

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**  
SEC Accession No. **0000064908-94-000018**

([HTML Version](#) on [secdatabase.com](#))

FILER

**MERCANTILE BANKSHARES CORP**

CIK: **64908** | IRS No.: **520898572** | State of Incorp.: **MD** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-05127** | Film No.: **94527815**  
SIC: **6022** State commercial banks

Mailing Address  
*P O BOX 1477*  
*BALTIMORE MD 21203*

Business Address  
*2 HOPKINS PLZ*  
*BALTIMORE MD 21201*  
*4102375900*

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended March 31, 1994

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 (I.R.S. Employer  
incorporation or organization) Identification No.)

2 Hopkins Plaza, Baltimore, Maryland 21201  
(Address of principal executive offices)  
(Zip Code)

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

(Former name, former address and former fiscal year,  
if changed since last report)

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 .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

As of April 30, 1994, registrant had outstanding 45,865,760 shares of Common Stock.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

- (a) Published Financial Statements, as required by Rule 10-01 of Regulation S-X, are set forth on pages 4 thru 7 of Exhibit 20, attached hereto and incorporated herein.

Note - Commitments:

Various commitments to extend credit (lines of credit) are made in the normal course of banking business. At March 31, 1994, total unused lines of credit approximated \$1,533,568,300. In addition, letters of credit are issued for the benefit of customers by affiliated banks. Outstanding letters of credit were \$99,937,700 at March 31, 1994.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

- (a) Management's Discussion and Analysis of Financial Condition and Results of Operations as required by Item 303 of Regulation S-K is included on page 8 of Exhibit 20, attached hereto and incorporated herein.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits -  
Exhibit 20 - Financial Information. See Part I

SIGNATURES

Pursuant to the requirements of the Securities 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

H. Furlong Baldwin  
Chairman of the Board

Kenneth A. Bourne, Jr.  
Exec. Vice President and Treasurer

MERCANTILE BANKSHARES CORPORATION

FIRST QUARTER REPORT

1994

FOR THE THREE MONTHS ENDED MARCH 31, 1994

MERCANTILE BANKSHARES CORPORATION

TO OUR SHAREHOLDERS:

Net income for the first quarter of 1994 was \$.46 per share, an increase of 2% over the \$.45 per share for the comparable period last year. Consolidated net income for the first three months of 1994 increased 4% to \$21,221,000 compared to \$20,492,000 for 1993.

At March 31, 1994, total assets were \$5,548,279,000, an increase of 4% over the \$5,320,860,000 at March 31, 1993 and total stockholders' equity was \$664,713,000, an increase of 8% over the comparable amount last year. For more detailed analyses of quarterly results, please see Management's Discussion on page 8.

Certain key ratios measure earnings and financial strength. The annualized return on average total assets was 1.6% and the annualized return on average equity was 13.0% for the quarter. Average equity as a percentage of average total assets was 12.0%. The allowance for loan losses was 2.6% of total loans at the end of the quarter.

H. Furlong Baldwin  
Chairman of the Board

Two Hopkins Plaza/P.O. Box 1477/Baltimore, Maryland 21203/(410)237-5900

---

CONTENTS

Principal Affiliates .....	2
Consolidated Financial Summary .....	3
Consolidated Balance Sheets .....	4
Statement of Consolidated Income .....	5
Statement of Consolidated Cash Flows .....	6
Statement of Changes in Consolidated Stockholders' Equity .....	7
Notes to Consolidated Financial Statements .....	7
Management's Discussion and Analysis of Financial Condition and Results of Operations ...	8
Officers and Directors .....	10
Corporate Information .....	11

PRINCIPAL

AFFILIATES

1. THE ANNAPOLIS  
BANKING AND  
TRUST CO.

Robert E. Henel, Jr.,  
President and CEO  
Main Street & Church  
Circle  
Annapolis, Md. 21401  
410/268-3366

2. BALTIMORE  
TRUST CO.

Robert E. Dickerson,  
President and CEO  
One West Church Street  
Selbyville, De. 19975  
302/436-8236

3. BANK OF SOUTHERN  
MARYLAND

Wesley E. Hughes, Jr.,  
President and CEO  
304 Charles Street  
LaPlata, Md. 20646  
301/934-1000

4. CALVERT BANK AND  
TRUST CO.

Harold J. Kahl,  
Chairman, President and CEO  
Calvert Village  
Shopping Center  
P.O. Box 590  
Prince Frederick, Md.  
20678  
410/535-3535

5. THE CHESTERTOWN  
BANK OF  
MARYLAND

R. Raymond Tarrach,  
President and CEO  
211 High Street  
Chestertown, Md. 21620  
410/778-2400

6. THE CITIZENS  
NATIONAL BANK

Martin A. Sharpless,  
President and CEO  
Fourth & Main Streets  
Laurel, Md. 20707  
301/725-3100

7. COUNTY BANKING  
& TRUST CO.

S. Dell Foxx,  
President and CEO  
123 North Street  
P.O. Box 100  
Elkton, Md. 21921  
410/398-2600

8. THE EASTVILLE BANK

Robert L. Simpson,  
President and CEO  
16485 Lankford Highway  
P.O. Box 7  
Eastville, Va. 23347  
804/678-5187

9. FARMERS &  
MERCHANTS BANK--  
EASTERN SHORE
- H. B. Rew, Jr.,  
President and CEO  
25275 Lankford Highway  
P.O. Box 623  
Onley, Va. 23418  
804/787-4111
10. THE FIDELITY BANK
- C. Joseph Cunningham, III,  
President and CEO  
59 East Main Street  
Frostburg, Md. 21532  
301/689-1111
11. THE FIRST NATIONAL  
BANK OF ST. MARY'S
- John A. Candela,  
President and CEO  
5 East Park Avenue  
P.O. Box 655  
Leonardtown, Md.  
20650  
301/475-8081
12. THE FOREST HILL  
STATE BANK
- Paul E. Peak,  
President and CEO  
130 South Bond Street  
Bel Air, Md. 21014  
410/838-6131
13. FREDERICKTOWN  
BANK & TRUST CO.
- Robert E. Gearinger,  
President and CEO  
30 North Market Street  
Frederick, Md. 21701  
301/662-8231
14. MERCANTILE-SAFE  
DEPOSIT &  
TRUST CO.
- H. Furlong Baldwin,  
Chairman and CEO  
2 Hopkins Plaza  
Baltimore, Md. 21201  
410/237-5900
15. PENINSULA BANK
- Jeffrey F. Turner,  
President and CEO  
11738 Somerset  
Avenue  
P.O. Box 219  
Princess Anne, Md.  
21853  
410/651-2400
16. THE PEOPLES BANK  
OF MARYLAND
- Jeffrey N. Heflebower,  
President and CEO  
205 Market Street  
Denton, Md. 21629  
410/479-2600
17. POTOMAC VALLEY  
BANK
- R. Dennis Homberg,  
President and CEO

702 Russell Avenue  
 Gaithersburg, Md.  
 20877  
 301/963-7600

18. ST. MICHAELS BANK

William W. Duncan, Jr.,  
 President and CEO  
 213 Talbot Street  
 P.O. Box 70  
 St. Michaels, Md. 21663  
 410/745-5091

19. WESTMINSTER BANK  
 AND TRUST CO.

Ferdinand A. Ruppel, Jr.,  
 President and CEO  
 71 East Main Street  
 Westminster, Md. 21157  
 410/848-9300

---

MERCANTILE  
 MORTGAGE  
 CORPORATION

Paul W. Parks,  
 President and CEO  
 200 East Redwood  
 Street  
 Baltimore, Md. 21202  
 410/347-8940

<TABLE>

CONSOLIDATED FINANCIAL SUMMARY

<CAPTION>

(Dollars in thousands, except per share data)	For the 3 Months Ended		% Increase (Decrease)
	1994	March 31, 1993	
<S>	<C>	<C>	<C>
<b>OPERATING RESULTS</b>			
Net interest income.....	\$58,841	\$58,273	1%
Net interest income--taxable equivalent.....	59,584	59,140	1
Provision for loan losses.....	1,822	3,253	(44)
Net income.....	21,221	20,492	4
<b>PER COMMON SHARE DATA</b>			
Net income.....	\$ .46	\$ .45	2%



Dividends paid.....	.17	.15	13
Book value at period end.....	14.48	13.37	8
Market value at period end.....	18 1/4	23 1/2	(22)
Market range:			
High.....	21	23 7/8	(12)
Low.....	18 1/4	20 7/8	(13)

AVERAGE CONSOLIDATED BALANCE SHEETS

Total loans.....	\$3,545,000	\$3,477,500	2%
Total earning assets.....	5,219,100	4,988,200	5
Total assets.....	5,520,700	5,291,700	4
Total deposits.....	4,434,600	4,338,200	2
Stockholders' equity.....	662,800	608,800	9

RATIOS (Net income annualized)

Return on average assets.....	1.56%	1.57%	(1)%
Return on average equity.....	12.98	13.65	(5)
Average equity to average assets.....	12.01	11.50	4
Net interest rate spread--taxable equivalent..	3.87	4.03	(4)
Effect of noninterest-bearing funds--taxable equivalent.....	.76	.78	(3)
Net interest margin on earning assets--taxable equivalent.....	4.63	4.81	(4)
Provision for loan losses (annualized) to period end loans.....	.21	.38	(45)
Net charge-offs (annualized) to period end loans.....	.01	.17	(94)
Non-performing loans to period end loans.....	1.55	2.13	(27)
Allowance for loan losses to period end loans.....	2.57	2.56	
Allowance for loan losses to non-performing loans.....	166.18	120.36	38
Other real estate owned to period end loans and OREO.....	.54	.58	(7)
Non-performing assets to period end loans and OREO.....	2.08	2.70	(23)

<FN>

See notes to consolidated financial statements

</TABLE>

3

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	MARCH 31, 1994	December 31, 1993
<b>ASSETS</b>		
Cash and due from banks.....	\$ 195,598	\$ 161,526
Interest-bearing deposits in other banks	600	600
Investment securities:		
U.S. Treasury and government agencies		
Held-to-maturity--market value of		
\$1,190,474 (1994) and \$1,700,347		
(1993).....	1,192,191	1,676,498
Available-for-sale at fair value.....	449,943	
States and political subdivisions		
Held-to-maturity--market value of		
\$2,756 (1994) and \$3,633 (1993).....	2,668	3,498
Other investments		
Held-to-maturity--market value of		
\$7,656 (1994) and \$7,074 (1993).....	5,155	4,422
Available-for-sale at fair value.....	1,115	
Total investment securities	1,651,072	1,684,418
Federal funds sold.....	750	550
Securities purchased under resale		
agreements.....	6	
Loans.....	3,567,203	3,577,420
Less: allowance for loan losses.....	(91,600)	(89,827)
Loans, net.....	3,475,603	3,487,593
Bank premises and equipment, less		
accumulated depreciation of		
\$64,040 (1994) and \$59,937 (1993).....	68,048	67,940
Other real estate owned.....	19,402	21,163
Excess cost over equity in affiliated		
banks, net.....	19,710	19,993
Other assets.....	117,490	110,225
Total assets.....	\$5,548,279	\$5,554,008
<b>LIABILITIES</b>		
Deposits:		

Noninterest-bearing deposits.....	\$ 858,422	\$ 914,773
Interest-bearing deposits.....	3,634,684	3,609,191
	-----	-----
Total deposits.....	4,493,106	4,523,964
Short-term borrowings.....	299,646	292,096
Accrued expenses and other liabilities..	58,679	50,702
Long-term debt.....	32,135	32,350
	-----	-----
Total liabilities.....	4,883,566	4,899,112
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock, no par value; authorized 2,000,000 shares; issued and outstanding--None		
Common stock, \$2 par value; authorized 67,000,000 shares; issued 45,908,886 shares in 1994 and 45,997,159 shares in 1993.....	91,818	91,994
Capital surplus.....	27,329	29,230
Retained earnings.....	547,067	533,672
Unrealized gains (losses) on securities.	(1,501)	
	-----	-----
Total stockholders' equity	664,713	654,896
	-----	-----
Total liabilities and stockholders' equity.....	\$5,548,279	\$5,554,008
	-----	-----

[FN]

See notes to consolidated financial statements

4

#### STATEMENT OF CONSOLIDATED INCOME

	For the 3 Months Ended March 31,	
(Dollars in thousands, except per share data)	1994	1993
	-----	-----
INTEREST INCOME		
Interest and fees on loans.....	\$68,712	\$70,321
	-----	-----
Interest and dividends on investment securities:		
Taxable interest income.....	21,411	21,367
Tax-exempt interest income.....	46	92
Dividends.....	51	66
Other investment income.....	5	7
	-----	-----
	21,513	21,532
	-----	-----
Other interest income.....	41	158
	-----	-----
Total interest income....	90,266	92,011
	-----	-----
INTEREST EXPENSE		
Interest on deposits.....	28,444	31,518
Interest on short-term borrowings.....	2,445	1,927
Interest on long-term debt.....	536	293
	-----	-----
Total interest expense....	31,425	33,738
	-----	-----
NET INTEREST INCOME.....	58,841	58,273
Provision for loan losses.....	1,822	3,253
	-----	-----
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES.....	57,019	55,020
	-----	-----
NONINTEREST INCOME		
Trust division services.....	10,512	9,954
Rental income.....	2,165	1,852
Service charges on deposit accounts....	3,564	3,708
Other fees.....	4,318	3,662
Investment securities gains and (losses)	49	(82)
Other income.....	3,706	472
	-----	-----
Total noninterest income.....	24,314	19,566
	-----	-----
NONINTEREST EXPENSES		
Salaries.....	19,971	19,147
Employee benefits.....	6,083	5,276
Net occupancy expense of bank premises..	4,360	3,782
Furniture and equipment expenses.....	3,301	2,890
Communications and supplies.....	2,205	2,247
FDIC insurance premium expense.....	2,615	2,556

Other expenses.....	7,922	5,487
	-----	-----
Total noninterest expenses	46,457	41,385
	-----	-----
Income before income taxes.....	34,876	33,201
Applicable income taxes.....	13,655	12,709
	-----	-----
NET INCOME.....	\$21,221	\$20,492
	-----	-----
	-----	-----
NET INCOME PER SHARE OF COMMON STOCK(2).	\$ .46	\$ .45
	-----	-----
	-----	-----

[FN]

See notes to consolidated financial statements

5

STATEMENT OF CONSOLIDATED CASH FLOWS

Increase (decrease) in cash and cash equivalents (Dollars in thousands)	For the 3 Months Ended	
	1994	March 31, 1993
-----		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and fees on loans.....	\$ 68,747	\$ 70,106
Interest and dividends on investment securities.....	21,270	20,885
Other interest income.....	38	234
Noninterest income.....	24,275	19,367
Interest paid.....	(32,975)	(35,638)
Noninterest expenses paid.....	(52,531)	(39,098)
Income taxes paid.....	(709)	(2,085)
	-----	-----
Net cash provided by operating activities.....	28,115	33,771
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investment securities held-to-maturity.....		2,516
Proceeds from maturities of investment securities held-to-maturity.....	88,097	75,229
Proceeds from sales of investment securities available-for-sale.....	91,094	
Purchase of investment securities held-to-maturity.....	(58,152)	(50,632)
Purchase of investment securities available-for-sale.....	(90,098)	
Net (increase) decrease in customer loans.....	10,464	(28,856)
Capital expenditures.....	(1,816)	(1,463)
	-----	-----
Net cash provided by (used in)		

investing activities.....	39,589	(3,206)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in noninterest-bearing deposits.....	(56,351)	(103,940)
Net increase in NOW and savings accounts	2,407	12,063
Net increase (decrease) in certificates of deposit.....	23,086	(41,729)
Net increase (decrease) in short-term borrowings.....	7,550	(26,125)
Repayment of long-term debt.....	(215)	(213)
Proceeds from issuance of shares.....	1,216	1,300
Repurchase of common shares.....	(3,293)	
Dividends paid.....	(7,826)	(6,874)
	-----	-----
Net cash used in financing activities.....	(33,426)	(165,518)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	34,278	(134,953)
Cash and cash equivalents at beginning of period.....	162,676	334,716
	-----	-----
Cash and cash equivalents at end of period.....	\$196,954	\$ 199,763
	-----	-----

	For the 3 Months Ended March 31,	
Reconciliation of net income to net cash provided by operating activities (Dollars in thousands)	1994	1993
	-----	
Net income.....	\$21,221	\$20,492
	-----	
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	1,708	1,656
Provision for loan losses.....	1,822	3,253
Write-down of other real estate owned.	1,465	99
Investment securities (gains) and losses.....	(49)	82
Amortization of excess cost over equity in affiliates.....	283	283
Increase in interest receivable.....	(211)	(786)
(Increase) decrease in other receivables.....	10	(281)
(Increase) decrease in other assets...	(7,062)	3,081
Decrease in interest payable.....	(1,550)	(1,900)
Decrease in accrued expenses.....	(2,468)	(2,832)
Increase in taxes payable.....	12,946	10,624
	-----	
Total adjustments.....	6,894	13,279
	-----	
Net cash provided by operating activities.....	\$28,115	\$33,771
	-----	

[FN]

See notes to consolidated financial statements

<TABLE>

STATEMENT OF CHANGES IN CONSOLIDATED STOCKHOLDERS' EQUITY

<CAPTION>

FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993

(Dollars in thousands, except per share data)	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gains (Losses) on Securities
<S>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1992.....	\$61,035	\$56,452	\$480,641	
Net income.....			20,492	
Cash dividends paid:				
Common stock (\$.15 per share).....			(6,874)	
Issuance of 13,431 shares for dividend reinvestment and stock purchase plan.....	27	425		
Issuance of 3,963 shares under exercise of stock appreciation rights.....	8	123		
Issuance of 2,537 shares for employee stock purchase dividend reinvestment plan.....	5	79		
Issuance of 29,831 shares for employee stock option plan.....	60	573		
BALANCE, MARCH 31, 1993.....	\$61,135	\$57,652	\$494,259	
BALANCE, DECEMBER 31, 1993.....	\$91,994	\$29,230	\$533,672	
Unrealized gains (losses) on securities at January 1, 1994.....				\$1,105
Net income.....			21,221	
Cash dividends paid:				
Common stock (\$.17 per share).....			(7,826)	
Issuance of 29,851 shares for dividend reinvestment and stock purchase plan.....	60	461		
Issuance of 5,040 shares for employee stock purchase dividend reinvestment plan.....	10	88		
Issuance of 41,836 shares for employee stock option plan.....	84	513		
Purchase of 165,000 shares under stock repurchase plan.....	(330)	(2,963)		
Change in unrealized gains (losses) on securities.....				(2,606)
BALANCE, MARCH 31, 1994.....	\$91,818	\$27,329	\$547,067	\$(1,501)

</TABLE>

NOTES

1) The statements include the accounts of the Corporation and all of its affiliates, with all significant intercompany transactions eliminated, and in the opinion of management, include all adjustments necessary for a fair presentation of the results for the interim period. All such adjustments are of a normal recurring nature. Effective with the beginning of the 1994 fiscal year, the Corporation adopted the provisions of FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities. Implementation of this pronouncement did not have a material effect on the financial statements of the Company. In view of the changing conditions in the national economy, the effect of actions taken by regulatory authorities and normal seasonal factors, the results for the interim period are not necessarily indicative of annual performance.

2) Per share amounts are based on the weighted average number of common shares outstanding during the period or 45,986,042 shares for 1994 and 45,817,762 shares for 1993.

3) In September 1993, the Company declared a three-for-two stock split in the form of a stock dividend. Average shares and per share amounts have been adjusted to give effect to the dividend.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net income for the first quarter of 1994 was \$.46 per share, an increase of 2% over the \$.45 per share for the comparable period last year. Per share amounts are based on the weighted average number of common shares outstanding of 45,986,042 for 1994 and 45,817,762 for 1993. In September 1993, the Company declared a three-for-two stock split in the form of a stock dividend. Average shares and per share amounts have been adjusted to give effect to the dividend.

Net interest income for the first three months of 1994 was 1% higher than the amount for the comparable period in 1993 due to an increase of 5% in average earning assets which more than offset a 4% decline in net interest margin. Total noninterest income increased 24% due primarily to a \$3,137,000 gain on the sale of an asset which is included in other income. Total noninterest expenses, excluding the provision for loan losses, for the first quarter of 1994 increased 12% over the comparable period in 1993 due largely to a \$1,365,000 increase in charges for reserves against the carrying value of other real estate owned which is included in other expenses. The provision for loan losses for the first quarter of 1994 was \$1,822,000 compared to \$3,253,000 for the first quarter of 1993.

During the quarter ended March 31, 1994, non-performing assets decreased \$11,492,000 to \$74,523,000. Non-performing loans, one of the components of non-performing assets, decreased \$9,731,000 and other real estate owned, the other component, decreased \$1,761,000. Net charge-offs were \$49,000 in the first quarter of 1994 and \$1,453,000 in the comparable quarter of 1993. The allowance for loan losses was \$91,600,000 at March 31, 1994 or 166% of non-performing loans.

Average total deposits for the first three months were \$4,434,600,000, up 2% over the \$4,338,200,000 for the comparable period in 1993. Average total loans for the first three months of 1994 were \$3,545,000,000 which was 2% higher than in 1993.

8

<TABLE>

ANALYSIS 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 through the first three months of the year.

<CAPTION>

(Dollars in thousands)	1994			1993		
	Average Balance	Income*/Expense	Yield*/Rate	Average Balance	Income*/Expense	Yield*/Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earning assets						
Loans:						
Commercial.....	\$1,129,300	\$20,245	7.3%	\$1,090,600	\$20,036	7.5%
Mortgage and construction.....	1,667,700	33,953	8.3	1,613,100	34,366	8.6
Consumer.....	748,000	15,211	8.2	773,800	16,708	8.8
Total loans.....	3,545,000	69,409	7.9	3,477,500	71,110	8.3
Federal funds sold.....	2,700	21	3.2	8,200	59	2.9
Securities purchased under resale agreements.....	400	8	8.1	8,700	82	3.8
Securities:						
Taxable securities						
U.S. Treasury securities.....	1,661,600	21,399	5.2	1,479,000	21,299	5.8
U.S. Agency and other securities	600	12	8.1	3,300	68	8.4
Other stocks and bonds.....	5,300	76	5.8	4,900	99	8.2
Tax-exempt securities						
States and political subdivisions.....	2,900	72	10.1	5,700	144	10.2
Total securities.....	1,670,400	21,559	5.2	1,492,900	21,610	5.9
Interest-bearing deposits in other banks.....	600	12	8.1	900	17	7.7
Total earning assets.....	5,219,100	91,009	7.1	4,988,200	92,878	7.5
Cash and due from banks.....	180,000			180,800		
Bank premises and equipment, net.....	68,200			65,300		
Other assets.....	144,100			146,600		
Less: allowance for loan losses.....	(90,700)			(89,200)		

Total assets.....	\$5,520,700			\$5,291,700		
	-----			-----		
Interest-bearing liabilities						
Deposits:						
Savings deposits.....	\$2,329,300	14,801	2.6	\$2,237,500	16,468	3.0
Time deposits.....	1,289,000	13,643	4.3	1,350,800	15,050	4.5
	-----	-----		-----	-----	
Total interest-bearing deposits.....	3,618,300	28,444	3.2	3,588,300	31,518	3.6
Short-term borrowings.....	336,600	2,445	2.9	279,300	1,927	2.8
Long-term debt.....	32,200	536	6.8	15,000	293	7.9
	-----	-----		-----	-----	
Total interest-bearing funds..	3,987,100	31,425	3.2	3,882,600	33,738	3.5
	-----	-----		-----	-----	
Noninterest-bearing deposits.....	816,300			749,900		
Other liabilities and accrued expenses	54,500			50,400		
	-----			-----		
Total liabilities.....	4,857,900			4,682,900		
Stockholders' equity.....	662,800			608,800		
	-----			-----		
Total liabilities and stockholders' equity.....	\$5,520,700			\$5,291,700		
	-----			-----		
Net interest income.....		\$59,584			\$59,140	
		-----			-----	
Net interest rate spread.....			3.9%			4.0%
Effect of noninterest-bearing funds...			.7			.8
			-----			-----
Net interest margin on earning assets.			4.6%			4.8%
			-----			-----
			-----			-----
Taxable-equivalent adjustment included in:						
Loan income.....		\$ 697			\$ 789	
Investment securities income.....		46			78	
		-----			-----	
Total.....		\$ 743			\$ 867	
		-----			-----	

<FN>

\*Presented on a tax equivalent basis using the statutory federal corporate income tax rate of 35% for 1994 and 34% for 1993.

</TABLE>

MERCANTILE BANKSHARES CORPORATION

OFFICERS

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

Douglas W. Dodge  
Vice Chairman of the Board

Edward K. Dunn, Jr.  
President

Kenneth A. Bourne, Jr.  
Executive Vice President and Treasurer

Hugh W. Mohler  
Executive Vice

President

John A. O'Connor, Jr.  
Senior Vice President and Secretary

Robert W. Johnson  
Senior Vice President

O. James Talbott, II  
Senior Vice President

Brian B. Topping  
Vice President

Jerry F. Graham  
Vice President and  
Controller

#### DIRECTORS

H. Furlong Baldwin  
Chairman of the Board and Chief Executive Officer of Mercantile Bankshares  
Corporation and Chairman of the Board and Chief Executive Officer of  
Mercantile-Safe Deposit & Trust Company

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.  
President and Chief Executive Officer of Johns Hopkins Health System and The  
Johns Hopkins Hospital

George L. Bunting, Jr.  
President and Chief Executive Officer of Bunting Management Group

Douglas W. Dodge  
Vice Chairman of the Board of Mercantile Bankshares Corporation and  
President and Chief Operating Officer of Mercantile-Safe Deposit & Trust  
Company

Edward K. Dunn, Jr.  
President of Mercantile Bankshares Corporation and a Vice Chairman of the  
Board of Mercantile-Safe Deposit & Trust Company

B. Larry Jenkins  
Chairman of the Board, President and Chief Executive Officer of Monumental  
Life Insurance Company and a Senior Vice President of AEGON USA, Inc.

Robert D. Kunisch  
Chairman of the Board, President and Chief Executive Officer of PHH  
Corporation

William J. McCarthy  
Principal of William J. McCarthy, P.C., a Partner in the law firm of  
Venable, Baetjer and Howard

Morris W. Offit  
Chairman of the Board and Chief Executive Officer of OFFITBANK

Christian H. Poindexter  
Chairman of the Board and Chief Executive Officer of Baltimore Gas &  
Electric Company

William B. Potter  
Former Chairman of the Board, President and Chief Executive Officer of  
Preston Corporation

William C. Richardson  
President of The Johns Hopkins University

Bishop L. Robinson  
Secretary of the Department of Public Safety and Correctional Services for  
the State of Maryland

Donald J. Shepard  
Chairman of the Board, President and Chief Executive Officer of AEGON USA,  
Inc.



Brian B. Topping  
Vice President of Mercantile Bankshares Corporation and a Vice Chairman of  
the Board of Mercantile-Safe Deposit & Trust Company

Jay M. Wilson  
Former President  
of Steeltin Can  
Corporation

Calman J. Zamoiski, Jr.  
Chairman of the Board of Independent Distributors, Incorporated

10

#### CORPORATE INFORMATION

##### STRUCTURE/STRATEGY

Mercantile Bankshares Corporation is a multi-bank holding company with nineteen affiliate banks and a mortgage banking company. Each member bank operates as a community bank, with its own name, management, Board of Directors and tradition of community service.

While operating as a community bank, with a high degree of local autonomy and community identification, each affiliate is able to offer the more sophisticated services and outstanding financial strength of a major banking organization.

Our policy, across the affiliate system, is to establish ongoing customer relationships founded on service and to focus on those particular services we know how to perform well.

##### PERSONAL BANKING

The banking affiliates of Mercantile Bankshares Corporation have 143 retail banking offices providing personal banking services. Services include deposit vehicles such as checking accounts, NOW accounts, Money Market Deposit Accounts, Certificates of Deposit and Individual Retirement Accounts. Loans are made to individuals to meet a variety of consumer needs.

##### CORPORATE BANKING

Each of the Corporation's affiliates 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, accepting deposits, 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 non-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 are managed for non-profit institutions. The Trust Division is also investment advisor to M.S.D.&T. Funds, Inc., which provides a series of open-ended, no-load mutual funds.

##### MORTGAGE BANKING

Through offices in Maryland and Delaware, Mercantile Mortgage Corporation generates and services real estate mortgage loans and construction loans, as principal and as agent. Residential and commercial real estate appraisals are offered through an appraisal subsidiary.

---

#### STOCK INFORMATION

The common stock of Mercantile Bankshares Corporation is traded over-the-counter in the NASDAQ National Market System under the symbol MRBK.

#### 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 Corporation's Transfer Agent.

#### DIVIDEND DISBURSING AGENT AND

TRANSFER AGENT FOR STOCK  
Mercantile-Safe Deposit & Trust Company  
Corporate Trust Department  
2 Hopkins Plaza, P.O. Box 2258  
Baltimore, Maryland 21203  
410/237-5211

11

APPENDIX

Appearing at the top of page 2 of the First Quarter Report to Shareholders next to the heading "PRINCIPAL AFFILIATES", is the outline of a map of the state of Maryland, the eastern shore of Virginia and southern Delaware. Shown in the approximate geographic location of each bank affiliate's headquarters are the numbers 1 through 19 which correspond to the numerical listing of affiliates contained on the same page.