the discretion of the Committee, and upon Grantee's written request, MBC may, but shall not be required to, assist Grantee in the exercise of the Option by making a loan to Grantee or by guaranteeing a third-party loan to Grantee. Such a loan or guaranty shall be conditioned upon prior receipt by the Committee of satisfactory assurances of Grantee's net worth and repayment ability. Subject to Regulations G and U of the Federal Reserve Board, any such loan or guaranty may be in an amount up to one hundred percent (100%) of the Option Price of the

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shares of Stock as to which the Option is being exercised. All loans shall bear interest at a rate determined by the Committee based upon loans of similar maturity, but in no event shall the interest rate be less than the rate necessary to avoid the imputation of interest or original issue discount under the provisions of the Code. All other terms of any loan or guaranty (including terms of repayment) shall be established by the Committee, subject to Regulations G and U of the Federal Reserve Board and all other applicable federal and state laws and regulations.

ARTICLE 4

TERMINATION OF OPTION

Section 4.1 Termination of Employment For Reason Other Than Death, Disability, or Retirement. The Option granted to Grantee shall terminate with respect to any shares of Stock as to which the Option has not been exercised as of the date Grantee is no longer employed by either MBC or an Affiliate for any reason other than Grantee's death, Disability or Retirement, whether or not the Option was exercisable on such date.

Section 4.2 Upon Grantee's Death. In the event that upon Grantee's date of death any portion of the Option is exercisable, then Grantee's executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be, may exercise all or any part of the portion of the Option exercisable as of the date of death, provided such exercise occurs within twelve (12) months after the date Grantee dies, but not later than the end of the stated term of the Option. Upon Grantee's death, the portion of the Option, if any, that has not become exercisable as of the date of Grantee's death shall terminate on the date of Grantee's death.

Section 4.3 Termination of Employment By Reason of Disability. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Disability, the portion of the Option, if any, that has become exercisable as of the date of Disability may be exercised in whole or in part at any time on or after the date of Disability, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement. Upon Grantee's termination of employment by reason of Disability, the portion of the Option, if any, that has not become

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exercisable as of the date of Disability shall terminate on the date of Disability.

Section 4.4 Termination of Employment By Reason of Retirement.

(a) Early Retirement.

(i) Exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement at any time prior to Grantee's Normal Retirement Date, the portion of the Option, if any, that has become exercisable as of the date of Retirement may be exercised in whole or in part at any time on or after the date of Retirement, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement.

(ii) Non-exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement at any time prior to Grantee's Normal Retirement Date, the portion of the Option, if any, that has not become exercisable as of the date of Retirement shall terminate on the date of Retirement.

(b) Normal Retirement Date.

(i) Exercisable Portion of Option. In the event that Grantee ceases to be an employee of MBC or an Affiliate by reason of Retirement, the portion of the Option, if any, that has become exercisable as of the date of Retirement may be exercised in whole or in part at any time on or after the date of Retirement, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement.

(ii) Non-exercisable Portion of Option. In the event that upon the occurrence of Grantee's Normal Retirement Date all or a portion of the Option has not become exercisable solely because one (1) or more of the first four (4) Anniversary

Dates have not occurred (hereinafter referred to as the "Remaining Portion"), then such Remaining Portion shall become exercisable, if at all, on the Anniversary Date coincident with or immediately following Grantee's Normal Retirement Date. In all cases, the Remaining Portion shall not include any

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portion of the Option that has terminated pursuant to the provisions of Sections 3.1, 3.2, 3.3, 4.1, 4.2 or 4.3 of the Agreement. The extent to which the Remaining Portion shall become exercisable shall be determined pursuant to the provisions of Sections 3.2 and 3.3 of the Agreement; provided, however, that the term "Remaining Portion" shall be substituted for the term "Anniversary Date Option Amount" in all places noted therein. The amount, if any, of the Remaining Portion of the Option that becomes exercisable on such Anniversary Date may be exercised in whole or in part at any time on or after such Anniversary Date, but not later than the end of the stated term of the Option or as otherwise provided by the provisions of Section 4.2 of the Agreement. Notwithstanding anything in the Agreement to the contrary, the provisions of this Section 4.4(b)(ii) of the Agreement shall apply as of the occurrence of Grantee's Normal Retirement Date, regardless of whether Grantee continues to be an employee of MBC or an Affiliate after such date.

ARTICLE 5
MISCELLANEOUS

Section 5.1 Non-Guarantee of Employment. Nothing in the Plan or the Agreement shall be construed as a contract of employment between MBC (or an Affiliate) and Grantee, or as a contractual right of Grantee to continue in the employ of MBC or an Affiliate, or as a limitation of the right of MBC or an Affiliate to discharge Grantee at any time.

Section 5.2 No Rights of Stockholder. Grantee shall not have any of the rights

of a stockholder with respect to the shares of Stock that may be issued upon the exercise of the Option until such shares of Stock have been issued to him upon the due exercise of the Option.

Section 5.3 Notice of Disqualifying Disposition. If Grantee makes a disposition (as that term is defined in ss.424(c) of the Code) of any shares of Stock acquired pursuant to the exercise of an Incentive Stock Option within two (2) years of the Grant Date or within one (1) year after the shares of Stock are transferred to Grantee, Grantee shall notify the Committee of such disposition in writing.

Section 5.4 Withholding Taxes. MBC or any Affiliate shall have the right to deduct from any compensation or any other payment of any kind (including withholding the issuance of shares of Stock) due Grantee the amount of any federal, state or local taxes required by law to be withheld as the result of the exercise of the Option or the disposition (as that term is defined in ss.424(c) of the Code) of shares of Stock acquired pursuant to the exercise of

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the Option. In lieu of such deduction, MBC may require Grantee to make a cash payment to MBC or an Affiliate equal to the amount required to be withheld. If Grantee does not make such payment when requested, MBC may refuse to issue any Stock certificate under the Plan until arrangements satisfactory to the Committee for such payment have been made.

Section 5.5 Limitation on Exercise. Notwithstanding anything in the Plan or Agreement to the contrary, the Committee may restrict the right to exercise the Option to the extent that such exercise would trigger an "excess parachute payment" (as that term is defined in ss.280G(b) of the Code) unless Grantee shall have the right to receive such an excess parachute payment under an agreement with MBC or an Affiliate.

Section 5.6 Nontransferability of Option. The Option shall be nontransferable

otherwise than by will or the laws of descent and distribution. During the lifetime of Grantee, the Option may be exercised only by Grantee or, during the period Grantee is under a legal disability, by Grantee's guardian or legal representative.

Section 5.7 Agreement Subject to Charter and By-Laws. This Agreement is subject to the Charter and By-Laws of MBC, and any applicable federal or state laws, rules or regulations.

Section 5.8 Gender. As used herein the masculine shall include the feminine as the circumstances may require.

Section 5.9 Headings. The headings in the Agreement are for reference purposes only and shall not affect the meaning or interpretation of the Agreement.

Section 5.10 Notices. All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to Grantee at the address contained in the records of MBC or an Affiliate, or to MBC for the attention of its Secretary at its principal office.

ARTICLE 6

SCOPE OF AGREEMENT

Section 6.1 Entire Agreement; Modification. The Agreement contains the entire agreement between the parties with respect to the subject matter

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contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto.

Section 6.2 Counterparts. The Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

ATTEST:

/s/ John A. O'Connor, Jr.
John A. O'Connor, Jr.

MERCANTILE BANKSHARES CORPORATION

By:/s/ Edward K. Dunn, Jr.
Edward K. Dunn, Jr.

WITNESS:

/s/ Ruth Nash

GRANTEE

/s/ Jack E. Steil
Jack E. Steil

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Exhibit 13

Annual Report to Stockholders
For the Year Ended December 31, 1998

ANNUAL REPORT
1998

MERCANTILE
BANKSHARES
CORPORATION

THE ANNAPOLIS BANKING AND TRUST COMPANY

BALTIMORE TRUST COMPANY

BANK OF SOUTHERN MARYLAND

CALVERT BANK AND TRUST COMPANY

THE CHESTERTOWN BANK OF MARYLAND

THE CITIZENS NATIONAL BANK

COUNTY BANKING & TRUST COMPANY

FARMERS & MERCHANTS BANK--EASTERN SHORE

THE FIDELITY BANK

THE FIRST NATIONAL BANK OF ST. MARY'S

THE FOREST HILL STATE BANK

FREDERICKTOWN BANK & TRUST COMPANY

MARSHALL NATIONAL BANK AND TRUST COMPANY

MERCANTILE-SAFE DEPOSIT & TRUST COMPANY

THE NATIONAL BANK OF FREDERICKSBURG

PENINSULA BANK

THE PEOPLES BANK OF MARYLAND

POTOMAC VALLEY BANK

ST. MICHAELS BANK

THE SPARKS STATE BANK

WESTMINSTER BANK AND TRUST COMPANY OF
CARROLL COUNTY

MERCANTILE MORTGAGE CORPORATION

(LOGO) MERCANTILE BANKSHARES CORPORATION

MERCANTILE BANKSHARES CORPORATION IS A FAMILY OF COMMUNITY BANKS.

Twenty-one locally managed and directed banks deliver banking services to the individuals and businesses in their communities.

EACH MEMBER BANK HAS ITS OWN CORPORATE IDENTITY.

Affiliate banks operate under their own charters, retaining their own names, managements and boards of directors.

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EACH BANK IS DEDICATED TO ITS OWN MARKET AREA
AND EMPOWERED TO RESPOND
DIRECTLY TO ITS CUSTOMERS' BANKING NEEDS.

Customer-related decisions are made at the local level by people focused on the citizens of the community in which the bank operates. Affiliate banks can respond to each individual's situation, nurturing customer relationships through all phases of the economic cycle.

COMMUNITY BANKS ARE ABLE TO OFFER
THE STRENGTHS OF A MAJOR BANKING INSTITUTION.

As part of Mercantile Bankshares Corporation, affiliate banks benefit from the Corporation's outstanding financial strength and the specialized services available through the largest affiliate, Mercantile-Safe Deposit & Trust Company.

CIVIC INVOLVEMENT IS AT THE HEART OF
COMMUNITY BANKING AND A SIGNIFICANT PRIORITY
AT MERCANTILE BANKSHARES AFFILIATES.

Each member bank maintains its historic commitment to its community, contributing dollars and volunteering skills to the civic and charitable organizations that make the community a better place to live and work.

(LOGO) MERCANTILE BANKSHARES CORPORATION

Baltimore, Maryland

CONSOLIDATED FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

(Dollars in thousands, except per share data)	1998	1997	Increase (Decrease)
<S>	<C>	<C>	<C>
FOR THE YEAR			
Net interest income....................	$ 353,365	$ 336,049	5.2%
Net income.............................	147,128	132,043	11.4
Cash dividends paid....................	61,538	55,277	11.3
Basic net income per share.............	2.05	1.85	10.8
Dividend paid per common share.........	.86	.77	11.7
Average loans..........................	5,004,800	4,821,500	3.8
Average investment securities..........	1,706,100	1,587,100	7.5
Average assets.........................	7,260,800	6,828,800	6.3
Average deposits.......................	5,715,000	5,449,000	4.9
Average stockholders' equity...........	967,300	886,400	9.1
AT YEAR END			
Loans, net.............................	$5,108,467	$4,872,425	4.8%
Investment securities..................	1,907,541	1,631,623	16.9
Assets.................................	7,609,563	7,170,669	6.1
Deposits...............................	5,958,346	5,693,911	4.6
Stockholders' equity...................	999,359	935,004	6.9
Book value per common share............	14.07	13.01	8.1
Market value per common share..........	38 1/2	39 1/8	(1.6)
RATIOS			
Return on average assets...............	2.03%	1.93%	
Return on average stockholders' equity.	15.21	14.90	
Average stockholders' equity/average assets	13.32	12.98	
STATISTICS			
Banking offices........................	179	173	6
Employees..............................	2,804	2,889	(85)
Shareholders...........................	9,398	9,148	250

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Average number of common shares outstanding	71,662,051	71,465,976	196,075
Common shares outstanding	71,026,927	71,874,297	(847,370)

</TABLE>

CONTENTS

(LOGO) MERCANTILE BANKSHARES CORPORATION AND AFFILIATES

TO OUR SHAREHOLDERS

For the 23rd consecutive year, Mercantile Bankshares Corporation reported an increase in consolidated net income. Net income per share was $2.05 in 1998, an 11% increase over the $1.85 per share in 1997. Total consolidated net income was $147,128,000 compared to $132,043,000 in 1997, an increase of 11%. Per share amounts are based on the weighted average number of common shares outstanding, 71,662,000 for 1998 and 71,466,000 for 1997.

Our history of profitability and capital strength has allowed us to increase total cash dividends paid per share for 22 consecutive years. In June 1998, the cash dividend was increased to $.22 a share for the quarter. Total cash dividends paid per share in 1998 were $.86, a 12% increase over 1997. The compound growth rate of per share dividends paid to shareholders over the last 10 years is 12%.

In 1998, return on average assets, a key measure of profitability, was 2.03%, up from 1.93% in 1997, continuing to place us in the top tier of U.S. banks. Average shareholders' equity increased by 9% to $967,300,000. The return on average equity, which is constrained by our large equity base, increased to 15.21% in 1998 from 14.90% in 1997. The ratio of average equity to average assets, a measure of capital strength, is among the strongest of the nation's largest banking organizations. It was 13.32% in 1998, up from 12.98% in 1997.

Management has been pursuing a strategy to enhance shareholder value by using capital to finance growth, both internal and external, and, when capital is not needed for that purpose, returning it to shareholders in dividends and repurchase of shares. At their December 1998 meeting, the Board of Directors authorized a new share repurchase of up to 3,000,000 shares of common stock. This is in addition to approximately 1,400,000 shares which may be purchased under the Corporation's previously announced programs. From December 1993 to year end 1998, approximately 7,600,000 shares of common stock have been repurchased.

Two banks were added to the Mercantile Bankshares system in 1998. The affiliation of Marshall National Bank and Trust Company of Marshall, Virginia was completed in March 1998. Marshall had total assets of $80,000,000 at the time of affiliation. We welcome this solid and respected bank to the Mercantile Bankshares family. In December 1998, another excellent bank, Marine Bank of Chincoteague, Virginia was acquired and merged into the Mercantile Bankshares affiliate, Farmers & Merchants Bank- Eastern Shore. At the time of acquisition, total assets of Marine Bank were $20,000,000. Both bank acquisitions were accounted for using the purchase method of accounting. Also in 1998, a Mercantile affiliate, The Eastville Bank, with one banking office, was combined into its neighbor bank on Virginia's Eastern Shore, Farmers & Merchants Bank-Eastern Shore.

At December 31, 1998, total assets at Mercantile Bankshares Corporation were $7,609,563,000 compared to $7,170,669,000 at December 31, 1997. On a daily average basis, total assets rose 6% to $7,260,800,000. Average total loans rose 4% to $5,004,800,000. Total average investment securities rose 7% to $1,706,100,000.

While the year 1998 saw a modest increase in the portfolio of average loans, the ratios of loan types to total loans remained much the same as in previous years. Average total mortgage and construction loans, which increased 2%, were approximately 51% of the total loan portfolio. Average commercial loans, which

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were approximately 36% of the entire loan portfolio, increased 8%. Average consumer loans, 13% of the total average loan portfolio, increased 2%. Loan volume showed signs of improvement as 1998 progressed and, if the trend continues, we anticipate moderate increases in loan volume in 1999.

Worthy of mention are the results reported by MBC Leasing Corp., a subsidiary of Mercantile-Safe Deposit & Trust Company that provides tax-oriented and finance leases of various types of equipment. At December 31, 1998, as it completed its second full year of operation, earning assets were $140,829,000, up 82% over the prior year. Net income for MBC Leasing Corp. was up 126% in 1998 to $1,550,000.

Credit quality at Mercantile Bankshares, as measured by commonly used statistics, remains high. At year end 1998, total non-performing loans were $21,303,000 or .41% of total loans, down from .57% at year end 1997. Total non-performing assets, which include other real estate owned as well as non-performing loans, were $22,584,000 at year end 1998, down from $31,083,000 the prior year. Non-performing assets as a percentage of year end loans plus other real estate owned was .43% at year end 1998 compared to .62% in 1997.

The provision for loan losses was $11,489,000 in 1998, down from $13,703,000 in 1997. In 1998, loans charged off, net of recoveries, totaled $6,597,000, down from $6,697,000 charged off in 1997. The allowance for loan losses at December 31,1998 was $112,423,000 versus $106,097,000 in the prior year. At year end 1998, the allowance for loan losses as a percentage of non-performing loans was 527.73%, compared to 372.85% at year end 1997. The allowance for loan losses as a percentage of total year end loans was 2.15%, up slightly from 2.13% the prior year.

Average total deposits for the year ended December 31, 1998 were $5,715,000,000, a 5% increase over 1997. The mix of interest-bearing versus noninterest-bearing deposits has remained stable. In 1998, the ratio of average demand deposits, which do

not bear interest, to average total deposits increased slightly from 20% to 21%. The combination of savings, checking plus interest and money market accounts remained steady at 40% of total average deposits. Certificates of deposit were 39% of average total deposits in 1998 compared to 40% the previous year.

Net interest income for 1998 increased 5% over 1997 to $353,365,000. While average earning assets increased 6% in 1998, to $6,896,200,000, the net interest margin on earning assets fell slightly to 5.20% compared to 5.24% in 1997. Net interest rate spread, the difference between the yield realized on average earning assets and interest rate paid for average interest-bearing funds, was 4.08% compared to 4.15% in 1997.

Total noninterest income increased 10% in 1998 to $108,693,000. The largest component of noninterest income is trust revenues. Trust and Investment Management Services benefited in 1998 from a strong stock market, a vigorous trust marketing program and more efficient management of resources. Trust revenues increased 12.6% in 1998 to $58,018,000. We will continue to work to strengthen what is historically an important part of our business.

Total noninterest expense, excluding the provision for loan losses, increased 2.6% in 1998 to $219,005,000. Salary and employee benefit expenses, combined, are the largest part of noninterest expense and were $131,618,000, up 6% over 1997. Partially offsetting these increases, were significant reductions in 1998 of the costs associated with the conversion to Year 2000 compliant computer systems, a task which is substantially completed.

Because we stress cost control, we monitor closely the relationship of operating costs to income, or our efficiency ratio. For the year ended December 31, 1998, Mercantile Bankshares achieved an efficiency ratio of 46.85%. This placed us near the top in a ranking of efficiency ratios of the nation's 100 largest banking organizations conducted by a nationally recognized bank data base analyst.

With surprising speed for an industry that was thought to be bound by conservative traditions, the old banking models are disappearing. New bank signs go up and come down; employees attempt to fit into the latest corporate aggregation; management hires consultants to reinvent their organization and agencies to advertise the newly manufactured corporate identity. Institutional continuity is rare.

We at Mercantile Bankshares Corporation will not be reinventing ourselves. Indeed, we place great value on continuity. As fashions sweep through the financial services industry, we are asked to consider "opportunities" to expand our services into volume-driven, commodity products or alter the structure of our organization. Our response is, "Why should we change our focus when what we do works?"

Thirty years ago, we organized as a multi-bank holding company. The original commitment was to the concept of an affiliation of community banks, able to respond directly to the needs of their communities, but with the ability to combine resources when necessary to meet more specialized customer requirements and take advantage of the efficiencies of back-office consolidation. The structure and operating philosophy have never changed--and the strategy has served us well.

Continuity adds value for our customers. It is challenging enough to run a business or manage your personal financial affairs without having to react to

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surprising new combinations of banks and bankers. Economic cycles are a fact of life; the test of a relationship is whether your bank will respond to you in all kinds of times and over the long haul. That is where a real banking relationship is forged and that is what we are about.

Employees throughout the affiliate system appreciate the advantages of institutional continuity. The environment fostered by their locally managed bank, with its proud traditions, is important to them as they pursue their careers and relate to their customers.

The communities in which our affiliates operate benefit from a dependable local bank. Whatever advantages attend big bank mergers, too often they do not extend to the local civic and charitable organizations that lose the ongoing support of the merged bank.

We believe that you, our shareholders, have also been served by our continuity. We cite our financial results to argue that maintaining our identity our franchise--is an old-fashioned idea with a future.

/s/ H. Furlong Baldwin
H. Furlong Baldwin, Chairman
February 26, 1999

BOARD OF DIRECTORS

In 1998,William C. Richardson resigned from the Board. Dr. Richardson has served with distinction since joining the Board in 1991. His counsel will be missed.

Calman J. Zamoiski, Jr. reached the Board's mandatory retirement age in 1998. Mr. Zamoiski joined the Board of Directors in 1978 and has contributed immeasurably to the progress of the organization in the years since. Because of his deep understanding of our market and our role in that market, we are delighted that he has agreed to serve Mercantile Bankshares Corporation as a Director Emeritus.

REVIEW OF SERVICES

The services described here are offered by many other financial institutions. The difference at Mercantile Bankshares Corporation is a distinctive corporate structure that permits each affiliate bank to focus on the individuals and businesses in its own community. Affiliates nurture ongoing customer relationships enhanced, where appropriate, by the specialized services and lending capacity provided by the largest affiliate, Mercantile-Safe Deposit & Trust Company.

SERVICES TO INDIVIDUALS

Personal Banking

Twenty-one locally managed and directed banks, working through 179 banking offices, deliver deposit, savings and credit services to individuals in their communities.

In 1998, a centralized Customer Service Center was opened to expedite response to telephone inquiries. By year end 1999, it will be available to all affiliates. Callers have a choice: they may take information from the automated Voice Response Unit, seek specific help from trained personnel who personally address their questions and concerns, or they may contact directly the customer service people at their bank.

Home Mortgages

Residential mortgages are made to individuals by our affiliate banks and by our mortgage banking affiliate, Mercantile Mortgage Corporation. A one-settlement construction/permanent loan is available to individual home buyers.

Personal Investment Management and Trust Services

Investment management and trust services are provided to individuals and families by the largest affiliate, Mercantile-Safe Deposit & Trust Company.

When managing a client's assets, either as trustee or agent, our economists and investment managers focus on value for the long run, based on the client's risk/return parameters and the mix of assets that will meet each individual investor's objectives. Where appropriate, there are a variety of mutual funds from which to choose. In 1998, we completed conversion of our collective, commingled and mutual funds into one family of 13 mutual funds. M.S.D.&T. Funds bring with them the advantages of asset diversity as well as enhanced liquidity.

Mercantile acts also in a custodial capacity, providing safe-keeping of assets and investment analysis. There are, in addition, estate planning services, tax services and a family office collection of services for families with varied and multi-generation account relationships.

Private Banking

The Private Banking Group, with its principal office in Baltimore at

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Mercantile-Safe Deposit & Trust Company, has several satellite offices in Maryland and Virginia; its services are marketed throughout the affiliate network of banks.

Private Banking offers a single point of contact for individuals with substantial assets who want a tailor-made and integrated approach to meeting their deposit, credit, investment management and trust needs. Among those high net worth people who find Private Banking services beneficial are business owners, professional people and senior corporate executives.

Private Bankers can coordinate cash flows, arrange investments for short and long-term funds, or structure credit arrangements, such as Jumbo Mortgages, to satisfy long-term needs or offset temporary shortfall. All these services are performed within the context of an overall asset management plan. In the same office, the Private Banker can provide guidance on estate planning, identify appropriate investment services and recommend personal and charitable trusts to suit the individual's long-term goals.

SERVICES TO BUSINESSES

Lending

General Commercial Lending

With their local knowledge and focus, community banks are well suited to meeting the traditional credit needs of businesses in their market areas. Banks work closely with customers to extend credit for general business purposes, such as working capital, plant expansion or equipment purchases, and for financing industrial and commercial real estate. Affiliate banks are adept at employing government guarantee programs, such as those available from the Small Business Administration, where appropriate.

In addition to supplying credit to the businesses in its own market area, Mercantile-Safe Deposit & Trust Company works in collaboration with other affiliates when their customers' credit needs exceed the affiliate bank's lending limit or when there is a more specialized commercial banking need.

Specialized Lending

When local commercial customers do not qualify for traditional financing, the Asset-Based Lending Group at Mercantile-Safe Deposit & Trust Company can help them convert the value of their accounts receivable, inventory and equipment into cash for operations. Mercantile also works with local banks to arrange more sophisticated financing in the areas of acquisitions and management buyouts.

Mercantile's Real Estate Industries Group provides land acquisition and development, construction, and interim lending to investors and developers of commercial real estate. Mercantile Mortgage Corporation focuses on making loans for land acquisition, development and construction of single and multi-family housing.

Mercantile Mortgage is a Fannie Mae Delegated Underwriting and Servicing approved permanent lender on multi-family projects, one of the few in the nation.

Cash Management

Cash management, to help businesses collect, transfer and invest their cash, is centered at Mercantile-Safe Deposit & Trust Company and is available to business customers at all affiliate banks. These services are useful also to not-for-profit institutions such as unions, charities and philanthropic organizations.

In 1998, we augmented existing programs that link businesses to Mercantile's Cash Management with a service for small business owners. MoneyWorksWin(TM) is an affordable program that allows a company to access cash management account information and services through its personal computer.

Leasing

Some commercial customers prefer to lease rather than buy major equipment. Leasing arrangements, which can be varied and complex, are provided by MBC Leasing Corp. Leasing is often integrated into a larger banking relationship and its availability enables us to assist customers who, previously, had to go elsewhere for that service.

Employee Benefit Services

Mercantile-Safe Deposit & Trust Company's Institutional Services group works with affiliates in all our market areas to help their business customers establish or enhance their employee retirement and profit sharing plans. Not-for-profit institutions, such as government entities, charitable organizations and unions, also use employee benefit services. For example, Mercantile is trustee for a group trust that focuses on commercial real estate investments for Taft-Hartley pension plans.

Mercantile provides a range of qualified and non-qualified pension plans, including daily-valued 401 (k) plans. Plan participants may select investments from M.S.D.&T. Funds, as well as some of the nation's highest rated mutual fund families.

Other retirement plan services include plan design and documentation, plan administration and tax reporting, and employee education.

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Investment Management
and Administration of Assets for
Not-for-Profit Institutions

Not-for-profit organizations are of many types; they have in common the need for an understanding of their special requirements and dependence upon effective investment management and administration of their funds. Institutional Services at Mercantile-Safe Deposit & Trust Company provides investment management and administration to charitable and philanthropic organizations, unions, state and local governments, and military associations.

MANAGEMENT'S DISCUSSION

TOTAL ASSETS
(DOLLARS IN MILLIONS) DECEMBER 31

(A graph appears here. See the table below for plot points.)

'94	'95	'96	'97	'98
$5,938	$6,349	$6,643	$7,171	$7,610

EARNINGS GROWTH

NET INCOME
(DOLLARS IN MILLIONS)
5 YEAR COMPOUND GROWTH RATE: 12.0%

(A graph appears here. See the table below for plot points.)

'94	'95	'96	'97	'98
$90.4	$104.4	$117.4	$132.0	$147.1

BASIC EARNINGS PER SHARE
(IN DOLLARS)
5 YEAR COMPOUND GROWTH RATE: 11.3%

(A graph appears here. See the table below for plot points.)

'94	'95	'96	'97	'98
$1.25	$1.46	$1.64	$1.85	$2.05

Management's Discussion and
Analysis of Financial Condition and Results of Operations

I. Performance Summary

Mercantile Bankshares Corporation ("Mercshares") recorded an 11.4% increase in net income for 1998, representing the 23rd consecutive year of increased net income. Net income for Mercshares was $147,128,000 for the year ended December 31, 1998, compared to $132,043,000 and $117,400,000 for the years ended December 31, 1997 and 1996, respectively. Net income per common share for 1998 was $2.05, compared to $1.85 reported for 1997, an increase of 10.8%. Net income per share reported for 1996 was $1.64.

The continuing strong earnings growth for 1998 provided for another year of strong performance as indicated by the industry standards of return on average assets (ROA) and return on average stockholders' equity (ROE). The 1998 ROA was 2.03% compared to 1.93% and 1.82% for the years ended December 31, 1997 and 1996, respectively. Mercshares' 1998 ROE increased to 15.21% compared to the 14.90% reported for 1997 and 14.48% reported for 1996. The improvement in ROE was attained without increased leverage of the balance sheet. Average stockholders' equity to average assets remained a very strong 13.32%, up from 12.98% reported for 1997 and 12.59% for 1996.

Average assets increased by 6.3% to $7,260,800,000, average deposits increased by 4.9% to $5,715,000,000 and average loans increased by 3.8% to $5,004,800,000 for the year ended December 31, 1998, compared to the prior year. During 1998, two banks were added to the Mercshares family of banks. The affiliation with Marshall National Bank and Trust Company of Marshall, Virginia was completed in March 1998. Marine Bank of Chincoteague, Virginia was acquired by Mercshares and merged into an existing affiliate in December 1998. Both affiliations were accounted for using the purchase method of accounting. The impact of these acquisitions was not material to the financial totals reported by Mercshares.

The remaining sections of Management's Discussion and Analysis of Financial Condition and Results of Operations will provide a more detailed explanation of the important trends and material changes in components of our financial statements. The discussion suggests that sustained future earnings growth, comparable to our experience in recent years, will require, among other things,

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efficient generation of loan growth in a competitive market, while maintaining an adequate spread between yields on earning assets and cost of funds. Our degree of success in meeting these goals depends on unpredictable factors such as possible changes in prevailing interest rates, the mix of deposits and general economic conditions. This discussion and analysis should be read in conjunction with the consolidated financial statements and other financial information presented in this report.

II. Analysis of Operating Results

Net Interest Income

Net interest income represents the largest source of Mercshares' revenue. Net interest income is affected by both changes in the level of interest rates and changes in the amount and composition of interest-earning assets and interest-bearing liabilities. The Analysis of Interest Rates and Interest Differentials on pages 8 and 9 and the Rate/Volume Analysis on page 10 provide further details supporting this discussion. Net interest income on a fully taxable equivalent basis was $358,735,000 for 1998, an increase of $18,188,000 or 5.3% over the prior year's $340,547,000. Fully taxable equivalent net interest income increased by $25,729,000 or 8.2% in 1997 over 1996. As reflected in the volume variance column of the Rate/Volume Analysis, the 6.2% growth in average earning assets accounted for the improvement in net interest income for 1998. The increase in 1997 was attributed to a 6.5% increase in

average earning assets and to an improvement in the net interest margin, which increased by 7 basis points from the reported 5.17% in 1996.

Interest Income

Fully taxable equivalent interest income amounted to $560,762,000 in 1998 representing an increase of $22,294,000 or 4.1% over $538,468,000 in 1997. The increase in 1997 over 1996 was $36,092,000 or 7.2%. The yield on average earning assets in 1998 was 8.13% compared to a yield of 8.29% in 1997 and 8.24% in 1996. The change in the yield on average earning assets is impacted by the change in the average prime rate. The prime rate declined from 8 1/2% to 7 3/4% during 1998 and averaged 8 3/8% for 1998 and 1997 and 8 1/4% for 1996. The yield on average total loans was 8.97% in 1998 compared to 9.08% in 1997 and 9.17% in 1996. The growth in average total loans was 3.8% in 1998 compared to 9.3% in 1997 and 8.1% in 1996. The decline of 11 basis points in the yield on average total loans is reflective of the decline in the prime rate and the increasingly competitive markets in which Mercshares' affiliates are competing. Although there was an 8 basis point decline in the yield on investment securities from 6.05% in 1997 to 5.97% in 1998, the yield on securities still compares favorably to the average yield on the portfolio of 5.84% in 1996.

Interest Expense

Total interest expense in 1998 was $202,027,000, an increase of $4,106,000 from $197,921,000 in 1997. The increase in interest expense for 1998 was primarily attributable to the increase in average interest-bearing deposits, which grew by 2.7%. The average rate paid on interest-bearing deposits decreased 9 basis points to 3.96% during 1998 from 4.05% in 1997. Overall, the rate paid on total interest-bearing funds decreased to 4.05% in 1998 from 4.14% in 1997. Total interest expense in 1997 was $10,363,000 higher than in 1996 due primarily to a 3.4% increase in average interest-bearing deposits.

The combination of Mercshares' strong capital base and noninterest-bearing deposits has consistently led to a lower dependence on interest-bearing funds than that experienced by its peer group as reported in data furnished by our regulators. During each of the past three years, the benefit derived from lowering the overall cost of funding earning assets through these sources has steadily increased from 1.04% in 1996 to 1.09% in 1997 and 1.12% in 1998 as shown in the Analysis of Interest Rates and Interest Differentials on pages 8 and 9. Such benefit is influenced by the relative levels of interest rates as well as the volume of such funds.

Noninterest Income

Total noninterest income, including investment securities gains or losses, was $108,693,000 in 1998. This represents an increase of $10,040,000 or 10.2% above 1997. Noninterest income for 1997 was $9,225,000 or 10.3% above 1996. The increase in 1998 noninterest income was due primarily to the increase in Trust Division earnings and an increase in fee and service charges from the sale of bank services and products. These increases were partially offset by a decrease in other income which included a gain of $1,175,000 on the sale of a bank owned building during 1997.

Revenues from services provided by the Trust Division, which represents the largest source of noninterest income, amounted to $58,018,000 for 1998, an increase of 12.6% or $6,471,000 over 1997. Revenues of $51,547,000 for 1997 represented an increase of $5,303,000 or 11.5% over 1996. At December 31, 1998, assets under administration by the Trust Division were $39 billion, of which Mercshares had investment management responsibility for $14 billion. This compares to 1997 assets under administration of $35 billion and investment management responsibility of $12 billion. See the discussion under Segment

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Reporting for additional information relating to the Trust Division.

INTEREST YIELDS AND RATES
(TAX EQUIVALENT BASIS)

(A graph appears here. See the table below for plot points.)

	'94	'95	'96	'97	'98
Average yield earned on earning assets	7.43%	8.30%	8.24%	8.29%	8.13%
Average rate paid on interest-bearing funds	3.39%	4.21%	4.11%	4.14%	4.05%

ANALYSYS OF INTEREST RATES AND INTEREST DIFFERENTIALS

The following table presents the distribution of the average consolidated balance sheets, interest income/expense and annualized yields earned and rates paid.

(Dollars in thousands)	1998 Average Balance**	1998 Income*/ Expense	1998 Yield*/ Rate
Earning assets			
Loans:			
Commercial	$1,787,100	$161,016	9.01%
Mortgage and construction	2,570,400	230,089	8.95
Consumer	647,300	57,939	8.95
Total loans	5,004,800	449,044	8.97
Federal funds sold	177,100	9,387	5.30
Securities purchased under resale agreements	8,100	464	5.69
Securities:			
Taxable securities			
U.S. Treasury securities	1,650,700	97,642	5.92
U.S. Agency securities	17,900	1,027	5.73
Other stocks and bonds	23,200	2,052	8.86
Tax-exempt securities			
States and political subdivisions	14,300	1,141	7.96
Total securities	1,706,100	101,862	5.97
Interest-bearing deposits in other banks	100	5	5.10
Total earning assets	6,896,200	560,762	8.13
Cash and due from banks	214,500		
Bank premises and equipment, net	86,200		
Other assets	174,700		
Less: allowance for loan losses	(110,800)		
Total assets	$7,260,800		
Interest-bearing liabilities			
Deposits:			
Savings deposits	$2,264,300	56,720	2.50
Certificates of deposit and other time deposits--less than $100,000	1,522,700	81,519	5.35
Certificates of deposit--$100,000 and over	711,300	39,905	5.61
Total interest-bearing deposits	4,498,300	178,144	3.96
Short-term borrowings	439,900	20,800	4.73
Long-term debt	45,800	3,083	6.73
Total interest-bearing funds	4,984,000	202,027	4.05
Noninterest-bearing deposits	1,216,700		
Other liabilities and accrued expenses	92,800		
Total liabilities	6,293,500		
Stockholders' equity	967,300		
Total liabilities and stockholders' equity	$7,260,800		

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Net interest income....................................	$358,735		
	========		
Net interest rate spread................................			4.08%
Effect of noninterest-bearing funds.....................			1.12

Net interest margin on earning assets...................			5.20%
			====
Taxable-equivalent adjustment included in:			
Loan income...	$ 4,525		
Investment securities income.........................	845		

Total.......................................	$ 5,370		
	=======		

</TABLE>

* Presented on a tax equivalent basis using the statutory federal corporate income tax rate of 35%.

** Investment securities average balances reported at amortized cost; excludes pretax unrealized gains (losses) on securities available-for-sale.

<TABLE>
<CAPTION>

1997			1996		
Average Balance**	Income*/ Expense	Yield*/ Rate	Average Balance**	Income*/ Expense	Yield Rate*
<S>	<C>	<C>	<C>	<C>	<C>
$1,659,900	$150,866	9.09%	$1,438,900	$134,041	9.32%
2,523,900	229,196	9.08	2,348,200	212,636	9.06
637,700	57,767	9.06	624,400	57,853	9.27
---------	-------		---------	-------	
4,821,500	437,829	9.08	4,411,500	404,530	9.17
---------	-------		---------	-------	
78,700	4,389	5.57	80,300	4,195	5.22
5,400	301	5.63	5,300	325	6.13
1,535,100	92,154	6.00	1,546,900	89,977	5.82
16,100	899	5.59	17,700	957	5.40
22,800	1,879	8.25	17,600	1,270	7.21
13,100	1,012	7.74	14,700	1,115	7.59
---------	-------		---------	-------	
1,587,100	95,944	6.05	1,596,900	93,319	5.84
---------	-------		---------	-------	
100	5	5.50	100	7	4.64
---------	-------		---------	-------	
6,492,800	538,468	8.29	6,094,100	502,376	8.24
	-------			-------	
194,400			206,900		
79,900			79,800		
164,500			151,900		
(102,800)			(96,400)		
---------			---------		
$6,828,800			$6,436,300		
==========			==========		
$2,198,800	57,702	2.62	$2,214,700	58,187	2.63
1,467,800	80,289	5.47	1,403,200	79,202	5.64
713,400	39,378	5.52	618,200	33,374	5.40
---------	-------		---------	-------	
4,380,000	177,369	4.05	4,236,100	170,763	4.03
353,600	17,220	4.87	292,900	14,199	4.85
49,900	3,332	6.67	39,600	2,596	6.55
---------	-------		---------	-------	
4,783,500	197,921	4.14	4,568,600	187,558	4.11
	-------			-------	
1,069,000			982,200		
89,900			75,000		
---------			---------		
5,942,400			5,625,800		
886,400			810,500		
---------			---------		

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$6,828,800			$6,436,300		
==========			==========		
	$340,547			$314,818	
	========			========	
		4.15%			4.13%
		1.09			1.04
		----			----
		5.24%			5.17%
		====			====
	$ 3,796			$ 3,730	
	702			507	
	-------			-------	
	$ 4,498			$ 4,237	
	=======			=======	

</TABLE>

Noninterest Income

A schedule of noninterest income over the past three years is presented below:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year Ended December 31, 1998	1997	1996	% Change 1998/1997	1997/1996
Trust division services	$ 58,018	$51,547	$46,244	12.6%	11.5%
Service charges on deposit accounts	17,889	16,890	16,234	5.9	4.0
Other fees	28,884	26,399	24,178	9.4	9.2
Investment securities gains and (losses)	8	(1,491)	74		
Other income	3,894	5,308	2,698	(26.6)	96.7
Total	$108,693	$98,653	$89,428	10.2%	10.3%

</TABLE>

Rate/Volume Analysis

A rate/volume analysis, which demonstrates changes in taxable equivalent interest income and expense for significant assets and liabilities, appears below. The calculation of rate, volume and rate/volume variances is based upon a procedure established for banks by the Securities and Exchange Commission. Rate, volume and rate/volume variances presented for each component will not total to the variances presented on totals of interest income and interest expense because of shifts from year-to-year in the relative mix of interest-earning assets and interest-bearing liabilities.

<TABLE>
<CAPTION>

	Year Ended December 31, 1998 vs. 1997 Due to variances in				1997 vs. 1996 Due to variances in			
(Dollars in thousands)	Total	Rates	Rate/ Volumes	Rate/ Volume	Total	Rates	Volumes	Rate/ Volume
Interest earned on:								
Loans:								
Commercial (1)	$10,150	$ (1,311)	$ 11,561	$ (100)	$ 16,825	$(3,261)	$ 20,587	$(501)
Mortgage & construction (2)	893	(3,269)	4,223	(61)	16,560	605	15,910	45
Consumer	172	(687)	870	(11)	(86)	(1,291)	1,232	(27)
Taxable securities (3)	5,789	(1,224)	7,105	(92)	2,728	3,223	(478)	(17)
Tax-exempt securities (3)	129	33	93	3	(103)	21	(121)	(3)
Federal funds sold/repos	5,161	(217)	5,638	(260)	170	254	(79)	(5)
Interest-bearing deposits in other banks					(2)	(2)		
Total interest income	22,294	(10,508)	33,455	(653)	36,092	3,027	32,867	198
Interest paid on:								
Savings deposits	(982)	(2,623)	1,719	(78)	(485)	(68)	(418)	1
Certificates of deposit and other time deposits less than $100,000	1,230	(1,709)	3,003	(64)	1,087	(2,447)	3,646	(112)
Certificates of deposit--$100,000 and over	527	645	(116)	(2)	6,004	749	5,139	116
Short-term borrowings	3,580	(501)	4,203	(122)	3,021	65	2,943	13
Long-term debt	(249)	27	(274)	(2)	736	48	675	13
Total interest expense	4,106	(4,021)	8,296	(169)	10,363	1,471	8,822	70
Net interest earned	$ 18,188	$ (6,487)	$ 25,159	$ (484)	$ 25,729	$ 1,556	$ 24,045	$ 128

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</TABLE>

(1) Tax equivalent adjustments of $3,818,000 for 1998, $3,557,000 for 1997 and $3,442,000 for 1996 are included in the calculation of commercial loan rate variances.
(2) Tax equivalent adjustments of $707,000 for 1998, $239,000 for 1997 and $288,000 for 1996 are included in the calculation of mortgage and construction loan rate variances.
(3) Tax equivalent adjustments of $845,000 for 1998, $702,000 for 1997 and $507,000 for 1996 are included in the calculation of investment securities rate variances.

Noninterest Expenses

A schedule of noninterest expenses over the past three years is presented below:

<TABLE>
<CAPTION>

(Dollars in thousands)	Year Ended December 31, 1998	1997	1996	% Change 1998/1997	1997/1996
<S>	<C>	<C>	<C>	<C>	<C>
Salaries and employee benefits	$131,618	$124,563	$120,783	5.7%	3.1%
Net occupancy expense of bank premises	11,570	12,246	11,846	(5.5)	3.4
Furniture and equipment expenses	18,916	20,417	17,645	(7.4)	15.7
Communications and supplies	12,163	11,804	10,809	3.0	9.2
Amortization of excess cost over equity in affiliates	3,444	2,347	1,975	46.7	18.8
Other expenses	41,294	42,027	35,357	(1.7)	18.9
Total	$219,005	$213,404	$198,415	2.6%	7.6%

</TABLE>

Other fees increased by $2,485,000 or 9.4% to $28,884,000 for 1998. During 1997, other fees increased by $2,221,000 or 9.2% to $26,399,000 from $24,178,000 in 1996. The most significant factors relative to the change in the level of other fees income have been ATM, debit card and credit card processing fees. These fees accounted for approximately 80% of the total increase in other fees between 1998 and 1997.

Investment securities gains and losses was the only other category of noninterest income to reflect a significant change in 1998, as compared to the prior year. Net investment securities gains of $8,000 for 1998 were more typical of recent years prior to 1997, which experienced a loss of $1,491,000 for the year, whereas 1996 recorded a gain of $74,000 for the year.

Noninterest Expenses

Total noninterest expenses were $219,005,000, representing an increase of $5,601,000 or 2.6% over the prior year level of $213,404,000. In comparison, 1996 total noninterest expenses were $198,415,000. Management continues to focus on expense control and the efficiency of operations. During 1997, it was necessary to incur onetime expenses related to the conversion to Year 2000 compliant banking systems. Total noninterest expenses for 1998, excluding Year 2000 related expenses in 1997, increased 4.8% over 1997 expenses. During 1998, increases in salaries and benefits were partially offset by reductions in occupancy expense of bank premises and furniture and equipment expenses. Noninterest expenses for 1997 were 7.6% or $14,989,000 greater than those recorded in 1996.

A key measure that management monitors is the overall efficiency ratio of Mercshares, computed by dividing noninterest expenses by the sum of net interest income on a taxable equivalent basis and noninterest income. Mercshares' efficiency ratio was 46.9%, 48.5% and 49.0% for the years ended December 31, 1998, 1997, and 1996, respectively. A ratio of 50.0% or less is regarded as outstanding within the industry. For this calculation the provision for loan losses and significant non-recurring income and expenses, such as securities gains and losses, are excluded.

Salaries and employee benefits totaled $131,618,000 in 1998, $7,055,000 or 5.7% over the $124,563,000 expense level for 1997. The combined salaries and employee benefits expenses for 1997 were up $3,780,000 or 3.1% over the $120,783,000 reported for 1996. Mercshares' staffing level on a full time equivalent basis was 2,804 at December 31, 1998, a decrease from 2,889 at December 31, 1997 and 2,813 reported at December 31,1996. Included in the 1998 total are 62 employees added as a result of the two 1998 affiliations. Employee benefits expense increased by $2,574,000 or 11.5% during 1998. This increase over the prior year is primarily attributable to the increase in retirement benefits due to enhancements made to the employee cash balance retirement plan. Also included in salaries and employee benefits are Mercshares' Omnibus Stock Plan expenses, which

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SOURCES OF INCOME
(DOLLARS IN MILLIONS)

(A bar graph appears here. See the table below for plot points.)

	'94	'95	'96	'97	'98
Interest and fees on loans	65%	69%	68%	69%	67%
Other interest and dividend income	18%	16%	17%	16%	17%
Trust division	9%	8%	8%	8%	9%
Other income	8%	7%	7%	7%	7%
Total	100%	100%	100%	100%	100%
Total of all sources of income	$488.2	$548.2	$587.6	$632.6	$664.1

USES OF INCOME
(DOLLARS IN MILLIONS)

(A bar graph appears here. See the table below for plot points.)

	'94	'95	'96	'97	'98
Interest expense	29%	33%	32%	31%	30%
Provision for loan losses	1%	1%	2%	2%	2%
Salaries and employee benefits	23%	22%	21%	20%	20%
Other expenses	17%	14%	13%	14%	13%
Applicable income taxes	12%	11%	12%	12%	13%
Net income	18%	19%	20%	21%	22%
Total	100%	100%	100%	100%	100%
Total of all uses of income	$488.2	$548.2	$587.6	$632.6	$664.1

amounted to $1,048,000 in 1998 compared to $1,027,000 in 1997 and $1,114,000 for 1996. See Footnote No. 13 to the financial statements for a description of this plan.

Net occupancy expense decreased $676,000 or 5.5% during 1998 to $11,570,000. Net occupancy expense was $12,246,000 in 1997 compared to $11,846,000 in 1996. Total furniture and equipment expenses were $18,916,000, a decrease of $1,501,000 or 7.4% compared to 1997 expenses of $20,417,000. A significant amount of the decrease is related to the reduction in conversion to Year 2000 compliant systems expenses compared to similar expenses incurred in 1997. In comparison, 1996 expenses were $17,645,000.

Other expenses for 1998 totaled $41,294,000, representing a decrease of $733,000 or 1.7% from the $42,027,000 recorded in 1997. The primary reason for the favorable variance in 1998 is the decline of $1,950,000 in expenses related to the Mercshares' Deferred Directors' Fees Program. This expense is directly related to the change in the market value of Mercshares (MRBK) stock. Other items contributing to the decrease were non-recurring expenses of $1,000,000 in 1997, primarily associated with the expense of systems conversions and other Year 2000 related costs. Other expenses totaled $35,357,000 for 1996.

Segment Reporting

Mercshares implemented Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information, as of December 31, 1998 as required by the Statement. SFAS No. 131 defines operating segments as "components of an enterprise for which separate financial information is available and evaluated regularly by the company's chief operating decision-maker in allocating resources and assessing performance." Mercshares has identified two operating components that appear to meet the disclosure requirements of the Statement- the group of twenty Community Banks and the lead bank, Mercantile-Safe Deposit and Trust Company (MSD&T), which consists of the Banking Division and the Trust Division. A schedule disclosing the details of these operating segments can be found in Footnote No. 15 to the financial statements.

Net income for the Community Banks for 1998 was $80,229,000 compared to $74,459,000 and $68,522,000 for 1997 and 1996, respectively. Return on assets (ROA) has increased over the past three years from 1.65% in 1996 to 1.72% in 1998. The Community Banks have experienced a similar increase in return on equity (ROE) from 13.82% in 1996 to 14.27% in 1998. MSD&T recorded net income of $68,845,000 in 1998 compared to $60,560,000 in 1997 and $52,964,000 in 1996. ROA for MSD&T was 2.50% in 1998 compared to 2.35% in 1997 and 2.23% in 1996. During the same periods MSD&T recorded ROE of 21.93%, 20.33%, and 18.82%. MSD&T's performance is enhanced by its Trust Division, which experienced a net income compound growth rate of 20.2% over the three year period. Net income for the Trust Division was $13,664,000 in 1998 compared to $10,728,000 and $9,460,000 in 1997 and 1996, respectively. Certain expense amounts have been reclassified from internal financial reporting in order to provide for full cost absorption in the data reported herein.

Average assets for the Community Banks increased 7.2% to $4,671,400,000 in 1998 compared to the increase of 4.9% in 1997. Average assets for MSD&T increased 6.6% to $2,752,200,000 in 1998 compared to an 8.6% increase in 1997.

III. Analysis of Financial Condition

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Investment Securities
Mercshares' investment securities portfolio is structured to serve as a source of liquidity and a key component in overall management of interest rate risk. At December 31, 1998, the total investment securities portfolio was $1,907,541,000, reflecting an increase of $275,918,000 or 16.9% above the prior year's $1,631,623,000. As in the past, the portfolio is almost exclusively comprised of short and intermediate-term U.S. Treasury securities; accordingly, 99% of

Bond Investment Portfolio

The following summary shows the maturity distribution, average maturity and average yields for the bond investment portfolio at December 31, 1998, 1997 and 1996.

<TABLE>
<CAPTION>

	December 31, 1998			December 31, 1997			December 31, 1996		
(Dollars in thousands)	Amortized Cost	Market Value	Tax Equivalent Yield To Maturity	Amortized Cost	Market Value	Tax Equivalent Yield To Maturity	Amortized Cost	Market Value	Tax Equivalent Yield To Maturity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Securities held-to-maturity									
States and political subdivisions:									
Within 1 year..........	$ 5,086	$ 5,107	6.93%	$ 3,585	$ 3,584	7.23%	$ 2,904	$ 2,915	7.63%
1-5 years..............	4,010	4,103	7.38	7,246	7,282	7.35	10,240	10,306	7.40
5-10 years.............	2,789	2,886	7.21	250	264	9.49	407	421	8.73
After 10 years..........	551	577	7.67						
Total..................	$ 12,436	$ 12,673	7.17%	$ 11,081	$ 11,130	7.36%	$ 13,551	$ 13,642	7.49%
Average maturity (years)	3.2			1.6			2.2		
Other bonds, notes and debentures:									
After 10 years..........	$ 8	$ 8	7.65%	$ 8	$ 8	9.06%	$ 7	$ 7	9.05%
Total..................	$ 8	$ 8	7.65%	$ 8	$ 8	9.06%	$ 7	$ 7	9.05%
Average maturity (years)	18.8			19.8			20.8		
Totals:									
Within 1 year..........	$ 5,086	$ 5,107	6.93%	$ 3,585	$ 3,584	7.23%	$ 2,904	$ 2,915	7.63%
1-5 years..............	4,010	4,103	7.38	7,246	7,282	7.35	10,240	10,306	7.40
5-10 years.............	2,789	2,886	7.21	250	264	9.49	407	421	8.73
After 10 years..........	559	585	7.67	8	8	9.06	7	7	9.05
Total	$ 12,444	$ 12,681	7.17%	$ 11,089	$ 11,138	7.36%	$ 13,558	$ 13,649	7.49%
Average maturity (years)	3.2			1.7			2.3		
Securities available-for-sale									
U.S. Treasury and other U.S. government agencies:									
Within 1 year..........	$ 526,261	$ 529,883	5.96%	$ 483,667	$ 484,092	5.81%	$ 516,940	$ 517,209	5.82%
1-5 years..............	1,308,674	1,332,099	5.62	1,096,758	1,105,750	6.08	1,066,351	1,064,308	5.95
5-10 years.............	1,200	1,213	6.84	450	450	6.77			
After 10 years..........									
Total..................	$1,836,135	$1,863,195	5.72%	$1,580,875	$1,590,292	6.00%	$1,583,291	$1,581,517	5.91%
Average maturity (years)	1.8			1.8			1.8		
States and political subdivisions:									
1-5 years..............	$ 802	$ 832	7.85%	$ 702	$ 726	8.35%			
5-10 years.............	350	371	9.50						
After 10 years..........	199	202	6.88	30	31	11.92	$ 35	$ 36	11.92%
Total..................	$ 1,351	$ 1,405	8.14%	$ 732	$ 757	8.49%	$ 35	$ 36	11.92%
Average maturity (years)	5.9			4.4			19.5		
Other bonds, notes and debentures:									
Within 1 year..........	$ 354	$ 356	6.04%	$ 33	$ 33	4.76%	$ 573	$ 574	6.35%
1-5 years..............	987	988	5.70	1,546	1,527	5.80	1,998	1,953	6.04
5-10 years.............	2,134	2,153	5.85	3,113	3,088	5.77	3,156	3,119	5.85

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After 10 years..........	477	488	7.38	1,170	1,170	7.11	1,989	1,980	6.63
Total..................	$ 3,952	$ 3,985	6.02%	$ 5,862	$ 5,818	6.04%	$ 7,716	$ 7,626	6.14%
Average maturity (years)	7.1			8.0			6.8		
Totals:									
Within 1 year...........	$ 526,615	$ 530,239	5.96%	$ 483,700	$ 484,125	5.81%	$ 517,513	$ 517,783	5.82%
1-5 years..............	1,310,463	1,333,919	5.63	1,099,006	1,108,003	6.08	1,068,349	1,066,261	5.95
5-10 years.............	3,684	3,737	6.52	3,563	3,538	5.90	3,156	3,119	5.85
After 10 years..........	676	690	7.23	1,200	1,201	7.23	2,024	2,016	6.72
Total..................	$1,841,438	$1,868,585	5.72%	$ 1,587,469	$1,596,867	6.00%	$1,591,042	$1,589,179	5.91%
Average maturity (years)	1.8			1.8			1.9		

</TABLE>

ALLOWANCE AS A % OF AVERAGE LOANS;
CHARGE-OFFS (NET OF RECOVERIES)
AS A % OF AVERAGE LOANS

(A graph appears here with the following plot points.)

	'94	'95	'96	'97	'98
Loan loss allowance as a % of average loans	2.42%	2.24%	2.22%	2.20%	2.25%
Net charge-offs as a % of average loans	.22%	.26%	.19%	.14%	.13%

the total investment portfolio is classified as available-for-sale. At year end 1998, the average maturity of the bond component of the available-for-sale portfolio was 1.8 years, consistent with the prior year. The market value of the bond investment portfolio as of December 31, 1998, was 101.5% of adjusted cost compared to 100.6% at December 31, 1997. At December 31, 1998, $1,741,186,000 of these investments had unrealized gains of $27,789,000 and the remaining $112,696,000 of these investment securities had unrealized losses of $405,000. More information on the investment portfolio is shown in the table on page 13 and in Footnote No. 2 to the financial statements.

Loans

Mercshares experienced moderate growth in loans during 1998. Continuing the trend of the prior two years, average total loans increased by $183,300,000 or 3.8% to $5,004,800,000 for the year ended December 31, 1998. During 1998, average loans increased in all three categories: commercial (including industrial, financial and agricultural); real estate loans (residential and commercial mortgages and construction loans); and consumer.

Average commercial loans grew 7.7% in 1998 to an average balance of $1,787,100,000, compared to a growth rate of 15.4% in 1997. Real estate loans grew 1.8% to an average balance of $2,570,400,000 in 1998, which represents a decline from the 7.5% growth rate reported in 1997. Growth in both the commercial and real estate loan portfolios has resulted from, among other things, increased business opportunities due to consolidation by acquisition of banks occurring within Mercshares' market area and is not a result of relaxation of the Company's historically sound underwriting standards. Reflective of management's decision not to compete in the mass market consumer lending arena, consumer loans continued the trend of modest asset growth with an increase of 1.5% in 1998.

While on average the real estate loan portfolio represented over 51% of the average total loan portfolio, a large portion of this portfolio consists of loans to individuals on private residences. At December 31, 1998, 37% of total real estate loans were one to four family residential mortgages. Commercial mortgages made up 44% and construction loans, at 19%, accounted for the balance of the real estate loan portfolio. These percentages remained relatively unchanged from the prior year. A large percentage of the commercial mortgages and construction loan balances outstanding at December 31, 1998, were for owner-occupied properties. Ever mindful of the risks associated with some types of real estate loans, Mercshares believes it is consistent with sound banking practices to continue to extend real estate credits to carefully selected customers. Mercshares' historical charge-off experience for real estate loans, as reflected in the analysis of the allowance for loan losses on page 15, has been better than the commercial and consumer portfolio charge-off experience.

For further comparative information on the components of the loan portfolio, see the Five Year Selected Financial Data table on page 49.

Credit Risk Analysis

Mercshares' loans and commitments are substantially to borrowers located in our immediate region. We have limited our participation in multi-bank credits where we are not the managing or agent bank.

Central to the operation of a sound and successful financial institution is

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the balanced management of asset growth and credit quality. Responsibility for loan underwriting and monitoring is clearly fixed on key management personnel in each of our affiliates and ultimately upon the board of directors of each affiliate. These responsibilities are supported at the holding company level by appropriate underwriting guidelines and effective ongoing loan review. In addition, each affiliate bank has set an internal limit, that is well below the regulatory maximum, on the maximum amount of credit that may be extended to a single borrower.

Allowance for Loan Losses

(Dollars in thousands)	1998	1997	1996	1995	1994
	Year Ended December 31,				
Allowance balance--beginning	$ 106,097	$ 97,718	$ 91,398	$ 91,257	$ 92,567
Allowance of acquired banks	1,434	1,373		2,818	
Charge-offs:					
Commercial, financial and agricultural	(5,710)	(2,738)	(7,282)	(7,867)	(4,262)
Real estate--construction	(80)	(260)	(325)	(1,134)	(2,405)
Real estate--mortgage	(1,262)	(2,306)	(494)	(1,476)	(1,901)
Consumer	(2,956)	(4,047)	(4,109)	(2,368)	(1,961)
Totals	(10,008)	(9,351)	(12,210)	(12,845)	(10,529)
Recoveries:					
Commercial, financial and agricultural	1,234	617	1,666	917	729
Real estate--construction	177	29	4	52	224
Real estate--mortgage	634	441	944	225	177
Consumer	1,366	1,567	1,250	986	1,033
Totals	3,411	2,654	3,864	2,180	2,163
Net charge-offs	(6,597)	(6,697)	(8,346)	(10,665)	(8,366)
Provision for loan losses	11,489	13,703	14,666	7,988	7,056
Allowance balance--ending	$ 112,423	$ 106,097	$ 97,718	$ 91,398	$ 91,257
Average loans outstanding during year	$5,004,800	$4,821,500	$4,411,500	$4,079,300	$3,765,200
Percent of net charge-offs to average loans outstanding during year	.13%	.14%	.19%	.26%	.22%
Percent of allowance for loan losses at year-end to average loans	2.25%	2.20%	2.22%	2.24%	2.42%

Allocation of Allowance for Loan Losses

The allowance for possible loan losses has been allocated to the various categories of loans, as required by the Securities and Exchange Commission. This allocation does not limit the amount of the allowance available to absorb losses from any type of loan and should not be viewed as an indicator of the specific amount or specific loan categories in which future charge-offs may ultimately occur. The tables below present this allocation, along with the percentage distribution of loan amounts in each category, at the dates shown. For a historical analysis of the allowance for loan losses, see the paragraph on page 16 for Allowance for Loan Losses.

(Dollars in thousands)	1998	1997	1996	1995	1994
Allowance amount allocated as of December 31,					
Allowance amount allocated to:					
Commercial, financial and agricultural	$ 33,100	$ 30,700	$ 27,200	$ 25,400	$ 25,600
Real estate--construction	12,000	12,700	11,700	11,000	10,900
Real estate--mortgage	6,100	5,300	5,100	5,200	5,100
Consumer	6,000	5,400	5,200	5,300	5,500
Allowance amount not allocated	55,223	51,997	48,518	44,498	44,157

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Total	$112,423	$106,097	$ 97,718	$ 91,398	$ 91,257

</TABLE>

Composition of Loan Portfolio

<TABLE>
<CAPTION>

	December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural	34.1%	32.8%	32.9%	32.4%	33.3%
Real estate--construction	10.4	10.2	8.3	8.5	8.1
Real estate--mortgage	43.3	44.0	45.4	45.0	43.1
Consumer	12.2	13.0	13.4	14.1	15.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%

</TABLE>

Allowance for Loan Losses
Each Mercshares affiliate is required to maintain an adequate allowance for loan losses. Mercshares' senior management and each affiliate's board of directors maintain a regular overview to assure that adequacy. Periodic review of significant credit exposures, non-accrual loans and other non-performing assets, and statistical measurements of asset quality are conducted to assure the adequacy of the allowance for loan losses.

The allowance for loan losses, as a percentage of loans, was 2.15% at December 31, 1998, compared to 2.13% at December 31, 1997 and December 31, 1996. The allowance for loan losses as a percentage of non-performing loans was 528% at December 31, 1998, 373% at December 31, 1997 and 478% at December 31, 1996. Mercshares believes that current coverage is adequate and within industry standards when considered with our usual degree of success in collecting non-performing loans.

During 1998, the provision for loan loss expense was $11,489,000 compared to a 1997 expense of $13,703,000. Management believes that the 1998 provision for loan losses is prudent in relation to the growth in loans and the total allowance for loan losses in relation to total loans at December 31, 1998. The 1996 provision for loan losses was $14,666,000.

Net charge-offs declined to $6,597,000 during 1998, down from a total of $6,697,000 in 1997. Net charge-offs totaled $8,346,000 in 1996. Net charge-offs as a percentage of average loans were .13%, .14% and .19% for the years ended December 31, 1998, 1997 and 1996, respectively. Intensive collection efforts continue after a loan is charged off in order to maximize the recovery of amounts previously charged off. Recoveries as a percentage of loans charged off were 34% in 1998, 28% in 1997 and 32% in 1996. Recoveries in a given year may not relate to loans charged off in that year. Further details related to the allowance for loan losses are shown in the tables on page 15 and in Footnote No. 3 to the financial statements.

Non-Performing Assets
Non-performing assets consist of non-accrual loans, renegotiated loans and other real estate owned (i.e., real estate acquired in foreclosure or in lieu of foreclosure). With respect to non-accrual loans, our policy is that, regardless of the value of the underlying collateral and/or guarantees, no interest is accrued on the entire balance once either principal or interest payments on any loan become 90 days past due at the end of a calendar quarter. All accrued and uncollected interest on such loans is eliminated from the income statement and is recognized only as collected. A loan may be put on non-accrual status sooner than this standard if, in management's judgment, such action is warranted.

Non-performing assets (non-accrual loans and other real estate owned), as a percentage of period end loans and other real estate owned, was .43% at December 31, 1998, compared to .62% and .52% in the two preceding years. At year end 1998, non-performing assets were $22,584,000 compared with $31,083,000 and $23,773,000 in 1997 and 1996, respectively. Non-performing loans totaled $21,303,000 at December 31, 1998 compared to $28,456,000 at December 31, 1997 and $20,457,000 in 1996. Mercshares did not have any renegotiated loans during or at the close of these years.

Other real estate owned decreased by $1,346,000 to $1,281,000 at December 31, 1998, compared to $2,627,000 at December 31, 1997 and $3,316,000 in 1996. These decreases are attributable to the sale of property obtained through foreclosure proceedings. Attention is directed to the data in Non-Performing Assets on page 17 which shows the changes in the amounts of various categories of non-performing assets over the last five years and sets forth the relationship between non-performing loans and total loans and total allowance for loan losses.

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Non-Performing Assets

A five-year comparison of non-performing assets is presented below:

<TABLE>
<CAPTION>

	December 31,				
(Dollars in thousands)	1998	1997	1996	1995	1994
<S> <C>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans (1).................	$21,303	$28,456	$20,457	$21,235	$33,645
Renegotiated loans (1)................					3
Loans contractually past due 90 days or more and still accruing interest...........................					
Total non-performing loans.........	21,303	28,456	20,457	21,235	33,648
Other real estate owned...............	1,281	2,627	3,316	2,858	10,165
Total non-performing assets........	$22,584	$31,083	$23,773	$24,093	$43,813
Non-performing loans as a percentage of period end loans...................	.41%	.57%	.45%	.49%	.85%
Non-performing assets as a percentage of period end loans and other real estate owned..............................	.43%	.62%	.52%	.56%	1.11%
Allowance for loan losses as a percentage of non-performing loans............	527.73%	372.85%	477.68%	430.41%	271.21%

</TABLE>

(1) Total interest on these loans is not considered to be material in any of the years reported herein. Aggregate gross interest income of $2,225,000 and $3,024,000 in 1998 and 1997 respectively, on non-accrual and renegotiated loans, would have been recorded if these loans had been accruing on their original terms throughout the period or since origination if held for part of the period. The amount of interest income on the non-accrual and renegotiated loans that was recorded totaled $796,000 and $1,404,000 in 1998 and 1997, respectively.

Note: The Corporation was monitoring loans estimated to aggregate $3,906,000 at December 31, 1998 and $3,662,000 at December 31, 1997, not classified as non-accrual or renegotiated loans. These loans had characteristics which indicated they might result in such classification in the future.

Sources of Funds

Mercshares' primary source of funding comes from deposits gathered by the 179 branches of its banking affiliates. Average total deposits were $5,715,000,000, representing an increase of $266,000,000 or 4.9% over the prior year average of $5,449,000,000. Average total deposits for 1996 amounted to $5,218,300,000. For the year ended December 31, 1998, 82.9% of the funding for average earning assets was derived from deposits. This ratio was 83.9% for 1997 and 85.6% for 1996.

Significant growth for 1998 was recorded in the noninterest-bearing deposit category. Averaging $1,216,700,000 for the year and representing 21.3% of average total deposits, this key source of funds grew by 13.8% over the prior year's average of $1,069,000,000. The average for 1997 was up 8.8% over the 1996 average and represented 19.6% of total average deposits for 1997. The Company continues to promote its cash management services to its commercial customers in order to maintain and expand this key source of funding.

Total average interest-bearing deposits for 1998 grew by a more modest 2.7% or $118,300,000. Average interest-bearing deposits amounted to $4,498,300,000, up from the 1997 average of $4,380,000,000. The average for 1997 represented an increase of 3.4% over 1996's average of $4,236,100,000. Most of the 1998 growth in interest-bearing deposits was in the area of consumer time deposits and checking-plus-interest accounts.

Certificates of deposit and other time deposits have increased steadily as depositors have shifted to this deposit category in order to maintain a higher yield on their funds. Averaging $2,234,000,000 for the year ended December 31, 1998, certificates of deposit grew by 2.4% from the average of $2,181,200,000 for 1997. The 1997 average was up 7.9% over the 1996 average of $2,021,400,000, reflecting the above noted shift of funds by depositors.

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LOAN COMPOSITION AND GROWTH
AVERAGE LOANS (DOLLARS IN MILLIONS)
5 YEAR COMPOUND GROWTH RATE: 6.5%

(A bar graph appears here with the following plot points.)

	'94	'95	'96	'97	'98
Commercial, financial and agricultural	33%	33%	33%	35%	36%
Real estate--construction and mortgage	51%	52%	53%	52%	51%
Consumer	16%	15%	14%	13%	13%
Total	100%	100%	100%	100%	100%
Total average loans	$3,765.2	$4,079.3	$4,411.5	$4,821.5	$5,004.8

Certificates of deposit-$100,000 and over averaged $711,300,000, $713,400,000 and $618,200,000 for the years ended December 31, 1998, 1997 and 1996, respectively. The average declined slightly in 1998. Growth in this category was 15.4% in 1997 compared to 12.5% in 1996.

Due to the fact that Mercshares' overall growth in average earning assets was significantly more than the growth in deposits during 1998, it was necessary to increase average short-term borrowings in order to partially fund this growth. Short-term borrowings averaged $439,900,000 during 1998, $86,300,000 or 24.4% greater than the average balance of $353,600,000 in 1997. The 1997 average balance represented an increase of $60,700,000 or 20.7% more than the average for 1996.

Another key source of funding is stockholders' equity. Mercshares has consistently maintained a capital/asset ratio that is greater than its peers as reported in data furnished by our regulators. Stockholders' equity averaged $967,300,000 during 1998, which represents an increase of $80,900,000 or 9.1% greater than the prior year's average. The average was $886,400,000 in 1997, an increase of 9.4% over 1996's average of $810,500,000. With the growth in average total assets of 6.3% for 1998, the Company was able to maintain its ratio of average total stockholders' equity to average total assets at 13.32% for 1998. This ratio was 12.98% for 1997 and 12.59% for 1996. For a more in-depth discussion of stockholders' equity and capital adequacy, see page 21 of Management's Discussion and Footnote No. 9 to the financial statements.

Asset/Liability and Liquidity Management

Asset/liability management involves the funding and investment strategies necessary to maintain an appropriate balance between interest sensitive assets and liabilities. It also involves providing adequate liquidity while sustaining stable growth in net interest income. Regular review and analysis of deposit and loan trends, cash flows in various categories of loans and monitoring of interest spread relationships are vital to this process.

Mercshares seeks to contain the risks associated with interest rate fluctuations by managing the balance between interest sensitive assets and liabilities. Managing to mitigate interest rate risk is, however, an inexact science. Not only does the interval until repricing of interest rates of assets and liabilities change from day to day as the assets and liabilities change but, for some assets and liabilities, contractual maturity and the actual maturity experienced are not the same. For example, residential mortgages may have contractual maturities well in excess of five years but, depending upon the interest rate carried by the specific mortgages and the then currently prevailing rate of interest, such mortgages may be prepaid much more rapidly. Similarly, demand deposits by contract may be withdrawn in their entirety upon demand and savings deposits may be withdrawn on seven days notice. While these contracts are extremely short, it has been Mercshares' experience that these pools of funds, when considered as a whole, have a multi-year duration. As seen in the Interest Rate Sensitivity Analysis on page 20, asset sensitivity indicates that, given the composition of assets and liabilities at December 31, 1998, more interest-earning assets than interest-bearing liabilities are subject to repricing within the next 12 months. The data in this table suggests that net interest income should tend to increase somewhat in a rising interest rate environment and decrease in a declining rate environment.

Composition of Earning Assets

	Average Balances									
(Dollars in thousands)	1998		1997		1996		1995		1994	
Loans	$5,004,800	72.6%	$4,821,500	74.3%	$4,411,500	72.4%	$4,079,300	71.8%	$3,765,200	68.7%
Investment securities*	1,706,200	24.7	1,587,200	24.4	1,597,000	26.2	1,515,700	26.7	1,700,600	31.1

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Federal funds sold.......	177,100	2.6	78,700	1.2	80,300	1.3	62,700	1.1	12,200	.2
Securities purchased under resale agreements.....	8,100	.1	5,400	.1	5,300	.1	20,000	.4		
Total..............	$6,896,200	100.0%	$6,492,800	100.0%	$6,094,100	100.0%	$5,677,700	100.0%	$5,478,000	100.0%

</TABLE>

*Includes interest-bearing deposits in other banks.

<TABLE>
<CAPTION>
Deposit Mix

	Average Balances									
(Dollars in thousands)	1998		1997		1996		1995		1994	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest-bearing deposits	$1,216,700	21.3%	$1,069,000	19.6%	$982,200	18.8%	$888,900	18.3%	$890,100	19.0%
Interest-bearing deposits:										
Savings, checking plus interest............	1,514,600	26.6	1,460,300	26.8	1,451,000	27.8	1,421,000	29.2	1,577,100	33.6
Money market..........	749,700	13.1	738,500	13.6	763,700	14.6	779,200	16.0	833,300	17.8
CDs and other time deposits less than $100,000...	1,522,700	26.6	1,467,800	26.9	1,403,200	26.9	1,228,000	25.2	1,052,100	22.4
CDs $100,000 and over............	711,300	12.4	713,400	13.1	618,200	11.9	549,500	11.3	339,900	7.2
Total.............	$5,715,000	100.0%	$5,449,000	100.0%	$5,218,300	100.0%	$4,866,600	100.0%	$4,692,500	100.0%

</TABLE>

Loan Maturity Schedule

The following table illustrates loan diversity by maturity distribution for commercial, financial and agricultural and real estate--construction loans as of December 31, 1998.

<TABLE>
<CAPTION>

	Maturing			
(Dollars in thousands)	1 year or less	Over 1 through 5 years	Over 5 years	Total
<S>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural..	$692,057	$647,291	$438,363	$1,777,711
Real estate--construction...............	229,189	226,459	89,075	544,723
Total............................	$921,246	$873,750	$527,438	$2,322,434

</TABLE>

Of the $1,401,188,000 loans maturing after one year, $650,396,000 or 46% have predetermined interest rates and $750,792,000 or 54% have floating interest rates.

Interest Rate Sensitivity Analysis

<TABLE>
<CAPTION>

	At December 31, 1998						
(Dollars in millions)	Within 3 months	Over 3 months thru 6 months	Over 6 months thru 1 year	Over 1 year thru 5 years	After 5 years	Non-sensitive funds	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS							
Securities (1)......................	$ 124.7	$160.9	$247.0	$1,310.8	$ 10.5	$ 53.7	$1,907.6
Federal funds/repos................	57.6						57.6

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Loans	2,640.9	272.2	445.6	1,482.9	379.3		5,220.9
Other assets						423.5	423.5
Total	2,823.2	433.1	692.6	2,793.7	389.8	477.2	7,609.6
LIABILITIES & EQUITY							
Money market deposit accounts	765.2						765.2
Time deposits	747.7	372.6	449.7	640.7	2.9		2,213.6
Other deposits (2)	426.9				2,552.6		2,979.5
Short-term borrowings	511.9						511.9
Long-term debt			7.6	32.6	.7		40.9
Other liabilities						99.1	99.1
Stockholders' equity						999.4	999.4
Total	2,451.7	372.6	457.3	673.3	2,556.2	1,098.5	$7,609.6
Excess	$ 371.5	$ 60.5	$235.3	$2,120.4	$(2,166.4)	$ (621.3)	
Accumulated excess	$ 371.5	$432.0	$667.3	$2,787.7	$ 621.3		
Accumulated excess as a percent of total	4.9%	5.7%	8.8%	36.6%	8.2%		

</TABLE>

(1) Includes interest-bearing deposits in other banks.
(2) Reflects behavior experience which often differs from legal withdrawal provisions.

Another analysis to monitor Mercshares' risk associated with interest rate fluctuations is the earnings simulation model. This model projects the effects on net income based on factors such as changes in interest rates, the shape of the yield curve and interest rate relationships. Within a one-year horizon, the model forecasts that, compared to the net income projection under stable rates, net income would increase by 1.1% if interest rates increased by 100 basis points and that net income would decrease by 1.2% if interest rates decreased by 100 basis points. These results are not necessarily indicative of future actual results nor do they take into account certain actions that management may undertake in response to future changes in interest rates.

At times, our efforts to mitigate our exposure to changes in interest rates have resulted in loan pricing policies that have not coincided with our commercial customers' preferences. As a result, during 1995, our lead bank, Mercantile-Safe Deposit & Trust Company (MSD&T), entered into a master agreement with another leading bank for the purpose of making interest rate swaps (hedge agreements) and similar interest rate protection arrangements in connection with commercial loans made to MSD&T's customers. This arrangement enables our customers to eliminate potential volatility of interest rates and associated risks.

MSD&T will only enter into specific interest rate "protection arrangements" under the master agreement with respect to which it has approved a corresponding credit facility with the customer, and as to which the customer is entering into a corresponding interest rate protection arrangement with MSD&T. MSD&T does not anticipate that these arrangements will expose the Corporation to any risk beyond the normal credit risks undertaken with any lending arrangement. As of December 31, 1998, one customer had entered into such arrangement effective in January 1999. This hedge agreement will not have a material impact on the financial performance of Mercshares. Beyond establishing this hedge agreement, Mercshares has not found it necessary to utilize interest rate swaps or other derivative instruments to manage interest sensitivity.

The conduct of our banking business requires that we maintain adequate liquidity to meet changes in composition and volume of assets and liabilities due to seasonal, cyclical or other reasons. Normally, this requires maintaining a prospective liquidity sufficient to meet our clients' demand for loans. By limiting the maturity and maintaining a conservative investment posture, management can look to the investment portfolio to help meet any short-term funding needs. In addition, Mercshares has access to national markets for certificates of deposit and commercial paper should it need to further supplement its liquidity needs.

Capital Resources and Adequacy

Maintenance of exceptional capital strength has long been a guiding principle of Mercshares. Ample capital is necessary to sustain growth, to provide a measure of protection against unanticipated declines in asset values and to safeguard the funds of depositors. Capital also provides a source of funds to meet loan demand and enables the Company to manage its assets and liabilities effectively.

Stockholders' equity increased 6.9% to $999,359,000 at year end 1998 from

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$935,004,000 at year end 1997, which represented an 11.8% increase from $836,036,000 at year end 1996. These increases are primarily attributable to growth in earnings. The increase in 1998 was mitigated somewhat by dividends paid to shareholders and by Mercshares' stock repurchase program. Book value per share was $14.07, $13.01 and $11.75 at December 31, 1998, 1997 and 1996, respectively. The ratio of average equity to average assets was 13.32% in 1998 compared to 12.98% in 1997 and 12.59% in 1996, ranking Mercshares among the very strongest banks in the industry each year.

While maintaining exceptional capital strength and financing growth of the company, Mercshares has also been pursuing a share repurchase program. In December 1998, the Board of Directors authorized repurchase of up to 3,000,000 shares of Mercshares common stock. This followed prior authorization for the purchase of 9,000,000 shares. Through December 31, 1998, 7,620,000 shares of common stock were purchased under these programs. At December 31, 1998, remaining authorization to purchase common stock was 4,380,000 shares. The buybacks have supported management's strategy to enhance shareholder value by returning capital to shareholders in the form of dividends and repurchase of shares during periods when capital accumulates at a rate in excess of that required to support the growth of earning assets. See Footnote No. 9 and the Statement of Changes in Consolidated Stockholders' Equity for details related to the stock repurchase program.

Various bank regulatory agencies have implemented stringent capital guidelines which are directly related to a bank's risk-based capital ratios. By regulatory definition, a "well-capitalized" institution, such as Mercshares, faces fewer regulatory hindrances in its operations than institutions which are classified at the other end of the spectrum as

RISK-BASED CAPITAL RATIOS*
REGULATORY TIER ONE MINIMUM: 4%

(A bar graph appears here with the following plot points.)

	'94	'95	'96	'97	'98
Tier two	1.3%	1.3%	1.3%	1.3%	1.4%
Tier one	18.3%	17.9%	17.9%	18.1%	17.9%

* Tier one and tier two equity as percentages of risk-adjusted total assets at December 31.

DIVIDENDS PER SHARE
5-YEAR COMPOUND GROWTH RATE: 12.9%

(A bar graph appears here with the following plot points.)

'94	'95	'96	'97	'98
$.49	$.57	$.65	$.77	$.86

"critically undercapitalized." For instance, only "well-capitalized" banks can accept brokered deposits without regulatory approval in advance. In addition, FDIC deposit insurance premium rates are significantly lower for banks with higher capital levels, as compared to poorly capitalized banks. The risk-based capital ratios graph on page 21 shows that Mercshares has maintained capital levels well in excess of the regulatory minimum over each of the last five years. For a further discussion of the regulatory capital requirements which apply to Mercshares see Footnote No. 9 which begins on page 37.

Bank regulatory agencies also impose certain restrictions on the payment of dividends, extensions of credit and transfer of assets from subsidiaries to bank holding companies. Historically, these restrictions have not limited dividend payments at Mercshares and it is not anticipated that they will have a constraining effect in the future. In addition to dividend restrictions, capital requirements are also affected by off-balance sheet risks. These include such items as letters of credit and commit-ments to extend credit. Refer to Footnote No. 8 on page 37 for information regarding Mercshares' commitments.

Dividends

For the 22nd consecutive year, the annual dividend paid on common stock exceeded the prior year's level. Effective with the June 1998 dividend, the quarterly cash dividend was increased to $0.22 from $0.20 per share. This represents a 10.0% increase. Management will periodically evaluate the dividend rate in light of Mercshares' capital strength, profitability and conditions prevailing in the economy in general and the banking industry in particular.

The annual dividends paid per common share were $0.86 in 1998, $0.77 in 1997 and $0.65 in 1996. Total cash dividends paid were $61,538,000 in 1998, $55,277,000 in 1997 and $46,579,000 in 1996. The chart appearing on page 23 presents quarterly dividends paid over the last two years.

Acquisitions and Commitments

Commitments for 1998 include plans for approximately $10,000,000 of capital

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expenditures, consisting primarily of improvements to existing banking offices of affiliate banks and the replacement of furniture and equipment. For further information on commitments, see Footnotes No. 4 and 8 on pages 35 and 37, respectively.

Recent FASB Pronouncements

During 1998, the Financial Accounting Standards Board issued several new Statement of Financial Accounting Standards (SFAS).

SFAS No. 130, Reporting Comprehensive Income, establishes standards for reporting and display of comprehensive income and its components in financial statements effective for years beginning after December 15, 1997. Mercshares implemented SFAS No. 130 for 1998 financial reporting. See Footnote No. 9 for further information.

SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits, is also effective for years beginning after December 15, 1997. Mercshares implemented this Statement for the year ended December 31,1998. The impact of this Statement is reported in Footnote No. 12 to the financial statements.

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998. This Statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that derivatives be recognized as either or liabilities in the statement of financial position and be measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and whether or not the derivative is designated as a hedging instrument. This Statement is effective for fiscal years beginning after June 15, 1999 with initial application in the first quarter of the fiscal year. SFAS No. 133 is not expected to have a material effect on Mercshares' financial statements.

Dividends

	1998				1997			
Quarter	4th	3rd	2nd	1st	4th	3rd	2nd	1st
Common dividends....	.22	.22	.22	.20	.20	.20	.20	.17

Mercantile Bankshares has paid quarterly cash dividends on its Common Stock since September 1970 when such stock was first issued. Mercantile Bankshares intends to consider quarterly payment of dividends on its Common Stock, but such payment is necessarily dependent upon many factors, including the future earnings and financial requirements of Mercantile Bankshares and its affiliates.

Recent Common Stock Prices

Market Prices*

	1998				1997			
Quarter	4th	3rd	2nd	1st	4th	3rd	2nd	1st
High ..	38 5/8	37 7/8	40 1/4	39 3/4	40 1/4	33 3/4	29 5/16	26 9/16
Low ...	25 1/4	27 1/2	33 1/4	33	29 7/8	26 3/4	22	21 3/16

*The stock of Mercantile Bankshares Corporation is traded on the Nasdaq National Market under the symbol MRBK. The quotations represent actual transactions.

As of February 28, 1999, there were 9,389 stockholders of record.

SFAS No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, was issued in October 1998. This Statement amends existing classification and accounting treatment of mortgage-backed securities, retained after mortgage loans held for sale are securitized, for entities engaged in mortgage banking activities. These securities previously were classified and accounted for as trading and now also may be classified as held-to-maturity or available-for-sale. This Statement is effective for the first fiscal quarter beginning after December 15, 1998. SFAS No. 134 is not expected to have a material effect on the Company's financial statements.

Year 2000 Issues

The information that follows is a "Year 2000 Readiness Disclosure" for purposes of the Year 2000 Information and Readiness Disclosure Act. The Year 2000 issues relate to systems designed to use two digits rather than four to define the applicable year. This flaw can cause system failures and disruptions, including inability to process transactions.

The Corporation began assessing these issues during 1995. The process basically incorporates an assessment of need, implementation of software modifications or installation of new software, testing of software and interfaces thereto and

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development of contingency plans.

This report focuses primarily on information technology, our computer-based systems and applications. Non-information technology issues, which involve embedded technology such as microcontrollers affecting performance of machinery and equipment, are believed to have been assessed and substantially resolved.

As to information technology, the assessment phase is substantially complete and the Corporation is actively engaged in the remaining phases. A major part of this project was completed in 1997, when 18 of 21 banking affiliates converted to a new integrated Year 2000 compliant banking and general ledger software system. Two more affiliates were converted during the third quarter of 1998 and the one remaining affiliate is operating on separate Year 2000 compliant computer-based systems and software. The Trust accounting software

was upgraded to Year 2000 compliant software in October 1998. Compliance certification testing for the mission critical Banking and Trust systems was completed in 1998. Of the remaining systems, approximately 92% of the effort is accomplished. Achievement of fully integrated systems and vendor testing, with development of contingency plans, is expected in the first half of 1999.

The Corporation has continued formal communications with important vendors, customers and other third parties regarding their Year 2000 readiness. Vendors are requested to represent that their products and services will be compliant and appropriately tested.

A Year 2000 committee has been established to monitor progress in addressing all aspects of the Year 2000 plan. Formal reports are made to the Audit Committee of our lead bank affiliate and to the Board of Directors of the Corporation at their respective quarterly meetings. Progress is also being monitored by internal and external audit reviews. Management believes that it is on an appropriate schedule with its Year 2000 plan.

Through 1998, the Corporation has incurred incremental external costs of $9.3 million which it has identified as Year 2000 related. Management does not anticipate that material additional incremental costs will be incurred in the completion of its Year 2000 plan.

Cautionary Statement

This annual report contains forward-looking statements within the meaning of and pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A forward-looking statement encompasses any estimate, prediction, opinion or statement of belief contained in this report, and the underlying management assumptions. Concerning Year 2000 issues, our expectations stated in this report on matters such as the degree of progress and compliance to be achieved at various times are based on assessments and assumptions that involve many unpredictable factors including the readiness, compliance, representations and performance of third parties. Therefore, these statements should be read with caution. For example, the daily conduct of a banking business involves interdependence among banks, other financial institutions and governmental bodies (such as the Federal Reserve System) which will require mutual readiness for Year 2000, with potentially serious consequences if readiness is not achieved. In such an environment, while contingency plans can be effective to some degree, there may not be viable alternatives if systems are not compliant or if failure occurs. In such a case, the adverse effects on the Corporation may be material to an unpredictable extent. Additional forward-looking statements appear in the Letter to Shareholders and in this Management's Discussion concerning matters such as loan growth, business strategies and services, adequacy of loan loss allowances, effects of asset sensitivity and interest rates, dividend payments and impact of FASB pronouncements. These statements are based on current expectations and assessments of potential developments affecting market conditions, interest rates and other economic conditions, and results may ultimately vary from the statements made in this report.

Report of Independent Accountants

To the Board of Directors and
Shareholders of Mercantile Bankshares Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of Mercantile Bankshares Corporation (hereafter referred to as the "Company") and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are

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free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PricewaterhouseCoopers LLP
Baltimore, Maryland
January 20, 1999

CONSOLIDATED BALANCE SHEETS
<TABLE>
<CAPTION>

DECEMBER 31, (Dollars in thousands, except per share data)	1998	1997
Assets		
Cash and due from banks	$ 254,994	$ 337,234
Interest-bearing deposits in other banks	100	100
Investment securities held-to-maturity (1),(2)	27,079	24,310
Investment securities available-for-sale (1),(2)	1,880,462	1,607,313
Federal funds sold	57,616	1,452
Securities purchased under resale agreements		75,000
Loans (3)	5,220,890	4,978,522
Less: allowance for loan losses (1),(3)	(112,423)	(106,097)
Loans, net	5,108,467	4,872,425
Bank premises and equipment, net (1),(4)	91,577	82,899
Other real estate owned, net (1)	1,281	2,627
Excess cost over equity in affiliated banks, net (1)	50,314	36,230
Other assets	137,673	131,079
Total	$7,609,563	$7,170,669
LIABILITIES		
Deposits:		
Noninterest-bearing deposits	$1,388,378	$1,205,563
Interest-bearing deposits	4,569,968	4,488,348
Total deposits	5,958,346	5,693,911
Short-term borrowings (6)	511,945	402,734
Accrued expenses and other liabilities	98,979	89,004
Long-term debt (7)	40,934	50,016
Total liabilities	6,610,204	6,235,665
COMMITMENTS AND CONTINGENCIES (4),(8)		
STOCKHOLDERS' EQUITY (9)		
Preferred stock, no par value; authorized 2,000,000 shares; issued and outstanding--None		
Common stock, $2 par value; authorized 130,000,000 shares; issued 71,026,927 shares in 1998 and 71,874,297 shares in 1997	142,054	143,749
Capital surplus	31,357	62,089
Retained earnings	803,568	717,978
Accumulated other comprehensive income	22,380	11,188
Total stockholders' equity	999,359	935,004
Total	$7,609,563	$7,170,669

</TABLE>
See notes to consolidated financial statements

STATEMENT OF CONSOLIDATED INCOME
<TABLE>
<CAPTION>

FOR THE YEARS ENDED DECEMBER 31, (Dollars in thousands, except per share data)	1998	1997	1996

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INTEREST INCOME			
Interest and fees on loans (1)	$444,519	$434,033	$400,800
Interest and dividends on investment securities:			
Taxable interest income	98,669	93,053	90,934
Tax-exempt interest income	689	641	706
Dividends	1,311	1,125	609
Other investment income	348	423	563
	101,017	95,242	92,812
Other interest income	9,856	4,695	4,527
Total interest income	555,392	533,970	498,139
INTEREST EXPENSE			
Interest on deposits (5)	178,144	177,369	170,763
Interest on short-term borrowings	20,800	17,220	14,199
Interest on long-term debt	3,083	3,332	2,596
Total interest expense	202,027	197,921	187,558
NET INTEREST INCOME	353,365	336,049	310,581
Provision for loan losses (1),(3)	11,489	13,703	14,666
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	341,876	322,346	295,915
NONINTEREST INCOME			
Trust division services (1)	58,018	51,547	46,244
Service charges on deposit accounts	17,889	16,890	16,234
Other fees	28,884	26,399	24,178
Investment securities gains and (losses) (2)	8	(1,491)	74
Other income	3,894	5,308	2,698
Total noninterest income	108,693	98,653	89,428
NONINTEREST EXPENSES			
Salaries	106,744	102,263	97,538
Employee benefits (12)	24,874	22,300	23,245
Net occupancy expense of bank premises (1),(4)	11,570	12,246	11,846
Furniture and equipment expenses (1),(4)	18,916	20,417	17,645
Communications and supplies	12,163	11,804	10,809
Amortization of excess cost over equity in affiliates	3,444	2,347	1,975
Other expenses	41,294	42,027	35,357
Total noninterest expenses	219,005	213,404	198,415
Income before income taxes	231,564	207,595	186,928
Applicable income taxes (1),(10)	84,436	75,552	69,528
NET INCOME	$147,128	$132,043	$117,400
NET INCOME PER SHARE OF COMMON STOCK (9):			
BASIC	$2.05	$1.85	$1.64
DILUTED	$2.04	$1.84	$1.64

</TABLE>
See notes to consolidated financial statements

STATEMENT OF CONSOLIDATED CASH FLOWS
Increase (decrease) in cash and cash equivalents
<TABLE>
<CAPTION>
FOR THE YEARS ENDED DECEMBER 31,

<S> (Dollars in thousands)	<C> 1998	<C> 1997	<C> 1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest and fees on loans	$ 447,023	$ 432,491	$ 401,081
Interest and dividends on investment securities	98,338	94,822	92,986
Other interest income	10,026	4,319	4,581
Noninterest income	107,217	101,133	85,277
Interest paid	(205,003)	(195,259)	(188,272)
Noninterest expenses paid	(201,421)	(188,179)	(174,884)
Income taxes paid	(86,637)	(81,578)	(74,719)
Net cash provided by operating activities	169,543	167,749	146,050
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of investment securities held-to-maturity	3,766	3,469	1,490
Proceeds from maturities of investment securities available-for-sale	492,634	519,512	630,120

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Proceeds from sales of investment securities available-for-sale...	804	34,019	65,434
Purchases of investment securities held-to-maturity..............	(1,092)	(535)	(7,391)
Purchases of investment securities available-for-sale............	(739,275)	(543,950)	(753,013)
Net increase in customer loans...................................	(180,976)	(344,958)	(293,255)
Proceeds from sales of other real estate owned...................	2,593	3,181	3,343
Capital expenditures...	(15,589)	(14,109)	(10,611)
Proceeds from sales of buildings.................................	321	6,610	
Net cash used in investing activities.......................	(436,814)	(336,761)	(363,883)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in noninterest-bearing deposits.....................	147,448	102,314	107,326
Net increase (decrease) in checking plus interest and savings accounts	123,808	(8,350)	(17,911)
Net increase (decrease) in certificates of deposit...............	(95,558)	192,503	80,859
Net increase in short-term borrowings............................	109,211	66,779	55,013
Proceeds from issuance of long-term debt.........................			25,000
Repayment of long-term debt......................................	(9,082)	(79)	(1,228)
Proceeds from issuance of shares.................................	6,712	7,026	5,846
Repurchase of common shares......................................	(67,646)	(12,295)	(28,578)
Dividends paid...	(61,538)	(55,277)	(46,579)
Net cash provided by financing activities...................	153,355	292,621	179,748
Net increase (decrease) in cash and cash equivalents (1)..........	(113,916)	123,609	(38,085)
Cash and cash equivalents at beginning of year...................	413,786	285,379	323,464
Adjustment for acquired banks....................................	12,840	4,798	
Cash and cash equivalents at end of year.........................	$ 312,710	$ 413,786	$ 285,379

</TABLE>
See notes to consolidated financial statements

Reconciliation of net income to net cash provided by operating activities
<TABLE>
<CAPTION>
FOR THE YEARS ENDED DECEMBER 31,

<S> (Dollars in thousands)	<C> 1998	<C> 1997	<C> 1996
Net income...	$147,128	$132,043	$117,400
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization...............................	8,527	8,268	8,236
Provision for loan losses...................................	11,489	13,703	14,666
Amortization of excess cost over equity in affiliates........	3,444	2,347	1,975
Provision for deferred taxes (benefit)......................	(4,439)	1,868	(5,369)
Investment securities (gains) and losses....................	(8)	1,491	(74)
Write-downs of other real estate owned......................	217	333	230
Gains on sales of other real estate owned...................	(808)	(457)	(564)
Gains on sales of buildings.................................	(59)	(1,382)	
(Increase) decrease in interest receivable..................	(5)	(2,358)	509
(Increase) decrease in other receivables....................	(601)	2,828	(3,513)
(Increase) decrease in other assets.........................	(2,033)	3,539	3,402
Increase (decrease) in interest payable.....................	(2,976)	2,662	(714)
Increase in accrued expenses................................	7,429	10,758	9,688
Increase (decrease) in taxes payable........................	2,238	(7,894)	178
Total adjustments......................................	22,415	35,706	28,650
Net cash provided by operating activities........................	$169,543	$167,749	$146,050

</TABLE>
See notes to consolidated financial statements

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY
<TABLE>
<CAPTION>
FOR THE YEARS ENDED
DECEMBER 31, 1998, 1997 AND 1996

(Dollars in thousands, except per share data)	Total	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income
<S> <C> <C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1995...................................	$793,826	$ 96,545	$ 66,107	$620,391	$10,783
Net income...	117,400			117,400	
Unrealized gains (losses) on securities available-for-sale,					

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net of reclassification adjustment, net of taxes	(7,985)				(7,985)
Comprehensive income	109,415				
Cash dividends paid:					
Common stock ($.65 per share)	(46,579)			(46,579)	
Issuance of 142,929 shares for dividend reinvestment and stock purchase plan	3,813	287	3,526		
Issuance of 24,941 shares for employee stock purchase dividend reinvestment plan	700	50	650		
Issuance of 61,052 shares for employee stock option plan	1,333	122	1,211		
Purchase of 1,066,051 shares under stock repurchase plan	(28,578)	(2,132)	(26,446)		
Vested stock options	2,106		2,106		
Transfer to capital surplus			50,000	(50,000)	
BALANCE, DECEMBER 31, 1996	836,036	94,872	97,154	641,212	2,798
Net income	132,043			132,043	
Unrealized gains (losses) on securities available-for-sale, net of reclassification adjustment, net of taxes	8,390				8,390
Comprehensive income	140,433				
Cash dividends paid:					
Common stock ($.77 per share)	(55,277)			(55,277)	
Issuance of 119,759 shares for dividend reinvestment and stock purchase plan	4,129	239	3,890		
Issuance of 22,326 shares for employee stock purchase dividend reinvestment plan	760	45	715		
Issuance of 117,233 shares for employee stock option plan	2,171	234	1,937		
Purchase of 394,175 shares under stock repurchase plan	(12,295)	(788)	(11,507)		
Issuance of 872,374 shares for bank acquisitions	17,967	1,744	16,223		
Issuance of 23,701,458 shares for a 3 for 2 stock split	(34)	47,403	(47,437)		
Vested stock options	1,114		1,114		
BALANCE, DECEMBER 31, 1997	935,004	143,749	62,089	717,978	11,188
Net income	147,128			147,128	
Unrealized gains (losses) on securities available-for-sale, net of reclassification adjustment, net of taxes	11,192				11,192
Comprehensive income	158,320				
Cash dividends paid:					
Common stock ($.86 per share)	(61,538)			(61,538)	
Issuance of 130,199 shares for dividend reinvestment and stock purchase plan	4,117	260	3,857		
Issuance of 25,718 shares for employee stock purchase dividend reinvestment plan	866	51	815		
Issuance of 107,413 shares for employee stock option plan	1,729	215	1,514		
Purchase of 1,911,000 shares under stock repurchase plan	(67,646)	(3,822)	(63,824)		
Issuance of 800,300 shares for bank acquisitions	27,480	1,601	25,879		
Vested stock options (13)	1,027		1,027		
BALANCE, DECEMBER 31, 1998 (9)	$999,359	$142,054	$ 31,357	$803,568	$22,380

</TABLE>
See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies

A. Basis of Presentation

The consolidated financial statements include the accounts of Mercantile Bankshares Corporation ("Mercshares") and all of its affiliates, with all significant intercompany transactions eliminated. The investment in affiliates is recorded on the books of the holding company on the basis of its equity in the net assets of the affiliates. The excess of the cost of Mercshares' investment over its equity in the net assets of purchased banks is being amortized on a straight-line basis over a period of 15 to 40 years from the respective dates of affiliation. Accumulated amortization amounted to $21,664,000 and $18,220,000 at December 31, 1998 and 1997, respectively.

Mercshares and its affiliates use the accrual basis of accounting. Assets (other than cash deposits) held for others under fiduciary and agency relationships are not included in the accompanying balance sheets since they are not assets of Mercshares or its affiliates.

Certain previously reported amounts have been restated to conform to the 1998 presentation.

B. Securities

Investment securities consist mainly of U.S. Government securities. Investments are classified as either "held-to-maturity" or "available-for-sale." Investment securities classified as "held-to-maturity" are acquired with the intent and

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ability to hold until maturity and are carried at cost, adjusted for amortization of premiums and accretion of discounts. Investment securities classified as "available-for-sale" are acquired to be held for indefinite periods of time and may be sold in response to changes in interest rates and/or prepayment risk or for liquidity management purposes. These securities are carried at fair value and any unrealized appreciation or depreciation in the market value of available-for-sale securities is reported as accumulated other comprehensive income, a separate component of stockholders' equity, net of applicable taxes. Adjusted cost is used to compute gains or losses on the sales of securities which are reported in the Statement of Consolidated Income.

C. Loans
Interest income is accrued at the contractual rate on the principal amount outstanding. When scheduled principal or interest payments are past due 90 days or more on any loan, the accrual of interest income is discontinued and recognized only as collected.Previously accrued but uncollected interest on these loans is charged against interest income. Generally, the loan is restored to an accruing status when all amounts past due have been paid.

Under Statements of Financial Accounting Standards (SFAS) Nos. 114 and 118, Accounting by Creditors for Impairment of a Loan, a loan is considered impaired, based upon current information and events, if it is probable that Mercshares will not collect all principal and interest payments according to the contractual terms of the loan agreement. Generally, a loan is considered impaired once either principal or interest payments become 90 days past due at the end of a calendar quarter. A loan may be considered impaired sooner if, in management's judgement, such action is warranted. Impaired loans do not include large groups of smaller balance homogeneous loans that are evaluated collectively for impairment (e.g. residential mortgages and consumer installment loans). The allowance for loan losses related to these loans is included in the allowance for loan losses applicable to other than impaired loans. The impairment of a loan is measured based upon the present value of expected future cash flows discounted at the loan's effective interest rate, or the fair value of the collateral if the repayment is expected to be provided predominantly by the underlying collateral. A majority of Mercshares' impaired loans are measured by reference to the fair value of the collateral. Interest income on impaired loans is recognized on the cash basis.

D. Allowance for Loan Losses
The allowance for loan losses is estimated to provide adequately for possible future losses on existing loans. The allowance is increased by the loan loss provision charged to operating expenses and reduced by loan charge-offs, net of recoveries. The provision for loan losses is based on a continuing review of the loan portfolios, past loss experience and current economic conditions which may affect the borrower's ability to pay.

E. Bank Premises and Equipment
Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using both the straight-line and accelerated methods over the estimated useful lives of the properties. Expenditures for repairs and maintenance are charged to operating expenses as incurred. Expenditures for improvements which extend the life of an asset are capitalized and depreciated over the asset's remaining useful life. Gains or losses realized on the disposition of properties are reflected in consolidated income.

F. Other Real Estate Owned
Other real estate owned consists primarily of real estate obtained through foreclosure or acceptance of deeds in lieu of foreclosure. Other real estate owned is held for sale and is stated at lower of cost or market.

G. Income Taxes
Deferred income taxes are calculated by applying enacted statutory tax rates to temporary differences consisting of all significant items which are reported for tax purposes in different years than for accounting purposes.

H. Cash Flows
For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, federal funds sold and securities purchased under resale agreements. Generally, federal funds are purchased and sold for one-day periods; securities purchased/sold under resale agreements are purchased/sold for periods of one to sixty days.

I. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. INVESTMENT SECURITIES

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The amortized cost and market values of investment securities at December 31, 1998 and 1997 are as follows:
<TABLE>
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1998				
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities held-to-maturity				
U.S. Treasury......................				
U.S. government agencies				
States and political subdivisions ..	$ 12,436	$237	$	$ 12,673
Other bonds, notes				
and debentures	8			8
Total bonds	12,444	237		12,681
Other investments	14,635			14,635
Total	$ 27,079	$ 237	$	$ 27,316
Securities available-for-sale				
U.S. Treasury......................	$1,819,400	$ 27,255	$ 391	$1,846,264
U.S. government agencies	16,735	196		16,931
States and political subdivisions ..	1,351	54		1,405
Other bonds, notes				
and debentures	3,952	47	14	3,985
Total bonds	1,841,438	27,552	405	1,868,585
Other investments	3,216	8,661		11,877
Total............................	$1,844,654	$ 36,213	$ 405	$1,880,462

1997				
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Securities held-to-maturity				
U.S. Treasury......................				
U.S. government agencies				
States and political subdivisions ..	$ 11,081	$ 77	$ 28	$ 11,130
Other bonds, notes				
and debentures	8			8
Total bonds	11,089	77	28	11,138
Other investments	13,221			13,221
Total	$ 24,310	$ 77	$ 28	$ 24,359
Securities available-for-sale				
U.S. Treasury......................	$1,562,943	$ 10,366	$895	$1,572,414
U.S. government agencies	17,932	32	86	17,878
States and political subdivisions ..	732	25		757
Other bonds, notes				
and debentures	5,862	10	54	5,818
Total bonds	1,587,469	10,433	1,035	1,596,867
Other investments	2,075	8,371		10,446
Total............................	$1,589,544	$ 18,804	$1,035	$1,607,313

</TABLE>

The amortized cost and market values of the bond investment portfolio by contractual maturity at December 31, 1998 and 1997 are shown below:
<TABLE>
<CAPTION>
<S> <C> <C>

	1998		1997	
(Dollars in thousands)	Amortized Cost	Market Value	Amortized Cost	Market Value
Securities held-to-maturity				
Within 1 year..	$ 5,086	$ 5,107	$ 3,585	$ 3,584
1-5 years..	4,010	4,103	7,246	7,282

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5-10 years	2,789	2,886	250	264
After 10 years	559	585	8	8
Total	$ 12,444	$ 12,681	$ 11,089	$ 11,138
Securities available-for-sale				
Within 1 year	$ 526,615	$ 530,239	$ 483,700	$ 484,125
1-5 years	1,310,463	1,333,919	1,099,006	1,108,003
5-10 years	3,684	3,737	3,563	3,538
After 10 years	676	690	1,200	1,201
Total	$1,841,438	$1,868,585	$1,587,469	$1,596,867

</TABLE>

At December 31, 1998 and 1997, no single issue of investment securities exceeded ten percent of stockholders' equity.

At December 31, 1998 and 1997, securities with an amortized cost of $709,218,000 and $586,186,000, respectively, were pledged as collateral for certain deposits as required or permitted by law.

The gross realized gains and losses on debt and non-debt securities for 1998, 1997 and 1996 are as follows:

<TABLE>
<CAPTION>
<S> <C> <C> <C>

	1998		1997		1996	
(Dollars in thousands)	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses	Gross Realized Gains	Gross Realized Losses
Debt securities						
Available-for-sale				$1,284	$ 2	$14
Non-debt securities						
Available-for-sale	$8	$	$43	250	86	
Total	$8	$	$43	$1,534	$88	$14

</TABLE>

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans at December 31, 1998 and 1997 are as follows:

(Dollars in thousands)	1998	1997
Commercial	$1,777,711	$1,632,893
Construction	544,723	508,804
Mortgage	2,260,217	2,192,122
Consumer	638,239	644,703
Total	$5,220,890	$4,978,522

At December 31, 1998 and 1997, $21,303,000 and $28,456,000 respectively, are considered non-accrual loans (loans in which interest income is recognized only as collected). See Note 1C for an explanation of the non-accrual loan policy.

The changes in the allowance for loan losses follow:

<TABLE>
<CAPTION>
<S> <C>

(Dollars in thousands)	1998	1997	1996
Allowance balance at beginning of year	$ 106,097	$ 97,718	$ 91,398
Allowance of acquired banks	1,434	1,373	
Charge-offs	(10,008)	(9,351)	(12,210)
Recoveries	3,411	2,654	3,864
Provision for loan losses	11,489	13,703	14,666
Allowance balance at end of year	$112,423	$106,097	$ 97,718

</TABLE>

Information with respect to impaired loans and the related valuation allowance (if the measure of the impaired loan is less than the recorded investment) as of December 31, 1998 and 1997 is shown below. Refer to Note 1C for an expanded discussion on impaired loans.

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<TABLE>
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<S> <C> <C>

(Dollars in thousands)	1998	1997
Impaired loans with a valuation allowance	$ 2,152	$ 2,785
Impaired loans with no valuation allowance	14,159	20,805
Total impaired loans	$ 16,311	$ 23,590
Allowance for loan losses applicable to impaired loans	$ 1,046	$ 1,317
Allowance for loan losses applicable to other than impaired loans	111,377	104,780
Total allowance for loan losses	$ 112,423	$ 106,097
Year-to-date interest income on impaired loans recorded on the cash basis	$ 690	$ 1,207
Year-to-date average recorded investment in impaired loans during the period	$ 21,400	$ 22,600
Quarter-to-date interest income on impaired loans recorded on the cash basis	$ 122	$ 367
Quarter-to-date average recorded investment in impaired loans during the period	$ 20,300	$ 24,300

</TABLE>

4. BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 1998 and 1997 consist of the following:

(Dollars in thousands)	1998	1997
Land	$ 18,267	$ 18,651
Buildings and leasehold improvements	106,356	95,482
Equipment	57,587	54,011
	182,210	168,144
Accumulated depreciation and amortization	(90,633)	(85,245)
Bank premises and equipment, net	$ 91,577	$ 82,899

Mercshares' bank affiliates conduct a major part of their branch banking operations from leased facilities. Generally, the initial terms of the leases range from a period of 1 to 15 years. Most of the leases contain options which enable the affiliates to renew the lease at the fair rental value for periods of 1 to 20 years. In addition to minimum rentals, certain leases have escalation clauses based upon various price indices and include provisions for additional payments to cover taxes, insurance and maintenance. Total rental expense for 1998, 1997 and 1996 was:

(Dollars in thousands)	1998	1997	1996
Bank premises*	$ 5,111	$ 4,211	$4,108
Equipment/software expense	5,587	6,344	4,465
Total rental expense	$10,698	$10,555	$8,573

*Amounts do not reflect offset for rental income.

At December 31, 1998, the aggregate minimum rental commitments under noncancelable operating leases are as follows: 1999-$8,770,000; 2000-$7,218,000; 2001-$5,038,000; 2002-$4,272,000; 2003-$3,877,000; thereafter-$10,438,000.

5. DEPOSITS

Included in time deposits are certificates of deposit issued in denominations of $100,000 or more which totaled $710,743,000 and $744,489,000 at December 31, 1998 and 1997, respectively. Other time deposits issued in denominations of $100,000 or more totaled $1,000,000 and $1,335,000 at December 31, 1998 and 1997, respectively.

At December 31, 1998, the amount outstanding and maturity distribution of time certificates of deposit issued in amounts of $100,000 or more and other time deposits of $100,000 or more are presented in the following table:

<TABLE>
<CAPTION>

Maturing

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(DOLLARS IN THOUSANDS)	TOTAL DECEMBER 31, 1998	3 months or less	Over 3 through 6 months	Over 6 through 12 months	Over 12 months
<S>	<C>	<C>	<C>	<C>	<C>
TIME CERTIFICATES OF DEPOSIT--					
$100,000 or more..........................	$710,743	$331,041	$103,594	$ 88,315	$ 187,793
Other time deposits--					
$100,000 or more..........................	$ 1,000	$ 1,000			

</TABLE>

Interest on deposits for the years ended December 31, 1998, 1997 and 1996 consists of the following:

<TABLE>
<CAPTION>
<S> <C>

(Dollars in thousands)	1998	1997	1996
Savings deposits..............................	$ 56,720	$ 57,702	$ 58,187
Certificates of deposit ($100,000 or more).....	39,905	39,378	33,374
Other time deposits...........................	81,519	80,289	79,202
Total interest on deposits.................	$ 178,144	$ 177,369	$ 170,763

</TABLE>

6. SHORT-TERM BORROWINGS

The following table provides selected information on Mercshares' short-term borrowings and applicable interest rates:

<TABLE>
<CAPTION>
<S> <C>

	Year-end		During year		
1998 (Dollars in thousands)	Amount	Rate	Highest	Average	Rate
Federal funds purchased and securities sold under repurchase agreements................	$326,496	4.38%	$362,452	$287,850	4.65%
Commercial paper..................................	185,074	4.25	185,074	150,616	4.86
Other short-term borrowings.......................	375	4.07	4,341	1,434	6.22
Total..	$511,945	4.33%		$439,900	4.73%
1997 (Dollars in thousands)					
Federal funds purchased and securities sold under repurchase agreements................	$229,414	5.37%	$253,001	$214,020	4.72%
Commercial paper..................................	168,693	4.90	168,693	137,471	5.10
Other short-term borrowings.......................	4,627	5.20	4,627	2,109	5.00
Total..	$402,734	5.17%		$353,600	4.87%

</TABLE>

Other short-term borrowings include notes payable to the U.S. Treasury and borrowings from the Federal Home Loan Bank. During 1998 and 1997, commercial paper borrowings were partially supported by back-up lines of credit which ranged from a low of $35,000,000 to a high of $39,500,000. Unused lines of credit at December 31, 1998 were $35,000,000. These lines of credit are paid for on a fee basis of .09% annually.

7. LONG-TERM DEBT

Long-term debt at December 31, 1998 and 1997 consists of the following:

(Dollars in thousands)	1998	1997
3% Unsecured debenture............................	$ 142	$ 190
6.13% Unsecured senior notes.......................		9,000
6.45% Unsecured senior notes.......................	7,500	7,500
6.64% Unsecured senior notes.......................	7,500	7,500
6.94% Unsecured senior notes.......................	25,000	25,000
Other...	792	826
Total long-term debt..........................	$40,934	$50,016

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The 3% debenture is payable in five equal annual payments beginning July 1, 1997 with the final payment due on July 1, 2001. All payments include principal and interest, and Mercshares has the option to prepay any or all of the remaining principal balance on any payment date.

The 6.45% senior notes are due on July 15, 1999. Interest is payable semi-annually, on January 15 and July 15, until maturity.

The 6.64% senior notes are due on July 15, 2000. Interest is payable semi-annually, on January 15 and July 15, until maturity.

The 6.94% senior notes are due on June 30, 2003. Interest is payable semi-annually, on June 30 and December 30, until maturity. Mercshares has agreed to prepay the lesser of $8,300,000 or the principal amount of the notes outstanding on June 30, 2001 and June 30, 2002.

The annual maturities on all long-term debt over the next five years are: 1999-$7,551,000; 2000-$7,552,000; 2001-$8,431,000; 2002-$8,300,000; 2003-$8,400,000.

8. COMMITMENTS

Various commitments to extend credit (lines of credit) are made in the normal course of banking business. Letters of credit are also issued for the benefit of customers by affiliated banks. These commitments are subject to loan underwriting standards and geographic boundaries consistent with Mercshares' loans outstanding. Mercshares' lending activities are concentrated in Maryland, Delaware and Virginia.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Total commitments to extend credit at December 31, 1998, include $2,446,835,000 in adjustable rate loan commitments and $155,821,000 in fixed rate loan commitments. Fixed rate commitments are at current market rates with $107,438,000 expiring within one year and the remaining $48,383,000 expiring on various dates through February 2009. Total commitments to extend credit at December 31, 1997, included $2,146,596,000 in adjustable rate loan commitments and $144,945,000 in fixed rate loan commitments. Fixed rate commitments, at December 31, 1997, were at current market rates with $106,530,000 expiring within one year and the remaining $38,415,000 expiring on various dates through February 2003.

Standby letters of credit are commitments issued to guarantee the performance of a customer to a third party. Outstanding letters of credit were $147,378,000 at December 31, 1998 and $130,607,000 at December 31, 1997.

9. STOCKHOLDERS' EQUITY

The Board of Directors has the authority to classify and reclassify any unissued shares of preferred stock by fixing the preferences, rights, voting powers (which may include separate class voting on certain matters), restrictions and qualifications, dividends, times and prices of redemption and conversion rights.

The Company has a Dividend Reinvestment and Stock Purchase Plan. The Plan allows shareholders to automatically invest their cash dividends in Company stock at a price which is 5% less than the market price on the dividend payment date. Plan participants may also make additional cash payments to purchase stock through the Plan at the market price. The number of shares of common stock which remain available for issuance under the Plan is 1,056,515 shares. The Company reserves the right to amend, modify, suspend or terminate the Plan at any time at its discretion.

The Company has an Employee Stock Purchase Plan. The Plan allows employees (other than executive officers of the Company) to purchase stock through payroll deduction and dividend reinvestment at the then current market price for employee purchases and at 95% of market for dividend reinvestment. The number of shares of common stock which remain available for issuance under the Plan is 892,136 shares. The Company reserves the right to amend, modify, suspend or terminate the Plan at any time at its discretion.

Pursuant to a Shareholders Protection Rights Agreement adopted in September 1989, each share of outstanding common stock carries a right, initially for the purchase of 1/200 of a share of preferred stock at an exercise price of $40 (subject to adjustment). The rights, which do not carry voting or dividend rights, may be redeemed by Mercshares at $.0022 per right. The rights expire on September 29, 1999 unless sooner exercised, exchanged or redeemed. The rights will not become exercisable and will not trade separately from the common stock until the tenth day (or such other date as the Board of Directors selects) after commencement of a tender or exchange offer for, or acquisition by a person or group of, 10% or more of the outstanding common stock. Upon exercisability of the rights after acquisition by a person or group ("acquiring person") of 10% or more of the outstanding common stock or upon certain business combinations or other defined transactions involving Mercshares, each right (except rights of the acquiring person, which become void) will entitle its holder to acquire common stock (or in Mercshares' discretion, preferred stock) of Mercshares, or

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common stock of the acquiring entity in a business combination or other defined transaction, with a value of twice the then current exercise price of the right. In certain such cases, Mercshares may exchange one share of common stock (or in Mercshares' discretion, 1/200 of a share of preferred stock) for each right which has not become void. The Board of Directors has classified 1,600,000 shares of preferred stock as Class A Preferred Stock for potential issuance on exercise of rights.

Since December 1993, the Board of Directors has approved plans authorizing the Corporation to purchase up to 12,000,000 shares of its common stock. Purchases may be made from time to time in the open market or in privately negotiated transactions. Purchased shares will be used from time to time for corporate purposes including issuance under the Corporation's dividend reinvestment plans and stock-based compensation plans. The number of shares remaining available for purchase under the plans was 4,380,353 shares at December 31, 1998.

Cash dividends paid to the holding company (Mercantile Bankshares Corporation) by its consolidated subsidiaries for the years ended 1998, 1997, and 1996 were $106,036,000, $97,522,000 and $85,363,000, respectively. The amount of dividends that Mercshares' affiliates could have paid to the holding company without approval from bank regulators at December 31, 1998 was $603,881,000.

Earnings per share

Year-to-date Basic earnings per share (EPS) amounts are based on the weighted average number of common shares outstanding during the period of 71,662,051 shares for 1998, 71,465,976 shares for 1997 and 71,475,492 shares for 1996. The following tables provide a reconciliation between the computation of Basic EPS and Diluted EPS for the years ended December 31, 1998, 1997 and 1996:

1998 (In thousands, except per share data)	Net Income	Common Shares	EPS
Basic EPS	$147,128	71,662	$2.05
Effect of dilutive stock options		575	
Diluted EPS	$147,128	72,237	$2.04

1997 (In thousands, except per share data)	Net Income	Common Shares	EPS
Basic EPS	$132,043	71,466	$1.85
Effect of dilutive stock options		438	
Diluted EPS	$132,043	71,904	$1.84

1996 (In thousands, except per share data)	Net Income	Common Shares	EPS
Basic EPS	$117,400	71,475	$1.64
Effect of dilutive stock options		139	
Diluted EPS	$117,400	71,614	$1.64

Comprehensive Income

As of January 1, 1998, Mercshares adopted the provisions of SFAS No. 130, Reporting Comprehensive Income. This Statement established standards for disclosing comprehensive income in financial statements. The following table summarizes the related tax effect of unrealized gains (losses) on securities available-for-sale included in other comprehensive income, as shown in the Statement of Changes in Consolidated Stockholders' Equity on page 30.

<TABLE>
<CAPTION>

	1998			1997			1996		
(Dollars in thousands)	Pretax Amount	Tax (Expense) Benefit	Net Amount	Pretax Amount	Tax (Expense) Benefit	Net Amount	Pretax Amount	Tax (Expense) Benefit	Net Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Unrealized gains (losses) on securities available-for-sale:									
Unrealized holding gains (losses) arising during the period	$18,047	$(6,850)	$11,197	$11,919	$(4,430)	$7,489	$(12,647)	$4,707	$(7,940)
Reclassification adjustment for (gains) losses included in net income	(8)	3	(5)	1,491	(590)	901	(74)	29	(45)

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Total...........................	$18,039	$(6,847)	$11,192	$13,410	$(5,020)	$8,390	$(12,721)	$4,736	$(7,985)
	=======	=======	=======	=======	=======	======	========	======	=======

</TABLE>

Capital adequacy

Mercshares and its bank affiliates are subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on Mercshares' financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Mercshares, and its bank affiliates, must meet specific capital guidelines that involve quantitative measures of Mercshares' assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. Mercshares' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require Mercshares and its bank affiliates to maintain at least the minimum amounts and ratios (set forth in the table below) of total Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of December 31, 1998, that Mercshares and its bank affiliates exceed all capital adequacy requirements to which they are subject.

As of December 31, 1998, the most recent notification from the primary regulators for each of Mercshares' affiliate banking institutions categorized them as well capitalized under the prompt corrective action regulations. To be categorized as well capitalized a bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table below. There are no conditions or events since the last notifications that management believes have changed the affiliate banks' category.

Actual capital amounts and ratios are also presented in the table below for Mercshares and Mercantile-Safe Deposit & Trust Co. (the lead bank). No deduction from capital is required for interest rate risk.

<TABLE>
<CAPTION>

(Dollars in thousands)	Actual Amount	Actual Ratio	Minimum Level for Capital Adequacy Purposes Ratio	Minimum Level to be Well Capitalized Under Prompt Corrective Action Provisions Ratio
<S>	<C>	<C>	<C>	<C>
As of December 31, 1998:				
Total Capital				
(as percentage of Risk Weighted Assets):				
Mercshares Consolidated	$994,233	19.28%	8.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$350,759	15.42%	8.00%	10.00%
Tier I Capital				
(as percentage of Risk Weighted Assets):				
Mercshares Consolidated	$925,282	17.94%	4.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$322,028	14.16%	4.00%	6.00%
Tier I Capital				
(as percentage of Quarter-to-Date Average Assets):				
Mercshares Consolidated	$925,282	12.51%	4.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$322,028	11.33%	4.00%	5.00%
As of December 31, 1997:				
Total Capital				
(as percentage of Risk Weighted Assets):				
Mercshares Consolidated	$947,763	19.36%	8.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$321,210	15.75%	8.00%	10.00%
Tier I Capital				
(as percentage of Risk Weighted Assets):				
Mercshares Consolidated	$886,029	18.10%	4.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$295,537	14.49%	4.00%	6.00%
Tier I Capital				
(as percentage of Quarter-to-Date Average Assets):				
Mercshares Consolidated	$886,029	12.61%	4.00%	(1)
Mercantile-Safe Deposit & Trust Co.	$295,537	11.03%	4.00%	5.00%

</TABLE>

(1) Mercshares is not subject to this requirement.

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10. Income Taxes

Applicable income taxes on net income for 1998, 1997 and 1996 consist of the following:

(Dollars in thousands)	1998 Federal	1998 State	1998 Total	1997 Federal	1997 State	1997 Total	1996 Federal	1996 State	1996 Total
Current tax expense..............	$82,402	$6,473	$88,875	$67,756	$5,928	$73,684	$66,498	$8,399	$74,897
Deferred tax expense (benefit)....	(3,545)	(894)	(4,439)	1,338	530	1,868	(4,338)	(1,031)	(5,369)
Total..........................	$78,857	$5,579	$84,436	$69,094	$6,458	$75,552	$62,160	$7,368	$69,528

Significant components of the Company's deferred tax assets and liabilities as of December 31, 1998 and 1997 are as follows:

(Dollars in thousands)	1998	1997
Deferred tax assets:		
Allowance for loan losses....................................	$43,603	$40,638
Accrued employee benefits....................................	15,324	13,304
Accrued other expenses.......................................	4,534	1,078
Write-downs of other real estate owned........................	126	348
Other...	5,005	824
Total deferred tax assets..................................	68,592	56,192
Deferred tax liabilities:		
Net unrealized gains on available-for-sale securities..........	13,430	6,630
Depreciation..	14,273	6,283
Prepaid items...	171	199
Other...	10	11
Total deferred tax liabilities.............................	27,884	13,123
Net deferred tax assets....................................	$40,708	$43,069

A reconciliation between actual tax expense and taxes computed at the statutory federal rate of 35% for each of the three years in the period ended December 31, 1998 follows:

(Dollars in thousands)	1998 Amount	1998 % of Pretax Income	1997 Amount	1997 % of Pretax Income	1996 Amount	1996 % of Pretax Income
Tax computed at statutory rate.............	$81,047	35.0%	$72,658	35.0%	$65,425	35.0%
Increases (decreases) in tax resulting from:						
Tax-exempt interest income................	(2,663)	(1.1)	(2,519)	(1.2)	(2,500)	(1.3)
State income taxes, net of Federal income tax benefit.....................	3,626	1.6	4,200	2.0	4,748	2.5
Other, net................................	2,426	1.0	1,213	.6	1,855	1.0
Actual tax expense.....................	$84,436	36.5%	$75,552	36.4%	$69,528	37.2%

11. Related Party Transactions

In the normal course of banking business, loans are made to officers and directors of Mercshares and its affiliates, as well as to their related interests. In the opinion of management, these loans are consistent with sound banking practices, are within regulatory lending limitations and do not involve more than the normal risk of collectibility. At December 31, 1998 and 1997, loans to executive officers and directors of Mercshares and its principal affiliates, including loans to their related interests, totalled $75,506,000 and $84,066,000, respectively. During 1998, loan additions and loan deletions were

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$87,586,000 and $96,146,000, respectively.

12. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

As of January 1, 1998, Mercshares adopted the provisions of Statement of Financial Accounting Standards No. 132, Employers' Disclosures about Pensions and other Postretirement Benefits. This Statement revised the disclosure requirements for pension and other postretirement benefit plans.

Mercshares sponsors qualified and nonqualified pension plans and other postretirement benefit plans for its employees. During 1998, there were amendments made to enhance the pension plans. There is no additional minimum pension liability required to be recognized. Included in the other postretirement benefit plans are health care and life insurance. All Mercshares affiliates have adopted the same health care and life insurance plans, except for one affiliate which has separate benefit plans. Employees were eligible for company paid health care benefits if their age plus length of service was equal to at least 65 as of December 31, 1990. Employees may become eligible for company paid life insurance benefits if they qualify for retirement while working for Mercshares.

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets for each of the two years in the period ended December 31, 1998:

<TABLE>
<CAPTION>

	Pension Benefits							
	1998			1997			Other Benefits	
(Dollars in thousands)	Qualified	Non-qualified	Total	Qualified	Non-qualified	Total	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION								
Benefit obligation at beginning of year	$97,945	$2,112	$100,057	$90,039	$ 1,555	$ 91,594	$ 10,293	$ 10,071
Service cost	3,416	183	3,599	2,988	162	3,150	129	131
Interest cost	7,457	171	7,628	6,537	145	6,682	698	731
Plan participants' contributions							494	476
Amendments	9,317	266	9,583					
Actuarial (gain) loss	10,105	225	10,330	847	365	1,212	(476)	52
Acquisition				1,759		1,759		
Benefits paid	(5,115)	(33)	(5,148)	(4,225)	(115)	(4,340)	(1,204)	(1,168)
Benefit obligation at end of year	123,125	2,924	126,049	97,945	2,112	100,057	9,934	10,293
CHANGE IN PLAN ASSETS								
Fair value of plan assets at beginning of year ..	108,108		108,108	90,691		90,691		
Actual return on plan assets	13,953		13,953	19,497		19,497		
Acquisition				2,145		2,145		
Employer contribution		33	33		115	115	710	692
Plan participants' contributions							494	476
Benefits paid	(5,115)	(33)	(5,148)	(4,225)	(115)	(4,340)	(1,204)	(1,168)
Fair value of plan assets at end of year	116,946		116,946	108,108		108,108		
Funded status	(6,179)	(2,924)	(9,103)	10,163	(2,112)	8,051	(9,934)	(10,293)
Unrecognized net actuarial (gain) loss	(6,126)	625	(5,501)	(10,766)	425	(10,341)	(448)	8
Unrecognized prior service cost	8,118	186	8,304	(350)	(65)	(415)		
Unrecognized transition asset	(2,082)	589	(1,493)	(2,777)	688	(2,089)		
Prepaid (accrued) benefit cost	$(6,269)	$(1,524)	$(7,793)	$(3,730)	$(1,064)	$(4,794)	$(10,382)	$(10,285)

</TABLE>

The following table provides the components of net periodic benefit cost for the pension plans for 1998, 1997 and 1996:

<TABLE>
<CAPTION>

	Pension Benefits								
	1998			1997			1996		
(Dollars in thousands)	Qualified	Non-qualified	Total	Qualified	Non-qualified	Total	Qualified	Non-qualified	Total

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<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost	$ 3,416	$ 183	$ 3,599	$ 2,988	$ 162	$ 3,150	$ 2,906	$ 96	$ 3,002
Interest cost	7,457	171	7,628	6,537	145	6,682	6,002	106	6,108
Expected return on plan assets	(8,488)		(8,488)	(7,247)		(7,247)	(6,519)		(6,519)
Amortization of prior service cost .	849	15	864	73	(7)	66	73	(7)	66
Recognized net actuarial (gain) loss		25	25		21	21			
Amortization of transition asset ...	(695)	99	(596)	(695)	99	(596)	(695)	99	(596)
Net periodic benefit cost	$ 2,539	$ 493	$ 3,032	$ 1,656	$ 420	$ 2,076	$ 1,767	$ 294	$ 2,061

</TABLE>

The following table provides the components of net periodic benefit cost for the other postretirement benefit plans for 1998, 1997 and 1996:

<TABLE>
<CAPTION>

	Other Benefits		
(Dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost................................	$ 129	$ 131	$127
Interest cost...............................	698	731	725
Expected return on plan assets...............			
Amortization of prior service cost...........			(140)
Recognized net actuarial (gain) loss.........	(20)	(14)	24
Amortization of transition asset.............			110
Net periodic benefit cost....................	$ 807	$ 848	$846

</TABLE>

The assumptions used in the measurement of the benefit obligation are shown in the following table:

<TABLE>
<CAPTION>

	Pension Benefits		Other Benefits	
As of December 31,	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Discount rate..	6.50%	7.00%	6.50%	7.00%
Expected return on plan assets........................	8.00%	8.00%	N/A	N/A
Rate of compensation increase.........................	4.50%	4.50%	4.50%	4.50%

</TABLE>

For measurement purposes, a 5.6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 4.0% for 2000 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

	1-Percentage-Point Increase	1-Percentage-Point Decrease
<S>	<C>	<C>
Effect on total of service and interest cost components...	$ 47	$ (43)
Effect on postretirement benefit obligation..............	$ 523	$ (468)

</TABLE>

13. OMNIBUS Stock Plan

The Omnibus Stock Plan permits the grant of stock options and other stock incentives to key employees of Mercshares and its affiliates. The Omnibus Stock Plan provides for the issuance of up to 2,902,500 shares of Mercshares authorized but unissued common stock. Options outstanding were granted at market value and include both stock options which become exercisable cumulatively at the rate of 25% a year and those which are exercisable immediately on grant. If certain levels of earnings per share of Mercshares and net operating income of affiliates are not achieved, all or a portion of those options which become exercisable at the rate of 25% a year are forfeited and become available for future grants. All options will terminate ten years from date of grant if not exercised. A summary of activity under the Omnibus Stock Plan during the years 1998, 1997 and 1996 follows:

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	Options issued and outstanding	Weighted average exercise price
Balance, December 31, 1995	1,504,330	$14.583
Granted	189,000	17.304
Terminated/forfeited	(124,779)	14.988
Exercised	(92,047)	14.583
Balance, December 31, 1996	1,476,504	14.90
Granted	22,500	27.00
Terminated/forfeited	(15,278)	14.719
Exercised	(163,674)	14.583
Balance, December 31, 1997	1,320,052	15.143
Granted	20,500	32.354
Terminated/forfeited	(45,814)	14.583
Exercised	(110,309)	14.775
Balance, December 31, 1998	1,184,429	15.498
Options exercisable at December 31, 1998	1,069,872	15.255

At December 31, 1998, the exercise price of options outstanding ranged from $14.583 to $35.25 and the weighted average remaining contractual life of the options outstanding was 6.4 years. The weighted average fair value of options granted during 1998, 1997 and 1996 was $9.77, $12.45 and $7.97, respectively. Compensation cost associated with the options granted and expected to vest for 1998, 1997 and 1996 was $1,048,000, $1,027,000 and $1,114,000, respectively.

The weighted average fair value of all of the options granted is estimated as of the date of grant using the Black-Scholes option pricing model and assumes: (a) the actual date of grant; (b) the exercise price equals the market value at date of grant; (c) dividend yield of 2.6% to 3.5%; (d) weighted average expected term of 4.3 years; (e) weighted average risk-free interest rate of 5.0% to 7.5%; and (f) weighted average volatility of 22.0%. Weighted averages are used because of varying assumed expected exercise dates. In accordance with Statement of Financial Accounting Standards No. 123, Accounting for Stock-based Compensation, the compensation cost is determined based on the fair value of each option and the number of options that are granted and expected to vest.

14. AFFILIATIONS

In 1998, the Corporation completed its affiliation with Marshall National Bank and Trust Company, Marshall, Virginia (Marshall) in a tax-free exchange of stock. Shareholders of Marshall received 675,798 shares of Mercshares common stock for the 386,170 shares of Marshall common stock and cash in lieu of any fractional share. Also in 1998, Mercshares announced and completed its affiliation with Marine Bank, a wholly-owned subsidiary of Marine BanCorp, in a tax-free exchange of stock. Shareholders of Marine BanCorp received 124,620 shares of Mercshares common stock for the 166,160 shares of Marine BanCorp common stock and cash in lieu of any fractional share. Marine Bank was merged into Farmers & Merchants Bank --Eastern Shore, a Mercshares affiliate. Both the Marshall and Marine Bank affiliations were accounted for as purchases.

The results of operations of Marshall and Marine Bank subsequent to the dates of affiliation are included in Mercshares' Statement of Consolidated Income. The results of operations of Marshall and Marine Bank prior to the dates of affiliation are not material to Mercshares' results of operations.

15. Segment Reporting

In 1998, Mercshares adopted the provisions of Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information. This Statement establishes standards for reporting information about operating segments. Segments and the information reported on them are determined by using existing internal reporting levels and data that management relies on for decision making and performance assessment.

Mercshares has determined that it has two reportable segments: its twenty Community Banks and Mercantile-Safe Deposit & Trust Company (MSD&T) which consists of the Banking Division and the Trust Division. The Community Banks operate in smaller geographic areas as compared to MSD&T which operates in a large metropolitan area. The accounting policies of the segments are the same as those described in Footnote No. 1. However, the segment data reflects intersegment transactions and balances.

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The following tables present selected segment information for the years ended December 31, 1998, 1997 and 1996. The components in the "Other" column consist of amounts for the nonbank affiliates and intercompany eliminations. Certain expense amounts have been reclassified from internal financial reporting in order to provide for full cost absorption. These reclassifications are shown in the "Adjustments" line.

<TABLE>
<CAPTION>

1998 (Dollars in thousands)	MSD&T-Banking	MSD&T-Trust	Total MSD&T	Community Banks	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income.................	$ 118,872		$ 118,872	$ 233,728	$ 765	$ 353,365
Provision for loan losses...........	(3,001)		(3,001)	(8,488)		(11,489)
Noninterest income..................	25,159	$ 57,258	82,417	35,138	(8,862)	108,693
Noninterest expenses	(68,811)	(32,321)	(101,132)	(123,796)	5,923	(219,005)
Adjustments.........................	14,172	(2,164)	12,008	(10,984)	(1,024)	
Income (loss) before income taxes...	86,391	22,773	109,164	125,598	(3,198)	231,564
Income tax (expense) benefit........	(31,210)	(9,109)	(40,319)	(45,369)	1,252	(84,436)
Net income (loss)...................	$ 55,181	$ 13,664	$ 68,845	$ 80,229	$ (1,946)	$ 147,128
Average assets......................			$2,752,200	$4,671,400	$ (162,800)	$7,260,800
Average equity......................			313,900	562,200	91,200	967,300

</TABLE>

<TABLE>
<CAPTION>

1997 (Dollars in thousands)	MSD&T-Banking	MSD&T-Trust	Total MSD&T	Community Banks	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income.................	$ 114,421		$ 114,421	$ 221,186	$ 442	$ 336,049
Provision for loan losses...........	(4,899)		(4,899)	(8,804)		(13,703)
Noninterest income..................	23,187	$ 50,858	74,045	31,264	(6,656)	98,653
Noninterest expenses	(68,685)	(29,898)	(98,583)	(118,079)	3,258	(213,404)
Adjustments.........................	12,687	(3,080)	9,607	(8,655)	(952)	
Income (loss) before income taxes...	76,711	17,880	94,591	116,912	(3,908)	207,595
Income tax (expense) benefit........	(26,879)	(7,152)	(34,031)	(42,453)	932	(75,552)
Net income (loss)...................	$ 49,832	$ 10,728	$ 60,560	$ 74,459	$ (2,976)	$ 132,043
Average assets......................			$2,582,300	$4,359,400	$ (112,900)	$6,828,800
Average equity......................			297,900	523,400	65,100	886,400

</TABLE>

<TABLE>
<CAPTION>

1996 (Dollars in thousands)	MSD&T-Banking	MSD&T-Trust	Total MSD&T	Community Banks	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net interest income.................	$ 104,802		$ 104,802	$ 207,341	$ (1,562)	$ 310,581
Provision for loan losses...........	(5,090)		(5,090)	(9,576)		(14,666)
Noninterest income..................	22,528	$ 45,817	68,345	28,566	(7,483)	89,428
Noninterest expenses	(65,652)	(27,066)	(92,718)	(111,761)	6,064	(198,415)
Adjustments.........................	12,050	(2,985)	9,065	(7,360)	(1,705)	
Income (loss) before income taxes...	68,638	15,766	84,404	107,210	(4,686)	186,928
Income tax (expense) benefit........	(25,134)	(6,306)	(31,440)	(38,688)	600	(69,528)
Net income (loss)...................	$ 43,504	$ 9,460	$ 52,964	$ 68,522	$ (4,086)	$ 117,400
Average assets......................			$2,378,800	$4,157,000	$ (99,500)	$6,436,300
Average equity......................			281,400	495,700	33,400	810,500

</TABLE>

16. Quarterly Results of Operations (Unaudited)

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The following is a summary of the unaudited quarterly results of operations:

1998 (Dollars in thousands, except per share data)	Three months ended Dec. 31	Sept. 30	June 30	March 31
Net interest income	$89,583	$89,727	$88,648	$85,407
Provision for loan losses	3,014	2,849	3,138	2,488
Net income	37,785	37,264	36,560	35,519
Per share of common stock:				
Basic	.53	.52	.51	.49
Diluted	.53	.52	.50	.49

1997 (Dollars in thousands, except per share data)	Three months ended Dec. 31	Sept. 30	June 30	March 31
Net interest income	$86,233	$85,615	$83,980	$80,221
Provision for loan losses	3,760	3,518	3,012	3,413
Net income	32,720	34,764	32,545	32,014
Per share of common stock:				
Basic	.46	.48	.46	.45
Diluted	.45	.48	.46	.45

17. Fair Value of Financial Instruments

In accordance with the disclosure requirements of Statement of Financial Accounting Standards No. 107, the estimated fair values of Mercshares' financial instruments at December 31, 1998 and 1997 are as follows:

(Dollars in thousands)	1998 Book Value	1998 Fair Value	1997 Book Value	1997 Fair Value
Assets				
Cash and short-term investments	$ 312,710	$ 312,710	$ 413,786	$ 413,786
Investment securities	1,907,541	1,907,778	1,631,623	1,631,672
Loans	5,220,890		4,978,522	
Less: allowance for loan losses	(112,423)		(106,097)	
Loans, net	5,108,467	5,221,316	4,872,425	4,951,233
Total financial assets	$ 7,328,718	$ 7,441,804	$ 6,917,834	$ 6,996,691
Liabilities				
Deposits	$ 5,958,346	$ 5,968,154	$ 5,693,911	$ 5,706,744
Short-term borrowings	511,945	511,945	402,734	402,734
Long-term debt	40,934	42,550	50,016	48,156
Total financial liabilities	$ 6,511,225	$ 6,522,649	$ 6,146,661	$ 6,157,634

The following methods and assumptions were used to estimate the fair value disclosures for financial instruments as of December 31, 1998 and 1997:

Cash and Short-Term Investments

The amounts reported in the balance sheet approximate the fair values of these assets. Short-term investments include interest-bearing deposits in other banks, federal funds sold and securities purchased under resale agreements.

Investment Securities

Fair values are based on quoted market prices.

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Loans

The fair value of loans is estimated using discounted cash flow analyses based on contractual repayment schedules and discount rates which are believed to reflect current credit quality and other related factors. These factors provide for the effect of interest over time, as well as losses expected over the life of the loan portfolio and recovery of other operating expenses.

Deposits

The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by discounting the expected future cash flows using a discount rate with factors similar to those used above for the loans. The credit quality factor used reflects the overall credit quality of Mercshares and not its customers.

Short-Term Borrowings

The amounts reported in the balance sheet approximate the fair values because of the short duration of those instruments.

Long-Term Debt

Fair value is estimated by discounting the future cash flows using estimates of rates currently available to Mercshares and its affiliates for debt with similar terms and remaining maturities.

Limitations

The valuation techniques employed above involve uncertainties and are affected by assumptions used and judgments regarding prepayments, credit risk, future loss experience, discount rates, cash flows and other factors. Therefore, derived fair values cannot be substantiated by comparison to independent markets or to other financial institutions. The reported fair values do not necessarily represent what Mercshares would realize in immediate sales or other dispositions. Changes in assumptions could significantly affect the reported fair values.

18. Mercantile Bankshares CorporaTion (Parent Corporation Only) Financial Information

Balance Sheets

<TABLE>
<CAPTION>

December 31, (Dollars in thousands, except per share data)	1998	1997
<S>	<C>	<C>
Assets		
Cash	$ 6,221	$ 4,160
Investment in bank affiliates	914,836	846,649
Investment in bank-related affiliates	17,489	16,652
Interest-bearing deposits with bank affiliate	16,000	51,000
Securities purchased under resale agreements with bank affiliate	185,074	168,693
Loans and advances to affiliates	39,300	33,370
Investment securities available-for-sale	3,126	2,038
Excess cost over equity in affiliates	50,314	36,230
Other assets	547	926
Total	$1,232,907	$1,159,718
Liabilities and Stockholders' Equity		
Liabilities:		
Commercial paper	$ 185,074	$ 168,693
Accounts payable and other liabilities	8,474	7,021
Long-term debt	40,000	49,000
Total liabilities	233,548	224,714
Stockholders' Equity:		
Preferred stock, no par value; authorized 2,000,000 shares; issued and outstanding--None		
Common stock, $2 par value; authorized 130,000,000 shares; issued 71,026,927 shares in 1998 and 71,874,297 shares in 1997	142,054	143,749
Capital surplus	31,357	62,089
Retained earnings	803,568	717,978

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Accumulated other comprehensive income	22,380	11,188
Total stockholders' equity	999,359	935,004
Total	$1,232,907	$1,159,718

</TABLE>

Statement of Income

<TABLE>
<CAPTION>

(Dollars in thousands)

For the Years Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Income			
Dividends from bank affiliates	$ 104,476	$ 96,091	$ 84,072
Dividends from bank-related affiliates	1,560	1,431	1,291
Interest on interest-bearing deposits with bank affiliate	2,390	2,212	849
Interest on securities purchased under resale agreements with bank affiliate	7,191	7,004	6,019
Interest on loans to affiliates	1,564	1,233	801
Other income	104	51	31
Total income	117,285	108,022	93,063
Expenses			
Amortization of excess cost over equity in affiliates	3,444	2,347	1,975
Interest on short-term borrowings	7,321	7,004	6,388
Interest on long-term debt	3,016	3,268	2,546
Other expenses	3,531	3,938	2,875
Total expenses	17,312	16,557	13,784
Income before income tax benefit and equity in undistributed net income of affiliates	99,973	91,465	79,279
Income tax (benefit)	537	(424)	(372)
	99,436	91,889	79,651
Equity in undistributed net income of:			
Bank affiliates	46,856	39,667	37,129
Bank-related affiliates	836	487	620
Net Income	$147,128	$132,043	$117,400

</TABLE>

18. Mercantile Bankshares Corporation (Parent Corporation Only) Financial Information (cont.)

Statement of Cash Flows

<TABLE>
<CAPTION>

(Dollars in thousands)

Increase (decrease) in cash and cash equivalents For the Years Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities:			
Dividends from affiliates	$106,036	$ 97,522	$ 85,363
Interest on securities purchased under resale agreements with bank affiliate	7,191	7,004	6,019
Interest on loans to affiliates	1,607	1,157	604
Other income	3,856	3,025	3,576
Interest paid	(10,589)	(10,272)	(8,934)
Other expenses	(1,425)	664	(1,409)
Income taxes (paid) benefit	(1,125)	(48)	(951)
Net cash provided by operating activities	105,551	99,052	84,268
Cash Flows from Investing Activities:			
Net increase in loans to affiliates	(5,930)	(14,370)	(5,000)
Net increase in other investments	(1,088)	(1,038)	(250)
Investment in affiliates		(1,910)	

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Net cash used in investing activities	(7,018)	(17,318)	(5,250)
Cash Flows from Financing Activities:			
Net increase (decrease) in commercial paper	16,381	52,013	(8,800)
Proceeds from issuance of long-term debt			25,000
Repayment of long-term debt	(9,000)		
Proceeds from issuance of shares	6,712	7,026	5,846
Repurchase of common shares	(67,646)	(12,295)	(28,578)
Dividends paid	(61,538)	(55,277)	(46,579)
Net cash used in financing activities	(115,091)	(8,533)	(53,111)
Net increase (decrease) in cash and cash equivalents	(16,558)	73,201	25,907
Cash and cash equivalents at beginning of year	223,853	150,652	124,745
Cash and cash equivalents at end of year	$207,295	$223,853	$150,652

</TABLE>

<TABLE>
<CAPTION>

Reconciliation of net income to net cash provided by operating activities
For the Years Ended December 31,

(Dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Net income	$147,128	$132,043	$117,400
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of affiliates	(47,692)	(40,154)	(37,749)
Amortization of excess cost over equity in affiliates	3,444	2,347	1,975
(Increase) decrease in interest receivable	43	(76)	(197)
Decrease in other receivables	1,362	762	2,696
Decrease in interest payable	(253)		
Increase in accrued expenses	2,107	4,602	1,466
Decrease in taxes payable	(588)	(472)	(1,323)
Total adjustments	(41,577)	(32,991)	(33,132)
Net cash provided by operating activities	$105,551	$ 99,052	$ 84,268

</TABLE>

Five Year Selected Financial Data

<TABLE>
<CAPTION>

Years Ended December 31, (Dollars in thousands, except per share data)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Net Interest Income	$ 353,365	$ 336,049	$ 310,581	$ 286,788	$ 262,956
Net Income	$ 147,128	$ 132,043	$ 117,400	$ 104,432	$ 90,441
Net Income Per Share of common stock					
Basic	$2.05	$1.85	$1.64	$1.46	$1.25
Diluted	$2.04	$1.84	$1.64	$1.46	$1.25
Total assets	$7,609,563	$7,170,669	$6,642,681	$6,349,103	$5,938,225
Long-term debt	$ 40,934	$ 50,016	$ 49,395	$ 25,623	$ 31,470
Provision for loan losses	$ 11,489	$ 13,703	$ 14,666	$ 7,988	$ 7,056
Per share cash dividends					
Common	$..86	$.77	$.65	$.57	$.49
Cash dividends declared and paid					
On common stock	$ 61,538	$ 55,277	$ 46,579	$ 41,013	$ 34,982
Year end loan data					
Commercial, financial and agricultural	$1,777,711	$1,632,893	$1,506,662	$1,393,145	$1,311,064
Real estate-construction	544,723	508,804	380,007	363,570	318,531
Real estate-mortgage:					
Commercial	1,227,565	1,178,728	1,087,434	965,640	832,290
1-4 family residential	1,032,652	1,013,394	993,953	969,235	866,004
Home equity lines	147,330	156,603	144,284	130,934	132,512

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Consumer	490,909	488,100	470,372	478,746	477,694
Total loans	5,220,890	4,978,522	4,582,712	4,301,270	3,938,095
Less:					
Allowance for loan losses	(112,423)	(106,097)	(97,718)	(91,398)	(91,257)
Loans, net	$5,108,467	$4,872,425	$4,484,994	$4,209,872	$3,846,838

</TABLE>

Five Year Statistical Summary

<TABLE>
<CAPTION>

Years Ended December 31, (Dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Average balance sheet statistics					
Average loans:					
Commercial (including time & demand) loans	$1,787,100	$1,659,900	$1,438,900	$1,351,600	$1,235,800
Mortgage and construction loans	2,570,400	2,523,900	2,348,200	2,116,400	1,927,800
Consumer loans	647,300	637,700	624,400	611,300	601,600
Total loans	5,004,800	4,821,500	4,411,500	4,079,300	3,765,200
Federal funds sold	177,100	78,700	80,300	62,700	12,200
Securities purchased under resale agreements	8,100	5,400	5,300	20,000	
Average securities:					
U.S. government obligations	1,668,600	1,551,200	1,564,600	1,491,900	1,675,900
States and political subdivisions	14,300	13,100	14,700	13,500	14,100
Other investments*	23,300	22,900	17,700	10,300	10,600
Total securities	1,706,200	1,587,200	1,597,000	1,515,700	1,700,600
Total earning assets	$6,896,200	$6,492,800	$6,094,100	$5,677,700	$5,478,000
Average deposits:					
Noninterest-bearing deposits	$1,216,700	$1,069,000	$ 982,200	$ 888,900	$ 890,100
Savings deposits	2,264,300	2,198,800	2,214,700	2,200,200	2,410,400
Time deposits	2,234,000	2,181,200	2,021,400	1,777,500	1,392,000
Total deposits	$5,715,000	$5,449,000	$5,218,300	$4,866,600	$4,692,500
Average borrowed funds:					
Short-term borrowings	$ 439,900	$ 353,600	$ 292,900	$ 280,900	$ 314,400
Long-term debt	45,800	49,900	39,600	27,900	31,900
Total borrowed funds	$ 485,700	$ 403,500	$ 332,500	$ 308,800	$ 346,300
Average Rates**					
Loans:					
Commercial (including time & demand) loans	9.01%	9.09%	9.32%	9.76%	8.32%
Mortgage and construction loans	8.95	9.08	9.06	9.12	8.47
Consumer loans	8.95	9.06	9.27	9.59	8.66
Total loans	8.97	9.08	9.17	9.40	8.45
Federal funds sold	5.30	5.57	5.22	5.72	3.93
Securities purchased under resale agreements	5.69	5.63	6.13	5.63	
Securities:					
U.S. government obligations	5.91	6.00	5.82	5.45	5.15
States and political subdivisions	7.96	7.74	7.59	7.75	7.79
Other investments*	8.83	8.23	7.20	8.01	7.25
Total securities	5.97	6.05	5.84	5.49	5.19
Composite rate earned	8.13%	8.29%	8.24%	8.30%	7.43%
Deposits:					
Savings deposits	2.50%	2.62%	2.63%	2.94%	2.72%
Time deposits	5.44	5.49	5.57	5.56	4.36
Total interest-bearing deposits	3.96	4.05	4.03	4.11	3.32
Borrowed funds:					
Short-term borrowings	4.73	4.87	4.85	5.38	3.85
Long-term debt	6.73	6.67	6.55	6.48	6.66
Total borrowed funds	4.92	5.09	5.05	5.48	4.11
Composite rate paid	4.05%	4.14%	4.11%	4.21%	3.39%

</TABLE>

*Includes interest-bearing deposits in other banks.
**Presented on a tax equivalent basis.

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<TABLE>
<CAPTION>

(Dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Return on Equity and Assets					
Average total assets	$7,260,800	$6,828,800	$6,436,300	$6,000,400	$5,801,600
Average stockholders' equity	$ 967,300	$ 886,400	$ 810,500	$ 753,500	$ 704,400
Return on average total assets	2.03%	1.93%	1.82%	1.74%	1.56%
Return on average stockholders' equity	15.21%	14.90%	14.48%	13.86%	12.84%
Average stockholders' equity as a percentage of average total assets	13.32%	12.98%	12.59%	12.56%	12.14%
Dividends paid per share as a percentage of basic net income per share	42.0%	41.6%	39.6%	39.0%	39.2%
Sources of Income					
Commercial (including time & demand) loans	23.7%	23.3%	22.2%	23.4%	20.5%
Mortgage and construction loans	34.5	36.2	36.2	35.1	33.3
Consumer loans	8.7	9.1	9.8	10.7	10.6
Federal funds sold	1.4	.7	.7	.7	.1
Securities purchased under resale agreements	.1		.1	.2	
Securities	15.2	15.1	15.8	15.1	18.1
Total interest income	83.6	84.4	84.8	85.2	82.6
Trust division services	8.7	8.1	7.9	8.1	8.9
Other income	7.7	7.5	7.3	6.7	8.5
Total income	100.0%	100.0%	100.0%	100.0%	100.0%
Net Interest Income (Taxable Equivalent)					
Interest earned:					
Loans	$ 449,044	$ 437,829	$ 404,530	$ 383,523	$ 318,132
Federal funds sold	9,387	4,389	4,195	3,587	479
Securities purchased under resale agreements	464	301	325	1,126	
Taxable securities	100,726	94,937	92,211	82,094	87,200
Tax-exempt securities	1,141	1,012	1,115	1,046	1,099
Total interest income	560,762	538,468	502,376	471,376	406,910
Interest paid:					
Savings deposits	56,720	57,702	58,187	64,732	65,488
Time deposits	121,424	119,667	112,576	98,824	60,709
Total interest-bearing deposits	178,144	177,369	170,763	163,556	126,197
Short-term borrowings	20,800	17,220	14,199	15,123	12,111
Long-term debt	3,083	3,332	2,596	1,808	2,125
Total interest expense	202,027	197,921	187,558	180,487	140,433
Net interest income	$ 358,735	$ 340,547	$ 314,818	$ 290,889	$ 266,477

</TABLE>

Five Year Summary of Consolidated Income

<TABLE>
<CAPTION>

	For the Years Ended December 31,				
(Dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Interest Income					
Interest and fees on loans	$444,519	$434,033	$400,800	$379,888	$315,094
Interest and dividends on securities	101,017	95,242	92,812	82,670	87,766
Other interest income	9,856	4,695	4,527	4,717	529
Total interest income	555,392	533,970	498,139	467,275	403,389
Interest Expense					

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Interest on deposits	178,144	177,369	170,763	163,556	126,197
Interest on short-term borrowings	20,800	17,220	14,199	15,123	12,111
Interest on long-term debt	3,083	3,332	2,596	1,808	2,125
Total interest expense	202,027	197,921	187,558	180,487	140,433
Net Interest Income	353,365	336,049	310,581	286,788	262,956
Provision for loan losses	11,489	13,703	14,666	7,988	7,056
Net Interest Income After Provision for Loan Losses	341,876	322,346	295,915	278,800	255,900
Noninterest Income					
Trust division services	58,018	51,547	46,244	44,273	43,360
Service charges on deposit accounts	17,889	16,890	16,234	15,764	15,655
Other income	32,786	30,216	26,950	20,869	25,792
Total noninterest income	108,693	98,653	89,428	80,906	84,807
Noninterest expenses					
Salaries and employee benefits	131,618	124,563	120,783	117,512	110,870
Net occupancy and equipment expenses	30,486	32,663	29,491	27,999	24,848
Amortization of excess cost over equity in affiliates	3,444	2,347	1,975	1,276	1,131
Other expenses	53,457	53,831	46,166	46,910	56,972
Total noninterest expenses	219,005	213,404	198,415	193,697	193,821
Income before income taxes	231,564	207,595	186,928	166,009	146,886
Applicable income taxes	84,436	75,552	69,528	61,577	56,445
Net Income	$147,128	$132,043	$117,400	$104,432	$ 90,441

</TABLE>

PRINCIPAL AFFILIATES

	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE]	ROBERT E. HENEL, JR. PRESIDENT AND CHIEF EXECUTIVE OFFICER	GEORGE R. BENSON, JR.
		CLARENCE A. BLACKWELL
		BENNETT CRAIN, JR.
THE ANNAPOLIS BANKING AND TRUST COMPANY	CAROLYN D. O'LEARY EXECUTIVE VICE PRESIDENT	RALPH W. CROSBY
	ERNEST R. AMADIO SENIOR VICE PRESIDENT	FRANCIS E. GARDINER, JR.
		ROBERT E. HENEL, JR.
Main Street and Church Circle Annapolis, Maryland 21401 410/268-3366	WILLIAM A. BUSIK SENIOR VICE PRESIDENT	JOHN K. HOPKINS
	MILDRED L. HENRY SENIOR VICE PRESIDENT	JOHN R. MOSES
	CHARLES E. RUCH, JR. SENIOR VICE PRESIDENT	JOHN W. RENARD
11 Offices	LYNDALL R. WARD SENIOR VICE PRESIDENT	PATRICIA A. ROCHE, PH.D.
CHARTERED IN 1904	PAMELA BOWEN FALSIS VICE PRESIDENT AND CORPORATE SECRETARY	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 7,113	Total deposits	$269,689
Earning assets	329,634	Short-term borrowings	34,050
Allowance for loan losses	(3,043)	Other liabilities and accrued expenses	2,160
Other assets	6,294	Long-term debt	--
		Stockholders' equity	34,099
Total assets	$ 339,998		

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	=========	Total liabilities and equity	$339,998
Net income	$ 4,988		========
	=========		

	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE]	ROBERT E. DICKERSON PRESIDENT AND CHIEF EXECUTIVE OFFICER	THURMAN ADAMS, JR.
	D. BRENT HURLEY SENIOR VICE PRESIDENT	R. CAROL CAMPBELL-HANSEN
BALTIMORE TRUST COMPANY	B. PHILIP LYNCH, JR. VICE PRESIDENT AND CASHIER	ROBERT E. DICKERSON
One West Church Street Selbyville, Delaware 19975 302/436-8236	JANET L. MCCABE VICE PRESIDENT AND SECRETARY	DAVID C. DOANE
	KENNETH R. GRAHAM VICE PRESIDENT	D. BRENT HURLEY
		RICHARD I. LEWIS
		JAY C. MURRAY
		WILLIAM O. MURRAY
		P. COLEMAN TOWNSEND,JR.

6 Offices

CHARTERED IN 1903

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 5,554	Total deposits	$219,097
Earning assets	257,049	Short-term borrowings	1,035
Allowance for loan losses	(2,987)	Other liabilities and accrued expenses	3,197
Other assets	6,988	Long-term debt	--
	--------	Stockholders' equity	43,275
Total assets	$266,604		--------
	========	Total liabilities and equity	$266,604
Net income	$ 5,814		========
	========		

	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE]	WESLEY E. HUGHES, JR. PRESIDENT AND CHIEF EXECUTIVE OFFICER	WARREN E. BARLEY
	JAMES E. SHOOK SENIOR VICE PRESIDENT	KENNETH O. DIXON
Bank of Southern Maryland	JAMES F. DIMISA VICE PRESIDENT AND CASHIER	WESLEY E. HUGHES, JR.
304 Charles Street LaPlata, Maryland 20646 301/934-1000	J. WAYNE WELSH VICE PRESIDENT	EVELYN SUSAN HUNGERFORD
	DIANE M. KESTLER CHIEF FINANCIAL OFFICER	EDWARD L. SANDERS, JR.
		ROBERT J. SCHICK
		JAMES C. SIMPSON
		JOHN L. SPRAGUE
		J. BLACKLOCK WILLS, JR.

6 Offices

CHARTERED IN 1906

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 6,748	Total deposits	$172,820
Earning assets	191,873	Short-term borrowings	--
Allowance for loan losses	(2,764)	Other liabilities and accrued expenses	1,031
Other assets	4,421	Long-term debt	--
	--------	Stockholders' equity	26,427

Total assets	$200,278	Total liabilities	

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	========	and equity	$200,278
			========
Net income	$ 4,107		
	========		

	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE]	HAROLD J. KAHL PRESIDENT AND CHIEF EXECUTIVE OFFICER	CHARLES R. BAILEY, JR. GORDON F. BOWEN BEDFORD C. GLASCOCK
Calvert Bank And Trust Company	DONALD M. PARSONS, JR. SENIOR VICE PRESIDENT, LOANS/BUSINESS DEVELOPMENT	ALLEN S. HANDEN DANA M. JONES HAROLD J. KAHL
Calvert Village Shopping Center P.O. Box 590 Prince Frederick, Maryland 20678 410/535-3535	KEVIN R. BAER VICE PRESIDENT LEONARD J. CLEMENTS VICE PRESIDENT PATRICIA A. DIEDRICH VICE PRESIDENT R. LINDA HIPSLEY VICE PRESIDENT AND TREASURER	LARRY D. KELLEY MAURICE T. LUSBY, III JOHN D. MURRAY JOHN A. SIMPSON, JR. GUFFRIE M. SMITH, JR. W. DAVID SNEADE
6 Offices CHARTERED IN 1963	JUDITH T. MCMANUS VICE PRESIDENT AND ASSISTANT CORPORATE SECRETARY JANICE M. LOMAX CORPORATE SECRETARY	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 8,521	Total deposits	$164,949
		Short-term borrowings	--
Earning assets	174,616		
		Other liabilities and accrued expenses	1,196
Allowance for loan losses	(2,396)		
		Long-term debt	--
Other assets	4,369		
	--------	Stockholders' equity	18,965

Total assets	$185,110	Total liabilities and equity	$185,110
	========		========
Net income	$ 4,324		
	========		

<TABLE>
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<S>	<C> EXECUTIVE OFFICERS	<C> DIRECTORS
[MERCANTILE LOGO APPEARS HERE]	R. RAYMOND TARRACH PRESIDENT AND CHIEF EXECUTIVE OFFICER	EDWARD M. ATHEY EDWARD S. GILLESPIE GEORGE H. GODFREY
The Chestertown Bank of Maryland	RUSSELL W. CARLOW SENIOR VICE PRESIDENT AND SENIOR LOAN OFFICER	CLARENCE A. HAWKINS WILLIAM M. KNIGHT R. RAYMOND TARRACH
211 High Street Chestertown, Maryland 21620 410/778-2400	SHARON A. USILTON VICE PRESIDENT AND SENIOR ADMINISTRATIVE OFFICER	EUGENIA C. WOOTTON
8 Offices CHARTERED IN 1904		

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 4,005	Total deposits	$145,881
		Short-term borrowings	6,474

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Earning assets	175,198	Other liabilities and accrued expenses	1,311
Allowance for loan losses	(2,082)	Long-term debt	--
Other assets	4,474	Stockholders' equity	27,929
Total assets	$181,595	Total liabilities and equity	$181,595
NET INCOME	$ 3,653		

</TABLE>
<TABLE>
<CAPTION>

<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE]	PETER W. FLOECKHER, JR.	LARRY P. BORMEL
	PRESIDENT AND	WILLIAM H. CARTER, JR.
	CHIEF EXECUTIVE OFFICER	CHARLES E. CASTLE, JR.
	GLENN L. WILSON	JOHN N. FAIGLE
The Citizens National Bank	EXECUTIVE VICE PRESIDENT	PETER W. FLOECKHER, JR.
	AND SENIOR CREDIT OFFICER	MARTIN L. GOOZMAN
517 Main Street	JOSEPH F. PIPITONE	THOMAS E. LYNCH, SR.
Laurel,	SENIOR VICE PRESIDENT,	MICHELE K. RYAN
Maryland 20707	COMMUNITY BANKING, AND	
301/725-3100	SECRETARY	
301/953-3044		
Baltimore:		
410/792-7626		
17 Offices		
CHARTERED IN 1890		

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 27,661	Total deposits	$484,134
		Short-term borrowings	36,195
Earning assets	558,578	Other liabilities and accrued expenses	5,476
Allowance for loan losses	(6,657)	Long-term debt	--
Other assets	17,989	Stockholders' equity	71,766
Total assets	$597,571	Total liabilities and equity	$597,571
Net income	$ 10,450		

</TABLE>
<TABLE>
<CAPTION>

<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE]	S. DELL FOXX	THOMAS F. BRADLEE
	PRESIDENT AND	S. DELL FOXX
	CHIEF EXECUTIVE OFFICER	SAMUEL M. GAWTHROP, JR.
	RAYMOND W. HAMM, JR.	RUTH N. GRAYBEAL
County Banking & Trust Company	EXECUTIVE VICE PRESIDENT	HARRY E. HAMMOND
		RALPH R. LANPHAR
		HOWARD D. MCFADDEN
123 North Street		G. EUGENE MACKIE
P.O. Box 100		FRANKLIN T. WILLIAMS, III
Elkton,		
Maryland 21921		
410/398-2600		
9 Offices		
CHARTERED IN 1908		

BALANCE SHEET

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(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 9,769	Total deposits	$270,559
		Short-term borrowings	5,520
Earning assets	294,653	Other liabilities and accrued expenses	1,435
Allowance for loan losses	(4,382)	Long-term debt	--
Other assets	10,072	Stockholders' equity	32,598
Total assets	$310,112	Total liabilities and equity	$310,112
Net income	$ 5,224		

</TABLE>

<TABLE>
<CAPTION>

<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE]	GEORGE N. MCMATH CHAIRMAN OF THE BOARD	KELLY B. CONKLIN
		GENE H. CROCKETT
Farmers & Merchants Bank-Eastern Shore	H. B. REW, JR. VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER	JEFFERY L. DAVIS
		M. CARTER DAVIS, JR.
25275 Lankford Highway	TED D. DUER PRESIDENT AND CHIEF OPERATING OFFICER	JOHN H. DUER, III
P.O. Box 623		CROXTON GORDON
Onley,	JULIE M. BADGER SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER	W. REVELL LEWIS, III
Virginia 23418		THOMAS J. MAPP, JR.
757/787-4111	ROBERT J. BLOXOM SENIOR VICE PRESIDENT AND SENIOR LENDING OFFICER	NORMAN JAMES MARSHALL
757/824-3052		GEORGE N. MCMATH
5 Offices	ELIZABETH A. KERNS SENIOR VICE PRESIDENT AND SECRETARY	KATHERINE T. MEARS
CHARTERED IN 1909		H. B. REW, JR.
		THOMAS N. RICHARDSON
		ROBERT L. SIMPSON
		C. A. TURNER, III
		RICHARD W. YOUNG

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 4,060	Total deposits	$151,451
		Short-term borrowings	1,426
Earning assets	182,841	Other liabilities and accrued expenses	1,278
Allowance for loan losses	(3,614)	Long-term debt	--
Other assets	5,644	Stockholders' equity	34,776
Total assets	$188,931	Total liabilities and equity	$188,931
Net income	$ 3,715		

</TABLE>

<TABLE>
<CAPTION>

<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE]	C. JOSEPH CUNNINGHAM, III PRESIDENT AND CHIEF EXECUTIVE OFFICER	C. JOSEPH CUNNINGHAM, III
		HUGH A. MCMULLEN
		JAMES A. POLAND
		F. EMMETT SMITH

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The Fidelity Bank

KAREN O. SULLIVAN
DAVID W. TURNBULL

59 East Main Street
Frostburg,
Maryland 21532
301/689-1111

3 Offices

CHARTERED IN 1902

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 1,881	Total deposits	$37,820
		Short-term borrowings	--
Earning assets	40,641		
		Other liabilities and accrued expenses	244
Allowance for loan losses	(430)		
		LONG-TERM DEBT	--
Other assets	935	Stockholders' equity	4,963
Total assets	$43,027	Total liabilities and equity	$43,027
Net income	$ 515		

</TABLE>

<TABLE>
<CAPTION>

	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]	JOHN A. CANDELA CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER	SAMUEL M. BAILEY, JR. MARTIN A. BARLEY JOSEPH E. BELL, II
The First National Bank of St. Mary's	WILLIAM T. STURGIS EXECUTIVE VICE PRESIDENT, BUSINESS DEVELOPMENT	ELMER BROWN EDWARD S. BURROUGHS JOHN A. CANDELA
41615 Park Avenue P.O. Box 655 Leonardtown, Maryland 20650 301/475-8081	GEORGE A. FERGUSON SENIOR VICE PRESIDENT, CASHIER, SENIOR OPERATIONS OFFICER AND SECRETARY TO THE BOARD	FORD L. DEAN FRANCES P. EAGAN GEORGE A. FERGUSON ROGER D. HILL JOSEPH F. MITCHELL
	DAN KUBICAN SENIOR VICE PRESIDENT AND SENIOR LOAN OFFICER	EDMUND W. WETTENGEL
8 Offices	GENEVIEVE M. HUNT SENIOR VICE PRESIDENT AND CONTROLLER	
CHARTERED IN 1903		

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 6,228	Total deposits	$246,835
		Short-term borrowings	4,125
Earning assets	285,898		
		Other liabilities and accrued expenses	2,218
Allowance for loan losses	(3,430)		
		Long-term debt	--
Other assets	6,389	Stockholders' equity	41,907
Total assets	$295,085	Total liabilities and equity	$295,085
Net income	$ 7,321		

</TABLE>

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[MERCANTILE LOGO APPEARS HERE]	EXECUTIVE OFFICERS	DIRECTORS
The Forest Hill State Bank	PAUL E. PEAK PRESIDENT AND CHIEF EXECUTIVE OFFICER	THOMAS A. BURKE
130 South Bond Street	RUSSELL R. CULLUM EXECUTIVE VICE PRESIDENT	JOHN B. DINNING
Bel Air,	MICHAEL F. ALLEN SENIOR VICE PRESIDENT	ANN K. EDIE
Maryland 21014		HENRY S. HOLLOWAY
410/838-6131		RICHARD E. KINARD
Baltimore:		C. RAY MANN
410/879-1475		PAUL E. PEAK
		BARBARA LEE RUDOLPH
		R. EDWARD SCHUELER, JR.
7 Offices		GREGORY A. SZOKA
		F. D. WHITEFORD
CHARTERED IN 1913		

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 6,536	Total deposits	$222,725
		Short-term borrowings	18,950
Earning assets	260,900		
Allowance for loan losses	(3,865)	Other liabilities and accrued expenses	1,630
		Long-term debt	--
Other assets	7,019	Stockholders' equity	27,285
Total assets	$270,590	Total liabilities and equity	$270,590
Net income	$ 4,879		

[MERCANTILE LOGO APPEARS HERE]	EXECUTIVE OFFICERS	DIRECTORS
Fredericktown Bank & Trust Company	J. BRIAN GAENG PRESIDENT AND CHIEF EXECUTIVE OFFICER	W. BERT ANDERSON
30 North Market Street	DAVID L. HOFFMAN VICE PRESIDENT	MARVIN E. AUSHERMAN
Frederick,		GEORGE W. BRUCHEY
Maryland 21701		DAVID P. CHAPIN
301/662-8231		CALEB C. EWING, JR.
		J. BRIAN GAENG
		ROBERT E. GEARINGER
		RICHARD L. KESSLER
8 Offices		CHRISTOPHER T. KLINE
		DAVID C. MEADOWS
CHARTERED IN 1828		PETER H. PLAMONDON
		ALFRED P. SHOCKLEY

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 4,750	Total deposits	$182,540
		Short-term borrowings	5,485
Earning assets	211,547		
ALLOWANCE FOR LOAN LOSSES	(3,583)	Other liabilities and accrued expenses	1,909
		Long-term debt	--
Other assets	6,177	Stockholders' equity	28,957
Total assets	$218,891	Total liabilities and equity	$218,891

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Net income	$ 3,916
	========

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
MARSHALL NATIONAL BANK AND TRUST COMPANY	GEORGE R. THOMPSON, JR. CHAIRMAN OF THE BOARD	RANDOLPH S. E. CARTER
	THOMAS W. DIZEREGA VICE CHAIRMAN	WM. HUNTER DEBUTTS, JR.
8372 West Main Street Marshall, Virginia 20115 540/364-1555	DONALD R. YOWELL PRESIDENT AND CHIEF EXECUTIVE OFFICER	THOMAS W. DIZEREGA
	MICHAEL A. EWING EXECUTIVE VICE PRESIDENT AND SENIOR CREDIT OFFICER	THOMAS B. GLASCOCK
2 Offices	ANITA L. SHULL SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER	HARVEY L. PEARSON
CHARTERED IN 1905	JOSEPH L. RUTHERFORD SENIOR VICE PRESIDENT AND CASHIER	RICHARD C. RIEMENSCHNEIDER
	JERRY D. MEDLOCK SENIOR VICE PRESIDENT	GEORGE R. THOMPSON, JR.
	CAROL C. MEREWETHER VICE PRESIDENT AND CORPORATE SECRETARY	EVELYN D. TRUMBO
		LEWIS S. WILEY
		DONALD R. YOWELL

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 2,795	Total deposits	$72,974
		Short-term borrowings	--
Earning assets	77,673		
Allowance for loan losses	(1,176)	Other liabilities and accrued expenses	659
		Long-term debt	--
Other assets	2,831		
	-------	STOCKHOLDERS' EQUITY	8,490

Total assets	$82,123		
	=======	Total liabilities and equity	$82,123
Net income*	$ 846		=======
	=======		

*Represents the nine months of earnings since affiliation.
</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
Mercantile-Safe Deposit & Trust Company	H. FURLONG BALDWIN CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER	CYNTHIA A. ARCHER
		H. FURLONG BALDWIN
2 Hopkins Plaza Baltimore, Maryland 21201 410/237-5900	J. MARSHALL REID PRESIDENT AND CHIEF OPERATING OFFICER	THOMAS M. BANCROFT, JR.
	JACK E. STEIL CHAIRMAN, CREDIT POLICY	RICHARD O. BERNDT
18 Offices	KENNETH A. BOURNE, JR. EXECUTIVE VICE PRESIDENT	JAMES A. BLOCK, M.D.
CHARTERED IN 1864	CHARLES E. SIEGMANN EXECUTIVE VICE PRESIDENT	WILLIAM R. BRODY, M.D.
		GEORGE L. BUNTING, JR.
		MARTIN L. GRASS
		FREEMAN A. HRABOWSKI, III
		B. LARRY JENKINS
		MARY JUNCK
		ROBERT A. KINSLEY

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MALCOLM C. WILSON EXECUTIVE VICE PRESIDENT TERRY L. TROUPE CHIEF FINANCIAL OFFICER ALAN D. YARBRO GENERAL COUNSEL AND SECRETARY	WILLIAM J. MCCARTHY MORRIS W. OFFIT MORTON B. PLANT CHRISTIAN H. POINDEXTER J. MARSHALL REID DONALD J. SHEPARD BRIAN B. TOPPING

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 202,566	Total deposits	$1,989,901
		Short-term borrowings	512,552
Earning assets	2,641,669		
		Other liabilities and accrued expenses	51,119
Allowance for loan losses	(43,115)		
		Long-term debt	--
Other assets	81,489	Stockholders' equity	329,037
Total assets	$2,882,609	Total liabilities and equity	$2,882,609
Net income	$ 61,672		

</TABLE>

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<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE] THE NATIONAL BANK OF FREDERICKSBURG 2403 Fall Hill Avenue Fredericksburg, Virginia 22401 540/899-3200 8 Offices CHARTERED IN 1865	J. WILLIAM POOLE CHAIRMAN OF THE BOARD WILLIAM B. YOUNG PRESIDENT AND CHIEF EXECUTIVE OFFICER WILLIAM E. MILBY EXECUTIVE VICE PRESIDENT AND CASHIER JOHN B. DANIEL SENIOR VICE PRESIDENT LLOYD B. HARRISON SENIOR VICE PRESIDENT RONALD L. PEARSON SENIOR VICE PRESIDENT	LELAND H. BAKER JOHN H. CHICHESTER GEORGE C. FREEMAN LEWIS W. GRAVES CHARLES A. MCCORMACK WILLIAM E. MILBY J. WILLIAM POOLE WILLIAM J. VAKOS WILLIAM B. YOUNG

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 9,774	Total deposits	$235,960
		Short-term borrowings	1,166
Earning assets	249,382		
		Other liabilities and accrued expenses	2,472
Allowance for loan losses	(3,142)		
		Long-term debt	--
Other assets	10,911	Stockholders' equity	27,327
Total assets	$266,925	Total liabilities and equity	$266,925
Net income	$ 4,190		

</TABLE>

<TABLE>
<CAPTION>
EXECUTIVE OFFICERS DIRECTORS

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<S> <C> <C>

[MERCANTILE LOGO APPEARS HERE]		
Peninsula	JEFFREY F. TURNER	RALPH L. CHAPMAN
Bank	PRESIDENT AND	WILLIAM E. ESHAM, JR.
	CHIEF EXECUTIVE OFFICER	FRANK B. HANNA, SR.
11738 Somerset Avenue	F. WINFIELD TRICE	HENRY H. HANNA, III
P.O. Box 219	EXECUTIVE VICE PRESIDENT	CHARLES R. JENKINS, SR.
Princess Anne,	AND SENIOR LOAN OFFICER	JOHN R. LERCH
Maryland 21853	F. DENNIS PARKER	RALPH L. MASON, JR.
410/651-2400	SENIOR VICE PRESIDENT	FREDERICK T. PARKER
	AND REGIONAL OFFICER	GEORGE A. PURNELL
24 Offices	MICHAEL R. WALSH	JOHN B. ROBINS, IV
	SENIOR VICE PRESIDENT	E. SCOTT TAWES
CHARTERED IN 1889	AND SECRETARY	CASEY I. TODD
	DEBORAH S.ABBOTT	JEFFREY F. TURNER
	VICE PRESIDENT AND	ROBERT B. TWILLEY, JR.
	REGIONAL OFFICER	
	HARRY B. GEMMELL	
	VICE PRESIDENT AND	
	REGIONAL OFFICER	
	W. THOMAS MEARS	
	VICE PRESIDENT AND	
	REGIONAL OFFICER	
	JERRY C. BRIELE	
	VICE PRESIDENT AND	
	TREASURER	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 16,429	Total deposits	$428,461
Earning assets	477,508	Short-term borrowings	9,440
Allowance for loan losses	(9,889)	Other liabilities and accrued expenses	5,508
Other assets	17,151	Long-term debt	92
		Stockholders' equity	57,698
Total assets	$501,199	Total liabilities and equity	$501,199
Net income	$ 9,653		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
The Peoples	WILLIAM W. DUNCAN, JR.	A. CURTIS ANDREW
Bank of	ACTING PRESIDENT AND	WILLIAM W. DUNCAN, JR.
Maryland	CHIEF EXECUTIVE OFFICER	RICHARD A. EDWARDS
		FREDERICK L. HUBBARD
205 Market Street		CALVERT C. MERRIKEN, JR.
Denton,		E. JOHN MILLS
Maryland 21629		JOSEPH D. QUINN
410/479-2600		A. ORRELL SAULSBURY, III
5 Offices		
CHARTERED IN 1919		

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 2,798	Total deposits	$78,547
		Short-term borrowings	2,445
Earning assets	87,649		
Allowance for loan losses	(1,463)	Other liabilities and accrued expenses	249
		Long-term debt	700

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Other assets	2,862	Stockholders' equity	9,905
TOTAL ASSETS	$91,846	Total liabilities and equity	$91,846
Net income	$ 769		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
Potomac	JAMES J. CROMWELL	STEPHEN E. CHASE
Valley Bank	CHAIRMAN OF THE BOARD	JAY MILTON CLOGG
	KENNETH C. COOK	KENNETH C. COOK
702 Russell Avenue	PRESIDENT AND	JAMES J. CROMWELL
Gaithersburg,	CHIEF EXECUTIVE OFFICER	BRUCE MACKEY
Maryland 20877	ANDREW F. FLOTT	WILLIAM C. MOYER
301/963-7600	SENIOR VICE PRESIDENT,	REX L. STURM
	FINANCE DIVISION MANAGER	C. CLIFTON VEIRS, III
8 Offices	AND CORPORATE SECRETARY	
	WILLIAM W. WEST	
CHARTERED IN 1959	SENIOR VICE PRESIDENT	
	AND CHIEF LENDING OFFICER	
	ARREL E. GODFREY	
	SENIOR VICE PRESIDENT	
	PATRICIA S. OLIPHANT	
	SENIOR VICE PRESIDENT	
	JOHN M. BRUNING	
	REGIONAL VICE PRESIDENT	
	GARY L. COFFMAN	
	REGIONAL VICE PRESIDENT	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 11,593	Total deposits	$192,318
		Short-term borrowings	24,105
Earning assets	226,147		
		Other liabilities and accrued expenses	1,686
Allowance for loan losses	(3,899)		
		Long-term debt	--
Other assets	4,404	Stockholders' equity	20,136
Total assets	$238,245	Total liabilities and equity	$238,245
Net income	$ 3,543		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
St. Michaels	WILLIAM W. DUNCAN, JR.	WILLIAM W. DUNCAN, JR.
Bank	PRESIDENT AND	PAMELA P. GARDNER
	CHIEF EXECUTIVE OFFICER	MARY B. HOFF
213 Talbot Street	R. IVAN THAMERT	J. BRENT RAUGHLEY
P.O. Box 70	EXECUTIVE VICE PRESIDENT	NORMAN M. SHANNAHAN, III
St. Michaels,	CLIFFORD L. HILK	R. IVAN THAMERT
Maryland 21663	SENIOR VICE PRESIDENT AND	JOHN R. VALLIANT
410/745-5091	SENIOR LOAN OFFICER	DONALD R. YOUNG
	ANITA N. PARROTT	
5 Offices	SENIOR VICE PRESIDENT AND	
	CHIEF FINANCIAL OFFICER	
CHARTERED IN 1890		

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BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 3,527	Total deposits	$116,623
Earning assets	131,007	Short-term borrowings	3,865
Allowance for loan losses	(4,137)	Other liabilities and accrued expenses	803
Other assets	3,665	Long-term debt	--
		Stockholders' equity	12,771
Total assets	$134,062	Total liabilities and equity	$134,062
Net income	$ 2,786		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		
THE SPARKS STATE BANK	CHARLES E. ENSOR, SR. CHAIRMAN OF THE BOARD	LINDA I. ALEXANDER CHARLES E. ENSOR, SR.
	RICHARD F. PRICE	JAMES J. HARTENSTEIN
14804 York Road	VICE CHAIRMAN	J. DAVID LAWSON
Sparks,	BRADLEY G. MOORE	BRADLEY G. MOORE
Maryland 21152	PRESIDENT AND	GEORGE V. PALMER
410/771-4900	CHIEF EXECUTIVE OFFICER	RICHARD F. PRICE
	DANIEL R. WERNECKE	ROBERT J. RIGGER
5 Offices	EXECUTIVE VICE PRESIDENT	OSCAR M. SCHAPIRO
	JANET M. MILLER	
CHARTERED IN 1916	SENIOR VICE PRESIDENT AND CORPORATE TREASURER	
	JOHN W. WRIGHT SENIOR VICE PRESIDENT	
	AMY G. WHITELEY SENIOR VICE PRESIDENT	
	DONNA S. ENSOR VICE PRESIDENT AND CORPORATE SECRETARY	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 3,339	Total deposits	$179,192
		Short-term borrowings	8,318
Earning assets	210,607		
Allowance for loan losses	(3,257)	Other liabilities and accrued expenses	2,581
		Long-term debt	--
Other assets	6,071	Stockholders' equity	26,669
Total assets	$216,760	Total liabilities and equity	$216,760
Net income	$ 4,544		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
<S>	<C>	<C>
[MERCANTILE LOGO APPEARS HERE]		

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Westminster Bank and Trust Company of Carroll County 71 East Main Street Westminster, Maryland 21157 410/848-9300 10 Offices CHARTERED IN 1898	JOHN C. SCHAEFFER CHAIRMAN OF THE BOARD FERDINAND A. RUPPEL, JR. PRESIDENT AND CHIEF EXECUTIVE OFFICER MARK G. POHLHAUS EXECUTIVE VICE PRESIDENT	ROBERT R. BOWMAN DANIEL S. DULANY TODD L. HERRING ROBERT L. JONES G. THOMAS MULLINIX MARLIN L. RITTASE FERDINAND A. RUPPEL, JR. JOHN C. SCHAEFFER

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 4,509	Total deposits	$214,755
		Short-term borrowings	2,770
Earning assets	241,825		
Allowance for loan losses	(3,112)	Other liabilities and accrued expenses	1,812
		Long-term debt	--
Other assets	5,959	Stockholders' equity	29,844
Total assets	$249,181	Total liabilities and equity	$249,181
Net income	$ 4,423		

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<S>	<C> EXECUTIVE OFFICERS	<C> DIRECTORS
[MERCANTILE LOGO APPEARS HERE] Mercantile Mortgage Corporation (a subsidiary of Mercantile-Safe Deposit & Trust Company) 20 SOUTH CHARLES STREET, 3RD FLOOR BALTIMORE, MARYLAND 21201 410/347-8940 12 Offices INCORPORATED IN 1972	EDWARD K. DUNN, JR. CHAIRMAN OF THE BOARD PAUL W. PARKS PRESIDENT AND CHIEF EXECUTIVE OFFICER MICHAEL S. CORDES EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER EDWARD J. MURN, III EXECUTIVE VICE PRESIDENT, MULTI-FAMILY FINANCE KEVIN J. MICHNO SENIOR VICE PRESIDENT, PRODUCTION JOSEPH J. O'BRIEN, JR. SENIOR VICE PRESIDENT, CONSTRUCTION LENDING JOHN M. SCHWANKY SENIOR VICE PRESIDENT, SERVICING TIMOTHY P. REYNOLDS VICE PRESIDENT, CONSTRUCTION LENDING NANCY HAUPRICH VICE PRESIDENT, CONSTRUCTION LENDING	MICHAEL S. CORDES EDWARD K. DUNN, JR. PAUL W. PARKS J. MARSHALL REID

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 3,738	Total deposits	$ --
		Short-term borrowings	148,311
Earning assets	156,961		
Allowance for loan losses	(3,053)	Other liabilities and accrued expenses	5,060

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		Long-term debt	--
Other assets	5,899	Stockholders' equity	10,174
Total assets	$163,545	Total liabilities and equity	$163,545
Net income	$ 3,447		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE] MBC LEASING CORP. (a subsidiary of Mercantile-Safe Deposit & Trust Company) 2 Hopkins Plaza P.O. Box 1451 Baltimore, Maryland 21203 410/237-5855	JOSEPH M. SANTOS PRESIDENT W. KEITH MOORE VICE PRESIDENT SCOTT H. KRIEGER TREASURER AND ASSISTANT SECRETARY DENNIS W. KREINER SECRETARY MARY L. ROBERTS ASSISTANT VICE PRESIDENT	KENNETH A. BOURNE, JR. DAVID R. BOWEN J. MARSHALL REID JOSEPH M. SANTOS TERRY L. TROUPE

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 92	Total deposits	$ --
		Short-term borrowings	134,496
Earning assets	140,829		
Allowance for loan losses	--	Other liabilities and accrued expenses	3,834
		Long-term deb	--
Other assets	32	Stockholders' equity	2,623
Total assets	$140,953	Total liabilities and equity	$140,953
Net income	$ 1,550		

</TABLE>

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	EXECUTIVE OFFICERS	DIRECTORS
[MERCANTILE LOGO APPEARS HERE] MBC Agency, Inc. 2 Hopkins Plaza Baltimore, Maryland 21201 410/347-8294	TERRY L. TROUPE PRESIDENT ALAN D. YARBRO SECRETARY WILLIAM T. SKINNER, JR. VICE PRESIDENT AND TREASURER DENNIS W. KREINER ASSISTANT SECRETARY	KENNETH A. BOURNE, JR. WILLIAM J. MCCARTHY O. JAMES TALBOTT, II TERRY L. TROUPE

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 472	Total deposits	$ --
		Short-term borrowings	--
Earning assets	3,375		
Allowance for		Other liabilities and accrued expenses	2,119

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loan losses	--		
		Long-term debt	--
Other assets	55		
	-------	Stockholders' equity	1,783

Total assets	$3,902		
	=======	Total liabilities and equity	$3,902
Net income	$ 491		=======
	=======		

</TABLE>

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<S>	EXECUTIVE OFFICERS <C>	DIRECTORS <C>
[MERCANTILE LOGO APPEARS HERE]		
MBC Realty, Inc.	RONALD D. METTAM PRESIDENT	KENNETH A. BOURNE, JR.
2 Hopkins Plaza	VERNON D. CONWAY	RONALD D. METTAM
Baltimore,	SENIOR VICE PRESIDENT	CHARLES E. SIEGMANN
Maryland 21201	W. JOSEPH SMITH, JR.	TERRY L. TROUPE
410/237-5377	ASSISTANT VICE PRESIDENT	ALAN D. YARBRO
	ALAN D. YARBRO SECRETARY	
	WILLIAM T. SKINNER, JR. TREASURER	
	LARRY D. SMITH ASSISTANT TREASURER	

BALANCE SHEET
(Dollars in thousands) December 31, 1998

ASSETS		LIABILITIES AND EQUITY	
Cash and due from banks	$ 890	Total deposits	$ --
		Short-term borrowings	800
Earning assets	--		
Allowance for loan losses	--	Other liabilities and accrued expenses	2,466
		Long-term debt	142
Other assets	17,899		
	-------	Stockholders' equity	15,381

Total assets	$18,789		
	=======	Total liabilities and equity	$18,789
Net income	$ 1,892		=======
	=======		

</TABLE>

MERCANTILE BANKSHARES CORPORATION

<TABLE>
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<S>	<C>	<C>	<C>
OFFICERS	DIRECTORS	**MARTIN L. GRASS CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF RITE AID CORPORATION, RETAIL DRUG SALES, AND VICE CHAIRMAN OF THE BOARD OF SUPER RITE CORPORATION, FOOD WHOLESALER AND RETAILER	+**MORRIS W. OFFIT CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF OFFITBANK, A PRIVATE BANK OFFERING INTEGRATED INVESTMENT SERVICES
H. FURLONG BALDWIN CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER	*CYNTHIA A. ARCHER SENIOR VICE PRESIDENT OF THE INTERMODAL SERVICE GROUP OF CONSOLIDATED RAIL CORPORATION	FREEMAN A. HRABOWSKI, III PRESIDENT OF UNIVERSITY OF MARYLAND-BALTIMORE COUNTY	MORTON B. PLANT CHAIRMAN OF THE BOARD OF KEYWELL CORPORATION, A RECYCLER OF HIGH TEMPERATURE ALLOY SCRAP METAL
ALAN D. YARBRO GENERAL COUNSEL AND SECRETARY	+H. FURLONG BALDWIN CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF MERCANTILE BANKSHARES CORPORATION AND CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER OF MERCANTILE-SAFE DEPOSIT & TRUST COMPANY	*B. LARRY JENKINS FORMER CHAIRMAN OF THE BOARD, PRESIDENT AND	+**CHRISTIAN H. POINDEXTER CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF
TERRY L. TROUPE CHIEF FINANCIAL OFFICER AND TREASURER			
ROBERT W. JOHNSON SENIOR VICE PRESIDENT			
O. JAMES TALBOTT, II SENIOR VICE PRESIDENT			

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JERRY F. GRAHAM
VICE PRESIDENT AND
CONTROLLER

ROBERT C. SMITH
AUDITOR

SUZANNE G. WOLFF
VICE PRESIDENT

*THOMAS M. BANCROFT, JR.
FORMER CHAIRMAN OF THE
BOARD AND CHIEF EXECUTIVE
OFFICER OF THE NEW YORK
RACING ASSOCIATION

+*RICHARD O. BERNDT
PARTNER IN THE LAW FIRM
OF GALLAGHER, EVELIUS
& JONES

JAMES A. BLOCK, M.D.
FORMER PRESIDENT AND CHIEF
EXECUTIVE OFFICER OF JOHNS
HOPKINS HEALTH SYSTEM AND
THE JOHNS HOPKINS HOSPITAL

WILLIAM R. BRODY, M.D.
PRESIDENT OF THE JOHNS
HOPKINS UNIVERSITY

GEORGE L. BUNTING, JR.
PRESIDENT AND CHIEF
EXECUTIVE OFFICER OF
BUNTING MANAGEMENT GROUP,
A PRIVATE FINANCIAL
MANAGEMENT COMPANY

CHIEF EXECUTIVE OFFICER
OF MONUMENTAL LIFE
INSURANCE COMPANY,
PROVIDING INDIVIDUAL LIFE
INSURANCE

**MARY JUNCK
PRESIDENT OF TIMES MIRROR
EASTERN NEWSPAPERS AND
EXECUTIVE VICE PRESIDENT,
TIMES MIRROR

+*ROBERT A. KINSLEY
CHAIRMAN OF THE BOARD AND
CHIEF EXECUTIVE OFFICER
OF KINSLEY CONSTRUCTION,
INC., A GENERAL AND HEAVY
CONSTRUCTION FIRM

+WILLIAM J. MCCARTHY
PRINCIPAL OF WILLIAM
J. MCCARTHY, P.C., A
PARTNER IN THE LAW FIRM
OF VENABLE, BAETJER AND
HOWARD, LLP

BALTIMORE GAS & ELECTRIC
COMPANY, A GAS AND
ELECTRIC UTILITY

+**DONALD J. SHEPARD
CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF
EXECUTIVE OFFICER OF
AEGON USA, INC., A
HOLDING COMPANY OWNING
INSURANCE AND INSURANCE
RELATED COMPANIES

CALMAN J. ZAMOISKI, JR.
DIRECTOR EMERITUS
CHAIRMAN OF THE BOARD OF
INDEPENDENT DISTRIBUTORS,
INCORPORATED, GENERAL
WHOLESALE DISTRIBUTORS

</TABLE>

+Member of Executive Committee
*Member of Audit Committee
**Member of Compensation Committee

LISTING AS OF FEBRUARY 1999

CORPORATE INFORMATION

CORPORATE PROFILE

Mercantile Bankshares Corporation is a multi-bank holding company organized in 1969 under the laws of Maryland. On January 1, 1999, its principal affiliates were twenty-one banks and a mortgage banking company.

The affiliated banks are engaged in a general personal and corporate banking business. The Corporation's largest bank, Mercantile-Safe Deposit & Trust Company, also provides a full range of trust services.

PERSONAL BANKING

The banking affiliates of Mercantile Bankshares Corporation have 179 retail banking offices providing personal banking services. Services include debit cards, deposit vehicles such as regular and interest-bearing checking accounts, Money Market Deposit Accounts, Certificates of Deposit, and Individual Retirement Accounts. Loans, including home equity lines of credit, are made to individuals to meet a variety of consumer needs.

In addition to banking services, fixed annuities are available through affiliates.

CORPORATE BANKING

Each banking affiliate pursues a commercial banking program serving local businesses. Specialized corporate banking services are centered at Mercantile-Safe Deposit & Trust Company. Corporate banking services include the making of various types of commercial and real estate loans, offering various types of deposit accounts and cash management and short-term money market investing.

TRUST AND INVESTMENT

The Trust Division of Mercantile-Safe Deposit & Trust Company provides services to individuals, corporations and not-for-profit institutions. Services for individuals include investment management, estate settlement, living and testamentary trusts and custody of securities. Employee benefit plans, master and directed trusteeship and corporate financial services are provided to businesses. Endowment trusts and employee benefit plans are provided to not-for-profit institutions. The Trust Division is also investment advisor to M.S.D.&T. Funds, Inc., which provides a series of no-load mutual funds.

MORTGAGE BANKING

From its headquarters in Baltimore, Mercantile Mortgage Corporation offers

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construction loans and multi-family housing loans to real estate developers and home builders in Maryland and northern Virginia. A full menu of consumer mortgage loans is offered through affiliate banking offices.

ACCOUNTANTS
PriceWaterhouseCoopers, L.L.P.
250 West Pratt Street
Baltimore, Maryland 21201

ANNUAL MEETING OF SHAREHOLDERS
10:30 A.M., Wednesday,
April 28, 1999
2 Hopkins Plaza,
Baltimore, Maryland

ANNUAL REPORT TO SECURITIES &
EXCHANGE COMMISSION
Form 10-K will be furnished to shareholders without charge upon written request. Exhibits thereto furnished upon payment of $3.00 per set. Direct request to Secretary.

HEADQUARTERS
2 Hopkins Plaza, P.O. Box 1477
Baltimore,Maryland 21203
410/237-5900

STOCK INFORMATION
The common stock of Mercantile Bankshares Corporation is traded on the Nasdaq National Market under the symbol MRBK.

DIRECT DEPOSIT OF CASH DIVIDENDS
Shareholders of Mercantile Bankshares Corporation common stock may have their cash dividends deposited automatically, on date of payment, to a checking, savings or money market account in a financial institution which participates in an Automated Clearing House.

Shareholders will receive confirmation by mail from the Dividend Disbursing Agent of the amount deposited. Shareholders who wish to enroll in the direct deposit service should contact the Dividend Disbursing Agent.

DIVIDEND DISBURSING AGENT AND
TRANSFER AGENT FOR STOCK
The Bank of New York

For telephone inquiries:
800/524-4458
For written inquiries:
The Bank of New York
Shareholder Relations Department 11E
P.O. Box 11258
Church Street Station
New York, New York 10286

Send certificates for transfer and address change notices to:
The Bank of New York
Receive and Deliver Department
11W
P.O. Box 11002
Church Street Station
New York, New York 10286

AUTOMATIC DIVIDEND REINVESTMENT
AND STOCK PURCHASE PLAN
Mercantile Bankshares Corporation offers its shareholders of common stock a Plan whereby they may automatically invest their cash dividends in Mercantile stock at a price which is 5% less than the market price on the dividend payment date. Plan participants may also make additional cash payments to purchase stock through the Plan at the market price. Mercantile Bankshares Corporation absorbs all fees and transaction costs.

Shareholders who wish to enroll in the Plan should contact the Corpo-ration's Transfer Agent:
The Bank of New York
Mercantile Bankshares Corporation
Dividend Reinvestment and
Stock Purchase Plan
P.O. Box 1958
Newark, New Jersey 07101-9774
800/524-4458

MERCANTILE BANKSHARES
INVESTOR RELATIONS
P.O. Box 1477
Baltimore,Maryland 21203

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410/347-8374
http://www.mercantile.net

(LOGO) MERCANTILE BANKSHARES CORPORATION AND AFFILIATES

[GRAPHIC]

(LOGO) MERCANTILE BANKSHARES CORPORATION AND AFFILIATES

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Exhibit 21

Subsidiaries of The Registrant

Exhibit (21)

(21) SUBSIDIARIES OF THE REGISTRANT

NAME	STATE OF INCORPORATION
The Annapolis Banking and Trust Company	Maryland
Baltimore Trust Company	Delaware
Bank of Southern Maryland	Maryland
Calvert Bank and Trust Company	Maryland
The Chestertown Bank of Maryland	Maryland
The Citizens National Bank	United States
County Banking & Trust Company	Maryland
Farmers & Merchants Bank - Eastern Shore	Virginia
The Fidelity Bank	Maryland
The First National Bank of St. Mary's	United States
The Forest Hill State Bank	Maryland
Fredericktown Bank & Trust Company	Maryland
Marshall National Bank and Trust Company	United States
MBC Agency, Inc.	Maryland
Mercantile Life Insurance Company	Arizona
MBC Realty, LLC	Maryland
Mercantile-Safe Deposit and Trust Company	Maryland
Mercantile Mortgage Corporation	Maryland
Hopkins Plaza Agency, Inc.	Maryland
MBC Leasing Corp.	Maryland
The National Bank of Fredericksburg	United States
Peninsula Bank	Maryland
The Peoples Bank of Maryland	Maryland
Potomac Valley Bank	Maryland
The Sparks State Bank	Maryland
St. Michaels Bank	Maryland
Westminster Bank and Trust Company of Carroll County	Maryland

Each of the foregoing subsidiaries conducts business under its corporate name.

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Exhibit 23

Consent of Independent Accountants

Exhibit (23)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference into the Registration Statements of Mercantile Bankshares Corporation on Form S-3 (No. 33-44376) and Forms S-8 (No. 33-44373, 33-44374 and 33-44375) of our report dated January 20, 1999, on our audits of the consolidated financial statements of Mercantile Bankshares Corporation and Affiliates as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Baltimore, Maryland
March 25, 1999

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Exhibit (24)

MERCANTILE BANKSHARES CORPORATION
POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned Directors of MERCANTILE BANKSHARES CORPORATION, a Maryland Corporation, hereby constitute and appoint H. FURLONG BALDWIN and ALAN D. YARBRO, or either of them acting alone, the true and lawful agents and attorneys in fact of the undersigned in each case with full power and authority in either of said agents and attorneys in fact, to sign for the undersigned and in their respective names as Directors of the Corporation the Annual Report of the Corporation to the Securities and Exchange Commission for the year 1998, on Form 10-K, filed under the Securities Exchange Act of 1934, as amended, and any amendment or amendments to such Form 10-K hereby ratifying and confirming all acts taken by such agents and attorneys in fact, or either of them, as herein authorized.

Date: March 9, 1999

<TABLE>

<S>	<C>	<C>	<C>
/s/ Christian H. Poindexter Christian H. Poindexter	Director	/s/ Robert A. Kinsley Robert A. Kinsley	Director
/s/ George L. Bunting, Jr. George L. Bunting, Jr.	Director	/s/ Thomas M. Bancroft, Jr. Thomas M. Bancroft, Jr.	Director
/s/ William R. Brody William R. Brody	Director	/s/ William J. McCarthy William J. McCarthy	Director
/s/ Cynthia A. Archer Cynthia A. Archer	Director	/s/ H. Furlong Baldwin H. Furlong Baldwin	Director
/s/ Morton B. Plant Morton B. Plant	Director		Director
/s/ Donald J. Shepard Donald J. Shepard	Director		Director
/s/ Mary Junck Mary Junck	Director		Director
/s/ B. Larry Jenkins B. Larry Jenkins	Director		Director
/s/ Richard O. Berndt Richard O. Berndt	Director		Director

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE BALANCE SHEET AS OF DECEMBER 31, 1998, FROM THE INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1998 AND FROM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDED DECEMBER 31, 1998, AND IS QUAILIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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