

MERCANTILE BANKSHARES CORP
Form 10-Q
July 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005

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
(State or other jurisdiction of
incorporation or organization)

52-0898572
(I.R.S. Employer
Identification No.)

2 Hopkins Plaza

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Baltimore, Maryland 21201

(Address of principal executive offices) (Zip Code)

(410) 237-5900

(Registrant's telephone number, including area code)

NONE

(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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

As of July 22, 2005, 82,000,159 shares of registrant's Common Stock, \$2 par value per share, were outstanding.

MERCANTILE BANKSHARES CORPORATION

Quarterly Report on Form 10-Q

June 30, 2005

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

MERCANTILE BANKSHARES CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)	June 30, 2005	December 31, 2004	June 30, 2004
ASSETS			
Cash and due from banks	\$ 382,695	\$ 244,875	\$ 296,046
Interest-bearing deposits in other banks	200	158	158
Federal funds sold	95,102	101	125,000
Total cash and cash equivalents	477,997	245,134	421,204
Investment securities available-for-sale	2,960,275	2,908,694	2,935,462
Investment securities held-to-maturity fair value of \$18,788 (2005) \$21,094 (December 2004) and \$26,590 (June 2004)	18,056	20,176	25,663
Total investment securities	2,978,331	2,928,870	2,961,125
Loans held-for-sale	16,754	11,000	747
Loans:			
Commercial	2,867,315	2,813,325	2,715,173
Commercial real estate	3,585,592	3,122,701	2,918,642
Construction	1,560,149	1,268,350	1,129,208
Residential real estate	1,581,472	1,486,106	1,468,804
Consumer	1,713,674	1,484,583	1,472,300
Lease financing	56,104	53,368	57,983
Total loans	11,364,306	10,228,433	9,762,110
Less: allowance for loan losses	(157,101)	(149,002)	(158,431)
Loans, net	11,207,205	10,079,431	9,603,679
Bank premises and equipment, less accumulated depreciation of \$151,132 (2005), \$142,384 (December 2004) and \$156,722 (June 2004)	147,774	139,946	141,523
Other real estate owned, net	777	212	402
Goodwill	667,465	507,791	517,615
Other intangible assets, net	49,830	48,226	52,478
Other assets	546,861	465,080	431,372
Total assets	\$ 16,092,994	\$ 14,425,690	\$ 14,130,145
LIABILITIES			
Deposits:			
Noninterest-bearing deposits	\$ 3,293,344	\$ 3,049,031	\$ 3,043,242
Interest-bearing deposits	8,537,407	7,750,168	7,600,452
Total deposits	11,830,751	10,799,199	10,643,694
Short-term borrowings	1,192,782	887,857	891,879
Accrued expenses and other liabilities	140,390	129,996	115,705
Long-term debt	807,954	690,955	637,570
Total liabilities	13,971,877	12,508,007	12,288,848
COMMITMENTS and CONTINGENCIES			
SHAREHOLDERS 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 and outstanding shares - 81,982,375 (2005), 79,300,506 (December 2004) and 79,088,986 (June 2004)	163,965	158,601	158,178
Capital surplus	665,006	530,705	522,758
Retained earnings	1,302,869	1,231,102	1,168,462

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Accumulated other comprehensive loss		(10,723)		(2,725)		(8,101)
Total shareholders' equity		2,121,117		1,917,683		1,841,297
Total liabilities and shareholders' equity	\$	16,092,994	\$	14,425,690	\$	14,130,145

See notes to consolidated financial statements

MERCANTILE BANKSHARES CORPORATION

STATEMENTS OF CONSOLIDATED INCOME

(Dollars in thousands, except per share data)	For the 6 months ended June 30,		For the 3 months ended June 30,	
	2005	2004	2005	2004
INTEREST INCOME				
Interest and fees on loans	\$ 322,421	\$ 261,300	\$ 169,877	\$ 132,171
Interest and dividends on investment securities:				
Taxable interest income	50,366	53,566	25,374	26,165
Tax-exempt interest income	1,509	1,697	788	820
Other investment income	1,227	685	583	352
Total interest and dividends on investment securities	53,102	55,948	26,745	27,337
Other interest income	786	640	442	534
Total interest income	376,309	317,888	197,064	160,042
INTEREST EXPENSE				
Interest on deposits	56,689	40,640	31,384	19,873
Interest on short-term borrowings	9,526	2,899	5,484	1,480
Interest on long-term debt	14,644	10,460	7,829	5,205
Total interest expense	80,859	53,999	44,697	26,558
NET INTEREST INCOME	295,450	263,889	152,367	133,484
Provision for loan losses	756	4,779		2,353
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	294,694	259,110	152,367	131,131
NONINTEREST INCOME				
Investment and wealth management	47,837	44,919	23,780	22,936
Service charges on deposit accounts	21,514	21,673	11,088	10,981
Mortgage banking related fees	5,178	5,233	2,895	2,293
Investment securities gains	513	535	99	590
Nonmarketable investments	9,493	4,654	4,222	450
Other income	33,400	27,266	17,982	13,876
Total noninterest income	117,935	104,280	60,066	51,126
NONINTEREST EXPENSES				
Salaries	96,734	89,477	50,180	44,689
Employee benefits	23,853	23,441	11,956	10,928
Net occupancy expense of bank premises	13,779	11,879	6,857	5,819
Furniture and equipment expenses	15,203	14,937	7,924	7,573
Communications and supplies	8,059	8,499	4,019	4,195
Other expenses	46,438	38,520	22,977	20,163
Total noninterest expenses	204,066	186,753	103,913	93,367
Income before income taxes	208,563	176,637	108,520	88,890
Applicable income taxes	78,063	64,627	40,647	32,577
NET INCOME	\$ 130,500	\$ 112,010	\$ 67,873	\$ 56,313
NET INCOME PER SHARE OF COMMON STOCK:				
Basic	\$ 1.63	\$ 1.41	\$ 0.84	\$ 0.71
Diluted	\$ 1.62	\$ 1.40	\$ 0.84	\$ 0.71
DIVIDENDS PAID PER COMMON SHARE	\$ 0.73	\$ 0.68	\$ 0.38	\$ 0.35

See notes to consolidated financial statements

MERCANTILE BANKSHARES CORPORATION

STATEMENTS OF CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

For the 6 months ended June 30, 2005 and 2004

(Dollars in thousands, except per share data)	Total	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)
BALANCE, DECEMBER 31, 2003	\$ 1,841,441	\$ 159,545			