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MERCANTILE BANKSHARES CORP
Form 10-K
March 26, 2001

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

(Mark One)

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

For the fiscal year ended December 31, 2000

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
None

Name of each exchange on which registered
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock (\$2 par value)

(Title of class)
Stock Purchase Rights

(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports

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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, 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. [X]

At February 28, 2001, the aggregate market value of shares of Common Stock held by non-affiliates of Registrant (including fiduciary accounts administered by affiliates) was \$2,735,021,052 based on the last sale price on the Nasdaq National Market on February 28, 2001.

As of February 28, 2001, 71,121,636 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, 2000, as indicated, Part III - Definitive Proxy Statement of Registrant filed with the Securities and Exchange Commission under Regulation 14A.

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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.

Lead Bank and Affiliates

Mercantile-Safe Deposit and Trust Company Baltimore, Maryland
Mercantile Mortgage Corporation

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Hopkins Plaza Agency, Inc.
MBC Leasing Corp.
MBC Agency, Inc.
Mercantile Life Insurance Company

Community Banks -----

The Annapolis Banking and Trust Company	Annapolis, Maryland
Bank of Southern Maryland	LaPlata, Maryland
Calvert Bank and Trust Company	Prince Frederick, Maryland
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 Union Bank	Westminster, Maryland
Baltimore Trust Company	Selbyville, Delaware
Farmers & Merchants Bank - Eastern Shore	Onley, Virginia

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The National Bank of Fredericksburg	Fredericksburg, Virginia
Marshall National Bank and Trust Company	Marshall, Virginia

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, 2000, which information is incorporated by reference herein.

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

In 2000, Mercshares completed its acquisitions of Union National Bancorp, Inc., and the Bank of Fruitland. Both acquisitions were accounted for using the purchase method of accounting.

On July 14, 2000, Union National Bancorp's bank subsidiary merged into our affiliate, Westminster Union Bank. At the acquisition date, Union National had \$297 million in total assets, and 2,261,162 shares of Mercshares were issued in the acquisition.

The Bank of Fruitland was merged into our affiliate, Peninsula Bank, on December 1, 2000, with 1,100,000 shares of Mercshares common stock issued in the merger. The Bank of Fruitland had total assets of \$133 million at the time of the merger.

Operations -----

Mercantile-Safe Deposit and Trust Company and the Community Banks are

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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

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and other services. As of December 31, 2000, assets under the investment supervision of the Trust Division had an estimated value of \$14.3 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 \$21.5 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 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 Mercantile-Safe 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, 2000, which information is incorporated by reference herein: Note 15 of Notes to Financial Statements on page 44 of the Annual Report, and information under the caption "Segment Reporting" on page 12 of the Annual Report.

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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, 2000, as follows:

Disclosure Required by Guide 3	Reference to 2000 Annual Report
-----	-----
(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 (page 18)
(II) Investment Portfolio	Bond Investment Portfolio (page 15)
(III) Loan Portfolio	Year-End Loan Data (page 49)Loan Maturity Schedule (page 19)

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Asset/Liability and Liquidity Management (pages 20-22)
Non-performing Assets (page 18)
(IV) Summary of Loan Loss ExperienceAllowance for Loan Losses (pages 16-17) and Credit Risk Analysis (pages 14 and 16)
Allocation of Allowance for Loan Losses (page 17)
(V) DepositsAnalysis of Interest Rates and Interest Differentials (pages 8-9)
Notes to Financial Statements, Note 5 - Deposits (page 35)
(VI) Return on Equity and AssetsReturn on Equity and Assets (page 51)
(VII) Short-Term BorrowingsNotes to Financial Statements, Note 6 (page 36)

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Employees

At December 31, 2000, Mercshares and its Affiliates had approximately 777 officers and 2,202 other employees. Of these, Mercantile-Safe Deposit and Trust Company employed 413 officers and 641 other employees and the Community Banks had 364 officers and 1,537 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. Interstate banking is now an established part of the competitive environment.

While Mercshares is the second largest bank holding company headquartered in Maryland, it is the largest independent bank holding company in the state. Mercantile-Safe Deposit and Trust Company is the seventh largest commercial bank in Maryland. During 2000, Mercshares also competed with Maryland-based bank subsidiaries of the first, second, sixth and ninth 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 one of many competitors 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 \$44 million to \$681 million, at December 31, 2000. They face competition in their own local service areas as well as from the larger competitors mentioned above.

The enactment of recent federal legislation governing the financial services industry, discussed below, may have the effect of increasing competition among banks and other financial institutions.

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, has restricted activities of bank holding companies and their subsidiaries to banking, and the business of managing and controlling banks, and to other activities which have been 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 has also been 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

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under the Bank Holding Company Act of 1956, the Change in Bank Control Act of 1978 and various state laws.

1999 Federal Legislation

The enactment in November, 1999 of the Gramm-Leach-Bliley Act (the "1999 Act"), parts of which have become effective, represents the culmination of years of effort to repeal the provisions in the Banking Act of 1933 (generally known as "Glass Steagall") and restrictions in the Bank Holding Company Act of 1956 that, respectively, limited affiliations among, and overlapping business activities in, the banking, securities and insurance industries. Broadly speaking, through the establishment of a regulatory structure that permits a bank

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holding company to elect "financial holding company" status, the 1999 Act will permit, within a holding company system, a full range of banking, securities and insurance activities, including securities and insurance underwriting, as well as, with certain restrictions, merchant banking activities. The election is only available to bank holding companies whose bank and thrift subsidiaries are well capitalized, well managed, and have satisfactory Community Reinvestment Act ratings. With exceptions for insurance underwriting, merchant banking and real estate investment and development, the 1999 Act would also permit comparable expansion of national bank activities by banks meeting similar criteria, together with certain additional firewall and other requirements, through "financial subsidiaries" of national banks. Similarly, as a matter of Federal law, but still subject to State law, the 1999 Act greatly expands the potential financial activities of subsidiaries of State banks.

If Mercshares were to elect financial holding company status under the 1999 Act, it would be permitted to engage in the full range of securities and insurance activities authorized by the 1999 Act, including securities and insurance underwriting, as well as certain permitted merchant banking activities.

The 1999 Act is also intended to ensure that banking activities are regulated by bank regulators, securities activities are regulated by securities law regulators, and insurance activities are regulated by insurance regulators. In other words, it is intended to incorporate a system of functional regulation, although it retains the role of the Federal Reserve Board as the umbrella supervisor for holding companies. Consequently, effective May 12, 2001, various securities activities of banks will become subject to regulation by the Securities and Exchange Commission.

With respect to the functional regulation goal of the 1999 Act, various provisions are expected to have the effect of banks "pushing out" those securities activities that have now become subject to Securities and Exchange

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Commission regulation into separate brokerage subsidiaries or affiliates. Defined traditional banking activities, which include most of Mercantile-Safe Deposit and Trust Company's current Trust Division activities should not trigger Securities and Exchange Commission regulation or the so-called "push-out" process. However, Mercantile-Safe Deposit and Trust Company is forming and making the necessary applications to qualify two new subsidiaries to engage in securities activities. One is registering with the SEC as an investment adviser to serve the M.S.D.&T. family of mutual funds and certain other institutional

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accounts. The other is registering with the SEC as a broker-dealer to facilitate the purchase of shares of these mutual funds by bank customers and certain other potential activities.

Provisions of the 1999 Act require and anticipate extensive new regulations, many of which have already been promulgated or proposed.

It is not yet clear whether the 1999 Act and the implementation of functional regulation will have a material effect on the operations of Mercshares and its affiliates.

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

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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 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.

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.

Cautionary Statement

This Annual Report on Form 10-K 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. Examples are statements concerning possible acquisitions, competitive conditions, effects of monetary policy, and the potential impact of legislation. A similar cautionary statement, concerning the content of the Registrant's Annual Report to Stockholders for the year ended December 31, 2000, is contained in that Report.

With respect to effects of monetary policy, 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 earnings of the Affiliated Banks.

ITEM 2. PROPERTIES

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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, 2000, these offices occupied approximately 145,000 square feet (together with about 23,000 square feet leased in a nearby building). At December 31, 2000, 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, and a 7,000 square foot call center facility in Federalsburg, Maryland. The Linthicum and Federalsburg properties are owned by MBC Realty, LLC. Of the 18 banking and bank-related offices occupied by Mercantile-Safe Deposit and Trust Company, four

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are owned in fee, six are owned subject to ground leases and eight are leased with aggregate annual rentals of approximately \$1,398,000, not including rentals for the main office and adjacent premises owned by MBC Realty, LLC.

Of the 176 banking offices of the Community Banks, 99 are owned in fee, 18 are owned subject to ground leases and 59 are leased, with aggregate annual rentals of approximately \$3,247,000 as of December 31, 2000.

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:

Name	Position	Age
-----	-----	---
Edward J. Kelly, III	President and Chief Executive Officer	47
J. Marshall Reid (1)	President and Chief Operating Officer (Mercantile- Safe Deposit and Trust Company)	55
Jack E. Steil	Executive Vice President. Chairman - Credit Policy (Mercantile-Safe Deposit and Trust Company)	54
Alan D. Yarbro	General Counsel and Secretary	59
Terry L. Troupe	Chief Financial Officer and Treasurer	53
Robert W. Johnson	Senior Vice President	58
O. James Talbott, II	Senior Vice President	57

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(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.

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Effective March 1, 2001, Mr. Kelly succeeded H. Furlong Baldwin as President and Chief Executive of Mercshares and Chairman of the Board and Chief Executive Officer of Mercantile-Safe Deposit and Trust Company. Mr. Kelly served as Managing Director, Head of Global Financial Institutions, and as Co-Head of Investment Banking Client Management of J. P. Morgan, Chase & Co. during January, 2001. Prior thereto, during the past five years, he was a Managing Director of J. P. Morgan & Co. Incorporated and held the following additional positions with that Company: Head, Global Financial Institutions from February, 2000 through December, 2000; Co-Head, Global Financial Institutions and Head, Latin America Investment Banking from December, 1997 through February, 2000; Member, Global Investment Banking Committee from December, 1997 through December, 2000; and Co-Head, Financial Institutions (Americas) from February, 1996 through December, 1997.

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.

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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.

PART II

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

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 pages 23 and 24 of the Registrant's Annual Report to Stockholders for the year ended December 31, 2000.

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, 2000.

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, 2000.

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

The information required by this Item 7A is incorporated by reference to the information appearing under the captions "Asset/Liability and Liquidity Management", "Interest Rate Sensitivity Analysis" and "Earnings Simulation Model Projections" on pages 20-22 of the Registrant's Annual Report to Stockholders for the year ended December 31, 2000.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item 8 and the report of the independent accountants thereon are incorporated by reference to pages 25 to 48 of the Registrant's Annual Report to Stockholders for the year ended December 31, 2000.

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

FINANCIAL DISCLOSURE

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

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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

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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. (1) Articles of Incorporation effective May 27, 1969
(Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-39545, Exhibit 3-A(1)).

(2) Articles of Amendment effective June 6, 1969 (Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-39545, Exhibit 3-A(2)).

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- (3) Articles Supplementary effective August 28, 1970
(Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-39545, Exhibit 3-A(3)).
- (4) Articles of Amendment effective December 14, 1970
(Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-39545, Exhibit 3-A(4)).
- (5) Articles Supplementary effective May 10, 1971 (Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-39545, Exhibit 3-A(5)).
- (6) Articles Supplementary effective July 30, 1971 (Incorporated by reference to Registrant's Registration Statement on Form S-1, No. 2-41379, Exhibit 3-A(6)).
- (7) Articles of Amendment effective May 8, 1986 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, Exhibit 3-A(7), Commission File No. 0-5127).
- (8) Articles of Amendment effective April 27, 1988 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, Exhibit 3-A(8), Commission File No. 0-5127).
- (9) Articles Supplementary effective September 13, 1989
(Incorporated by reference to Registrant's Form 8-K filed September 27, 1989, Exhibit B attached to Exhibit 4-A, Commission File No. 0-5127).
- (10) Articles Supplementary effective January 3, 1990
(Incorporated by reference to Registrant's Form 8-K filed January 9, 1990, Exhibit B attached to Exhibit 4-A, Commission File No. 0-5127).
- (11) Articles of Amendment effective April 26, 1990 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, Exhibit 3-A(11), Commission File No. 0-5127).
- (12) Articles of Amendment effective April 30, 1997

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(Incorporated by reference to Registrant's Registration Statement on Form S-4, No. 333-43651, Exhibit 3(i)(L)).

- (13) Articles Supplementary effective June 9, 1999 (Incorporated by reference to Registrant's Registration Statement on Form S-8, No. 333-90307, Exhibit 4.1.M).
 - (14) Articles Supplementary effective September 30, 1999
(Incorporated by reference to Registrant's Registration Statement on Form S-8, No. 333-90307, Exhibit 4.1.N).
- B. By-Laws of the Registrant, as amended to date (Incorporated by reference to Registrant's Registration Statement on Form S-8, File No. 333-90307, Exhibit 4.2 and, for amendments adopted February 2, 2001, to Form 8-K of Registrant filed February 13,

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2001, Exhibit 3 B, Commission File No. 0-5127).

- (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 June 8, 1999 between Registrant and the Rights Agent, including Form of Rights Certificate and Articles Supplementary (Incorporated by reference to Form 8-K of Registrant filed June 11, 1999, Exhibit 4, Commission File No. 0-5127, and to Form 8-A of Registrant filed June 11, 1999, Exhibits 1, 2 and 3, Commission File No. 0-5127).
 - B. Amendment No. 1 to Registrant's Registration Statement on Form 8-B, amending description of securities previously filed (Incorporated by reference to Form 8 of Registrant 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 Form 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 Registrant's Registration Statement on Form

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S-3, 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 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998, Exhibit 10 C, Commission File No. 0-5127), as amended by Agreement dated January 18, 2000 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 10 C, Commission File No. 0-5127).
- 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), as amended by

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Agreement dated February 22, 2001 (filed herewith).

- E. Mercantile Bankshares Corporation and Participating Affiliates

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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), as amended by Agreement dated January 18, 2000 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 10 G, Commission File No. 0-5127).
- H. Mercantile Bankshares Corporation (1989) 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. Mercantile Bankshares Corporation 1999 Omnibus Stock Plan (Incorporated by reference to Registrant's Registration

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Statement on Form S-8, No. 333-90307, Exhibit 4.4).

- 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 (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 H. Furlong Baldwin (dated August 22, 1995), with respect to 120,000

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shares after a stock dividend paid in 1997, and as to which the Net Operating Income is 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

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(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. Mercantile Bankshares Corporation Option Agreement with J. Marshall Reid, dated August 21, 1995 (Incorporated by reference to Registrant's Annual Report of Form 10-K for the year ended December 31, 1998, Exhibit 10 R, Commission File No. 0-5127).
- R. Mercantile Bankshares Corporation Option Agreement with Jack E. Steil, dated August 21, 1995 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998, Exhibit 10 S, Commission File No. 0-5127).
- S. Mercantile Bankshares Corporation Option Agreement with Terry L. Troupe, dated September 10, 1996 (Incorporated by reference to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999, Exhibit 10 S, Commission File No. 0-5127).
- T. Agreement dated February 2, 2001, among Mercantile Bankshares Corporation, Mercantile-Safe Deposit and Trust Company and H. Furlong Baldwin (Incorporated by reference to Form 8-K of Registrant filed February 13, 2001, Exhibit 10 T, Commission File No. 0-5127).
- U. Executive Employment Agreement dated February 2, 2001, among Mercantile Bankshares Corporation, Mercantile-Safe Deposit and Trust Company and Edward J. Kelly, III (Incorporated by reference to Form 8-K of Registrant filed February 13, 2001, Exhibit 10 U, Commission File No. 0-5127).
- V. Executive Severance Agreement dated February 2, 2001, among Mercantile Bankshares Corporation, Mercantile-Safe Deposit and

Trust Company and Edward J. Kelly, III (Incorporated by reference to Form 8-K of Registrant filed February 13, 2001, Exhibit 10 V, Commission File No. 0-5127).

- W. Supplemental Retirement Agreement dated February 2, 2001, among Mercantile Bankshares Corporation, Mercantile-Safe Deposit and Trust Company and Edward J. Kelly, III (Incorporated by reference to Form 8-K of Registrant filed February 13, 2001, Exhibit 10 W, Commission File No. 0-5127).
- X. Mercantile Bankshares Corporation Option Agreement with Edward J. Kelly, III, dated March 2, 2001 (filed herewith).
- Y. Schedule and Form of Mercantile Bankshares Corporation Option Agreements entered into in 2000 with J. Marshall Reid (40,000 shares), Jack E. Steil (40,000 shares), Alan D. Yarbrow (25,000 shares) and Terry L. Troupe (20,000 shares) (filed herewith).

(13) Annual Report to security holders for the year ended December 31, 2000 (filed herewith).

(21) Subsidiaries of the Registrant

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

(23) Consent

Consent of Independent Accountants (filed herewith)

(24) Power of Attorney

Power of Attorney dated March 13, 2001 (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 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, 2000.

Consolidated Financial Statements and related notes are incorporated by reference to the Registrant's Annual Report to Stockholders for the year ended December 31, 2000, and may be found on the pages of said Report as indicated in parentheses:

- Consolidated Balance Sheets, December 31, 2000 and 1999 (page 26)
- Statement of Consolidated Income for the years ended December 31, 2000, 1999 and 1998 (page 27)
- Statement of Consolidated Cash Flows for the years ended December 31, 2000, 1999 and 1998 (pages 28 and 29)
- Statement of Changes in Consolidated Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998 (page 30)

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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, 2000.

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.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities 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/ Edward J. Kelly, III March 26, 2001

Edward J. Kelly, III, 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/ Edward J. Kelly, III March 26, 2001

Edward J. Kelly, III, President and Chief
Executive Officer

Principal Financial Officer

/S/ Terry L. Troupe March 26, 2001

Terry L. Troupe
Chief Financial Officer

Principal Accounting Officer

/S/ Diana Nelson March 26, 2001

Diana Nelson
Controller

A majority of the Board of Directors:

William J. McCarthy, George L. Bunting, Jr., Morton B. Plant, Richard O. Berndt, Robert A. Kinsley, Darrell D. Friedman, Donald J. Shepard, Christian H. Poindexter, William R. Brody, Mary Junck, Cynthia A. Archer.

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By: /S/ Edward J. Kelly, III

March 26, 2001

Edward J. Kelly, III
For Himself and as Attorney-in-Fact