

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

MERCANTILE BANKSHARES CORP

Form 425

January 31, 2007

Filed by The PNC Financial Services Group, Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and

deemed filed pursuant to Rule 14a-12 of the Securities Exchange Act of 1934

Subject Company: Mercantile Bankshares Corporation

Commission File No. 0-5127

On January 31, 2007, Joseph C. Guyaux, President of The PNC Financial Services Group, Inc. (the Corporation), gave a presentation to investors at the Citigroup Financial Services Conference. This presentation was accompanied by a series of electronic slides that include information pertaining to the financial results and business strategies of the Corporation. A copy of the slides follows below.

The PNC Financial Services Group, Inc.
Citigroup
Financial Services Conference
January 31, 2007
EXHIBIT 99.1

This presentation contains forward-looking statements regarding our outlook or expectations relating to PNC's future business, operations, financial condition, financial performance and asset quality. Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time.

The forward-looking statements in this presentation are qualified by the factors affecting forward-looking statements identified in the more detailed Cautionary Statement included in the Appendix, which is in the version of the presentation materials posted on our corporate website at www.pnc.com

under About PNC
Investor Relations.

We provide greater detail regarding those factors in our 2005 Form 10-K, including in the Risk Factors and Risk Management sections, and in our 2006 Form 10-Qs and other SEC reports (accessible on the SEC's website at www.sec.gov and on or through our corporate website).

Future events or circumstances may change our outlook or expectations and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. The forward-looking statements in this presentation speak only as of the date of this presentation. We do not assume any duty and do not undertake to update those statements.

In
this
presentation,
we
will
sometimes
refer
to
adjusted
results
to
help
illustrate
(1)
the
impact
of
BlackRock
deconsolidation
near
the
end
of
third
quarter
2006
and
the
application
of
the
equity
method
accounting
for
our
investment
in
BlackRock
and
(2)

the
impact
of
certain
significant
2006
items
due
to
the
magnitude
of
the
aggregate
of
these
items.
These
items
include
the
BlackRock/MLIM
transaction
gain
and
integration
costs
and
the
costs
of
balance
sheet
repositionings
that
we
have
disclosed
earlier.
We
provide
details
of
the
adjustments
in
the
Appendix.
While
we

have
not
provided
other
adjustments
for
the
periods
discussed,
this
is
not
intended
to
imply
that
there
could
not
have
been
other
similar
types
of
adjustments,
but
any
such
adjustments
would
not
have
been
similar
in
magnitude
to
the
amount
of
the
adjustments
shown.

This presentation may also include a discussion of non-GAAP financial measures, which, to the extent not so qualified therein or in the Appendix, is qualified by GAAP reconciliation information available on our corporate website at www.pnc.com under "About PNC -

Investor Relations.

Cautionary Statement Regarding
Forward-Looking Information

Today's Discussion

PNC overview

Retail Banking

-

High performing model

-

Our framework for winning in 2007

-
Investing to drive growth

Record net income
Closed on BlackRock/Merrill
transaction
\$1.6 billion increase
in capital
Strong client activity
business

segment earnings* grew 9%

Balance sheet well positioned for

this interest rate environment

Overall asset quality remained

very strong

Mercantile acquisition will continue

expansion into attractive region

Total business segment earnings are reconciled to

total GAAP consolidated earnings in the attached Appendix

2006 Highlights

Net income

\$2.6 billion

Net income adjusted

\$1.5 billion

ROCE

28%

ROCE adjusted

16%

Noninterest income

to total revenue

74%

Noninterest

income

to total revenue adjusted

61%

Loans to deposits

76%

Loans to deposits as of December 31, 2006

*

Adjusted net income and ROCE exclude the after-tax gain on BlackRock/MLIM transaction of \$1.293 billion, the securities portfolio rebalancing after-tax loss of \$127 million, BlackRock/MLIM integration costs of \$47 million after-tax, and the mortgage loan portfolio repositioning after-tax loss of \$31 million due to the magnitude of the aggregate of those items and are reconciled to GAAP in the Appendix.

(1)

(2)

(1)

(2)

(1)

2006 Financial Highlights

(3)

Reconciled to GAAP in Appendix

(3)

Regional, National and International Businesses
International investment management:
BlackRock

with offices in 18 countries
PNC
A Diversified Financial

Services Company
Business Leadership
Retail Banking

-

A leading community bank in PNC major markets

-

Top 10 SBA lender in the U.S.

-

One of the nation's largest bank wealth management firms

Corporate & Institutional Banking

-

Top 10 Treasury Management business

-

The nation's second largest lead arranger of asset-based loan syndications

-

Harris Williams -
one of the nation's
largest M&A advisory firms for middle-market companies

BlackRock

-

A global asset management company with over \$1.1 trillion in assets under management

PFPC

-

Among the largest providers of mutual fund transfer agency and accounting and administration services in the U.S.

PNC Bank Branches

PNC Employees / Offices Outside of Retail Footprint

IN

OH

PA

KY

NJ

DE

VA

DC

MD

Winning in
the

Payments

Space

A Premier

Middle-

market

Franchise
A Leading
Global
Servicing
Platform
World Class
Asset
Manager
International fund processing:
PFPC
with offices in U.S., Ireland & Luxembourg

\$0
\$200
\$400
\$600
\$800
\$1,000
Business Results

Twelve Months Ended December 31, 2006

Retail Banking

Corporate &

Institutional Banking

BlackRock

PFPC

Business earnings, earnings growth and return on capital reconciled to GAAP net income, growth and returns in attached Appendix

Percentage for PFPC reflects return on average equity.

Certain prior period amounts have been reclassified to conform with the current period presentation.

Business Earnings *

\$ millions

*

(1)

Return on

Average

Capital

(1)

26%

23%

N/A

29%

PNC's High Return Business Mix

Total business

segment earnings

grew 9% compared to

the twelve months

ended 12/31/05

\$124

\$187

\$463

\$765

2006 Retail Banking Revenue Generated by Product Segment

Retail Bank's Deposit Franchise is a

Primary Source of Revenue

Trust &

Brokerage

21%

Loans

19%
Deposits
60%

Retail Banking Model is Relationship
Driven
The payments system
Acquisition, retention and growth of
checking relationships
Capturing increased share of investable
assets

Opportunistically generating value-added
loans
Focused on:
Focused on:

Retail Banking Model Has Been
Delivering Superior Results
Expanding Relationships
Growing Earnings
Improving Efficiency
\$37
\$39

\$43

\$46

\$16

\$20

\$23

\$24

2003

2004

2005

2006

Average Deposits

Average Loans

63%

62%

60%

58%

2003

2004

2005

2006

Efficiency Ratio

\$566

\$610

\$682

\$765

2003

2004

2005

2006

Earnings

Certain prior period amounts have been reclassified to conform with the current period presentation.

Retail Banking
Framework for Winning in 2007
Deliver Our Brand Promise of
Ease and Confidence to Create
a Sustainable Competitive
Advantage and Win for Our
Stakeholders

Empowered, Committed
Employees
Exceptional
Customer Service
Retain and Grow
Payments Business
Customer Leverage
Manage Risk
Community
Involvement
Operational Leverage

2006 DDA Customer Acquisition by Channel
Multiple Channels Drive Checking
Acquisition
Existing
Branches
63%
New

Branches

8%

Workplace &
University

28%

Web,
NFSC, etc.

1%

Expanding investment in
new branches

Upgrading our existing
branch facilities

Increasing commitment to
alternative channels

The Web as an expanded
acquisition channel

0.0
0.5
1.0
1.5
2.0
2003
2004

2005

2006

Increasing and Deepening Checking Relationships

Retail Banking

Checking Customer Base

millions

December 31

Small Business

Consumer

Small Business

Small Business debit

card revenue (\$ millions)

\$12.3

+24%

Small Business online

banking users

48%

+17%

Consumer

Consumer debit card

revenue (\$ millions)

\$100.6

+17%

Consumer online

banking users

53%

+10%

Consumer online

bill-pay users

23%

+97%

Provides Opportunities to Leverage Increased Ownership in Payments Business

Growth

(1)

Growth is for FY 2006 vs. FY 2005

Reflects growth in users

FY

2006

(2)

(2)

(2)

(1)

(2)

Differentiated Customer Experience
PNC
Bank
received
the
highest
numerical

score
in
the
proprietary
J.D.
Power
and
Associates
2006
Small
Business
Banking
Satisfaction
StudySM.
Study
based
on
4,996
total
responses,
measuring
13
financial
institutions
and
measures
opinions
of
small
business
customers
with
annual
revenues
from
\$100,000
to
\$10
million.
Proprietary
study
results
are
based
on
experiences
and
perceptions
of
customers

surveyed
in
July

September
2006.

Your
experiences
may
vary.

Visit
jdpower.com.

Highest in Customer Satisfaction
with Small Business Banking

PNC Ranked Highest in Inaugural J.D. Power and Associates Small Business Banking Satisfaction Study

Human Sigma program

-

Measurement, intervention and reward approach to
improving customer and employee engagement

Service excellence program

-

Focused on problem reduction and process

simplification

Employee selection, retention and development

-

Developing talented, motivated, committed and successful employees

Initiatives to Further Differentiate the

Customer Experience

Banking made easy
Mortgage origination
Credit card
Merchant services
Private Client Group
Investing to Drive Growth
Recent Investments

Focused on Winning in the Affluent

Segment

Mass Market

Affluent

Low

High

Opportunity

Ultra-

Affluent

Mass Affluent Customer Defined:

Mass Affluent Customer Defined:

Investable

assets from

\$100,000 to \$1,000,000

682,000 existing PNC

households (32%)

67% of consumer deposit

base

Mass Affluent

Percentages in definition are as of December 31, 2006

Banking made easy
Mortgage origination
Credit card
Merchant services
Private Client Group
Expanded 2007 marketing
program

Enhancing pnc.com
Remote check capture
Simplified business checking
New branches
M&A activity -
Mercantile
Investing to Drive Growth
Continuing Investments
Recent Investments

Success in Greater Washington, DC Market
Highlights Scalability of Model
Demonstrating Ease of PNC
Client retention exceeded
plan
Leveraging successful
technology platform

Extended hours
Free ATMs
Established Business
Banking team
Improved Monthly Same Store
Sales Production for
PNC's Greater Washington Market
Increase
December '06 vs
December '05
Consumer
Checking relationships
+14%
Average deposits
+6%
Average home equity loans
+17%
Small Business
Checking relationships
+24%
Average deposits
+23%
Average loans
+140%

Mercantile Acquisition Will Create a
Mid-Atlantic Powerhouse
Existing PNC Mid-Atlantic Branch Locations
Existing Mercantile Branch Locations
West Virginia
West Virginia
Virginia

Virginia
Maryland
Maryland
Delaware
Delaware
New Jersey
New Jersey
New York
New York
Pennsylvania
Pennsylvania
Combined Pro forma
Combined Pro forma
Market Share
Market Share
(1)
(1)
69% of PNC Pro forma Branches Located in the Mid-Atlantic Region
Deposit market share data as of 6/30/06
(1)
Maryland
Branches
203
Deposit market share
2
nd
Virginia
Branches
59
Deposit market share
6
th
Delaware
Branches
50
Deposit market share
2
nd
Washington, DC
Branches
32
Deposit market share
4
th

Fast Growing and Affluent Region
PNC -
78 county footprint
Mercantile
38 county footprint
Source: SNL DataSource
PNC

MRBK

PNC

MRBK

PNC

MRBK

Median Household

Median Household

Income

Income

Projected 5-Year Growth

Projected 5-Year Growth

Household

Household

Income

Income

Population

Population

\$58,648

\$69,363

18.8%

16.9%

2.1%

10.0%

\$51,546

17.8%

6.7%

U.S.

U.S.

U.S.

Mercantile Opportunity

Distribute broader deposit product set and increase

Mercantile s

online banking penetration

Provide enhanced consumer offerings such as home equity
and credit card lending

Leverage PNC s small business technology capabilities across

Mercantile s
banking footprint
Expand scale and product capability of Mercantile s
Wealth
Management business
Deliver PNC Treasury Management, Capital Markets and other
corporate services to Mercantile s
corporate customers
Expand the coverage of corporate customers
Retail Banking
Retail Banking
Corporate & Institutional Banking
Corporate & Institutional Banking

Integration -
Top Priority is Retaining
Leadership and Clients
November
December
January
February

March
April
May
June
July
August
September
Discovery and
Integration Strategy
Development
Systems
Testing
Mock Conversion
Weekend
Integration
Strategies
Final
Bank
Conversion
1
st
Quarter 07
Regulatory & Shareholder Approvals
Closing
Oct 06
Sep 07
Develop Go to Market Strategy
Employee Communications and Training
Ongoing Customer Communications
Key Milestones
October

Summary

Achieved remarkable 2006 results
Built a differentiated Retail Banking
franchise
Designed strategies for winning in a
difficult retail banking environment
Investing to drive growth

We
make
statements
in
this
presentation,
and

we
may
from
time
to
time
make
other
statements,
regarding
our
outlook
or
expectations
for
earnings,
revenues,
expenses
and/or
other
matters
regarding
or
affecting
PNC
that
are
forward-looking
statements
within
the
meaning
of
the
Private
Securities
Litigation
Reform
Act.
Forward-looking
statements
are
typically
identified
by
words
such
as
believe,
expect,

anticipate,
intend,
outlook,
estimate,
forecast,
project
and
other
similar
words
and
expressions.
Forward-looking
statements
are
subject
to
numerous
assumptions,
risks
and
uncertainties,
which
change
over
time.
Forward-looking
statements
speak
only
as
of
the
date
they
are
made.
We
do
not
assume
any
duty
and
do
not
undertake
to
update
our

forward-looking
statements.

Because
forward-looking
statements
are
subject
to
assumptions
and
uncertainties,
actual
results
or
future
events
could
differ,
possibly
materially,
from
those
that
we
anticipated
in
our
forward-looking
statements,
and
future
results
could
differ
materially
from
our
historical
performance.

Our
forward-looking
statements
are
subject
to
the
following
principal
risks
and

uncertainties.

We provide greater detail regarding some of these factors in our Form 10-K for the year ended December 31, 2005 and in our 2006 Form 10-Qs, including in the Risk Factors and Risk Management sections of those reports. Our forward-looking statements may also be subject to other risks and

uncertainties,
including
those
that
we
may
discuss
elsewhere
in
this
presentation
or
in
our
filings
with
the
SEC,
accessible
on
the
SEC's
website
at
www.sec.gov
and
on
or
through
our
corporate
website
at
www.pnc.com
under
About
PNC

Investor
Relations

Financial
Information.

Our
business
and
operating
results
are

affected
by
business
and
economic
conditions
generally
or
specifically
in
the
principal
markets
in
which
we
do
business.

We
are
affected
by
changes
in
our
customers
financial
performance,
as
well
as
changes
in
customer
preferences
and
behavior,
including
as
a
result
of
changing
economic
conditions.

The
value
of
our

assets
and
liabilities
as
well
as
our
overall
financial
performance
are
affected
by
changes
in
interest
rates
or
in
valuations
in
the
debt
and
equity
markets.
Actions
by
the
Federal
Reserve
and
other
government
agencies,
including
those
that
impact
money
supply
and
market
interest
rates,
can
affect
our
activities
and

financial
results.

Competition
can
have
an
impact
on
customer
acquisition,
growth
and
retention,
as
well
as
on
our
credit
spreads
and
product
pricing,
which
can
affect
market
share,
deposits
and
revenues.

Our
ability
to
implement
our
One
PNC
initiative,
as
well
as
other
business
initiatives
and
strategies
we

may
pursue,
could
affect
our
financial
performance
over
the
next
several
years.

Our
ability
to
grow
successfully
through
acquisitions
is
impacted
by
a
number
of
risks
and
uncertainties
related
both
to
the
acquisition
transactions
themselves
and
to
the
integration
of
the
acquired
businesses
into
PNC
after
closing.
These
uncertainties

are
present
in
transactions
such
as
our
pending
acquisition
of
Mercantile
Bankshares
Corporation.
Cautionary Statement Regarding
Forward-Looking Information

Legal
and
regulatory
developments
could
have

an
impact
on
our
ability
to
operate
our
businesses
or
our
financial
condition
or
results
of
operations
or
our
competitive
position
or
reputation.
Reputational
impacts,
in
turn,
could
affect
matters
such
as
business
generation
and
retention,
our
ability
to
attract
and
retain
management,
liquidity
and
funding.
These
legal
and
regulatory

developments
could
include:
(a)
the
unfavorable
resolution
of
legal
proceedings
or
regulatory
and
other
governmental
inquiries;
(b)
increased
litigation
risk
from
recent
regulatory
and
other
governmental
developments;
(c)
the
results
of
the
regulatory
examination
process,
our
failure
to
satisfy
the
requirements
of
agreements
with
governmental
agencies,
and
regulators
future
use

of
supervisory
and
enforcement
tools;
(d)
legislative
and
regulatory
reforms,
including
changes
to
laws
and
regulations
involving
tax,
pension,
and
the
protection
of
confidential
customer
information;
and
(e)
changes
in
accounting
policies
and
principles.

Our
business
and
operating
results
are
affected
by
our
ability
to
identify
and
effectively
manage

risks
inherent
in
our
businesses,
including,
where
appropriate,
through
the
effective
use
of
third-party
insurance
and
capital
management
techniques.

Our
ability
to
anticipate
and
respond
to
technological
changes
can
have
an
impact
on
our
ability
to
respond
to
customer
needs
and
to
meet
competitive
demands.

The
adequacy
of

our
intellectual
property
protection,
and
the
extent
of
any
costs
associated
with
obtaining
rights
in
intellectual
property
claimed
by
others,
can
impact
our
business
and
operating
results.

Our
business
and
operating
results
can
be
affected
by
widespread
natural
disasters,
terrorist
activities
or
international
hostilities,
either
as
a
result
of

the
impact
on
the
economy
and
financial
and
capital
markets
generally
or
on
us
or
on
our
customers,
suppliers
or
other
counterparties
specifically.

Also,
risks
and
uncertainties
that
could
affect
the
results
anticipated
in
forward-looking
statements
or
from
historical
performance
relating
to
our
interest
in
BlackRock,
Inc.
are
discussed

in
more
detail
in
BlackRock's
2005
Form
10-K,
including
in
the
Risk
Factors
section,
and
in
BlackRock's
other
filings
with
the
SEC,
accessible
on
the
SEC's
website
and
on
or
through
BlackRock's
website
at
www.blackrock.com.
In
addition,
our
pending
acquisition
of
Mercantile
Bankshares
presents
us
with
a
number
of
risks

and
uncertainties
related
both
to
the
acquisition
transaction
itself
and
to
the
integration
of
the
acquired
businesses
into
PNC
after
closing.
These
risks
and
uncertainties
include
the
following:

Completion
of
the
transaction
is
dependent
on,
among
other
things,
receipt
of
regulatory
and
Mercantile
shareholder
approvals,
the
timing
of
which

cannot
be
predicted
with
precision
at
this
point
and
which
may
not
be
received
at
all.
The
impact
of
the
completion
of
the
transaction
on
PNC's
financial
statements
will
be
affected
by
the
timing
of
the
transaction.

The
transaction
may
be
more
expensive
to
complete
than
anticipated,
including
as

a
result
of
unexpected
factors
or
events.

Cautionary Statement Regarding
Forward-Looking Information (continued)

The
integration
of
Mercantile's
business
and

operations
with
those
of
PNC,
which
will
include
conversion
of
Mercantile's
different
systems
and
procedures,
may
take
longer
than
anticipated,
may
be
more
costly
than
anticipated,
and
may
have
unanticipated
adverse
results
relating
to
Mercantile's
or
PNC's
existing
businesses.

The
anticipated
benefits,
including
anticipated
strategic
gains
and
anticipated
cost

savings
and
other
synergies
of
the
transaction,
may
be
significantly
harder
or
take
longer
to
be
realized
than
anticipated
or
may
not
be
achieved
in
their
entirety,
including
as
a
result
of
unexpected
factors
or
events,
and
attrition
in
key
client,
partner
and
other
relationships
relating
to
the
transaction
may

be
greater
than
expected.

The
anticipated
benefits
to
PNC
are
dependent
in
part
on
Mercantile's
business
performance
in
the
future,
and
there
can
be
no
assurance
as
to
actual
future
results,
which
could
be
impacted
by
various
factors,
including
the
risks
and
uncertainties
generally
related
to
PNC's
and
Mercantile's

performance
(with
respect
to
Mercantile,
see
Mercantile's
SEC
reports,
accessible
on
the
SEC's
website)
or
due
to
factors
related
to
the
acquisition
of
Mercantile
and
the
process
of
integrating
it
into
PNC.
In
addition
to
the
pending
Mercantile
Bankshares
transaction,
we
grow
our
business
from
time
to
time
by
acquiring

other
financial
services
companies.
Acquisitions
in
general
present
us
with
risks
other
than
those
presented
by
the
nature
of
the
business
acquired.
In
particular,
acquisitions
may
be
substantially
more
expensive
to
complete
(including
as
a
result
of
costs
incurred
in
connection
with
the
integration
of
the
acquired
company)
and
the

anticipated
benefits
(including
anticipated
cost
savings
and
strategic
gains)
may
be
significantly
harder
or
take
longer
to
achieve
than
expected.
In
some
cases,
acquisitions
involve
our
entry
into
new
businesses
or
new
geographic
or
other
markets,
and
these
situations
also
present
risks
resulting
from
our
inexperience
in
these
new
areas.

As
a
regulated
financial
institution,
our
pursuit
of
attractive
acquisition
opportunities
could
be
negatively
impacted
due
to
regulatory
delays
or
other
regulatory
issues.
Regulatory
and/or
legal
issues
related
to
the
pre-acquisition
operations
of
an
acquired
business
may
cause
reputational
harm
to
PNC
following
the
acquisition
and
integration
of
the
acquired

business
into
ours
and
may
result
in
additional
future
costs
and
expenses
arising
as
a
result
of
those
issues.
Any
annualized,
proforma,
estimated,
third
party
or
consensus
numbers
in
this
presentation
are
used
for
illustrative
or
comparative
purposes
only
and
may
not
reflect
actual
results.
Any
consensus
earnings
estimates
are

calculated
based
on
the
earnings
projections
made
by
analysts
who
cover
that
company.
The
analysts
opinions,
estimates
or
forecasts
(and
therefore
the
consensus
earnings
estimates)
are
theirs
alone,
are
not
those
of
PNC
or
its
management,
and
may
not
reflect
PNC's,
Mercantile's
or
other
company's
actual
or
anticipated
results.

Cautionary Statement Regarding

Forward-Looking Information (continued)

The
PNC
Financial
Services
Group,
Inc.
and

Mercantile
Bankshares
Corporation
have
filed
a
proxy
statement/prospectus
and
other
relevant
documents
concerning
the
merger
with
the
United
States
Securities
and
Exchange
Commission
(the
SEC).

WE
URGE
INVESTORS
TO
READ
THE
PROXY
STATEMENT/PROSPECTUS
AND
ANY
OTHER
DOCUMENTS
FILED
WITH
THE
SEC
IN
CONNECTION
WITH
THE
MERGER
OR
INCORPORATED
BY
REFERENCE

IN
THE
PROXY
STATEMENT/PROSPECTUS
BECAUSE
THEY
CONTAIN
IMPORTANT
INFORMATION.

Investors
may
obtain
these
documents
free
of
charge
at
the
SEC's
website
(www.sec.gov).

In
addition,
documents
filed
with
the
SEC
by
The
PNC
Financial
Services
Group,
Inc.
are
available
free
of
charge
from
Shareholder
Relations
at
(800)
843-2206.
Documents
filed
with

the
SEC
by
Mercantile
Bankshares
are
available
free
of
charge
from
Mercantile
Bankshares
Corporation,
2
Hopkins
Plaza,
P.O.
Box
1477,
Baltimore,
Maryland
21203,
Attention:
Investor
Relations.
The
directors,
executive
officers,
and
certain
other
members
of
management
and
employees
of
Mercantile
Bankshares
Corporation
are
participants
in
the
solicitation
of
proxies
in

favor
of
the
merger
from
the
shareholders
of
Mercantile
Bankshares
Corporation.
Information
about
the
directors
and
executive
officers
of
Mercantile
Bankshares
Corporation
is
set
forth
in
the
proxy
statement
for
its
2006
annual
meeting
of
shareholders,
which
was
filed
with
the
SEC
on
March
29,
2006.
Additional
information
regarding
the

interests
of
such
participants
is
included
in
the
proxy
statement/prospectus
filed
with
the
SEC.

Additional Information About
The PNC/Mercantile Transaction

Appendix

Non-GAAP to GAAP
Reconcilement
Net interest income
\$2,245
(\$10)
\$2,235
Noninterest income

6,327
 (\$1,824)
 (1,087)
 \$144
 3,560
 Total revenue
 8,572
 (1,824)
 (1,097)
 144
 5,795
 Noninterest expense
 4,443
 (91)
 (765)
 3,587
 Pretax, pre-provision income
 4,129
 (1,733)
 (332)
 144
 2,208
 Provision
 124
 124
 Income before minority interest
 and income taxes
 4,005
 (1,733)
 (332)
 144
 2,084
 Minority interest in income of BlackRock
 47
 18
 (65)
 -
 Income taxes
 1,363
 (663)
 (130)
 7
 577
 Net income
 \$2,595
 (\$1,088)
 (\$137)
 \$137
 \$1,507
 Reported,

GAAP

Basis

Adjustments

(b)

\$ millions (except per share data)

Appendix

Income Statement and Selected Ratios

(a)

Year Ended December 31, 2006

BlackRock

Deconsolidation &

Other Adjustments

As Adjusted

BlackRock

Equity Method

(c)

The

table

above

represents

a

reconciliation

of

certain

GAAP

disclosures

to

adjusted

amounts

for

the

year

ended

December

31,

2006.

This

reconciliation

is

provided

for

informational

purposes

only

and

reflects

historical

consolidated

financial

information
of
PNC
(1)
with
amounts
adjusted
for
the
impact
of
certain
significant
2006
items
and
(2)
as
if
we
had
recorded
our
investment
in
BlackRock
on
the
equity
method
for
all
of
2006.
We
have
provided
these
adjusted
amounts
and
reconciliation
so
that
shareholders,
investor
analysts,
regulators
and
others will

be
better
able
to
evaluate
the
impact
of
certain
significant
items
on
our
GAAP
results
for
the
twelve
months
ended
December
31,
2006
in
addition
to
providing
a
basis
of
comparability
for
the
impact
of
BlackRock.
This
information
supplements
our
results
as
reported
in
accordance with
GAAP
and
should
not
be

viewed
in
isolation
from,
or
as
a
substitute
for,
our
GAAP
results.
The
absence
of
other
adjustments
is
not
intended
to
imply
that
there
could
not
have
been
other
similar
types
of
adjustments,
but
any
such
adjustments
would
not
have
been
similar
in
magnitude
to
the
amount
of
the
adjustments

shown.
Our
third
quarter
2006
Form
10-Q
includes
additional
information
regarding
our
BlackRock/Merrill
Lynch
Investment
Managers
transaction
accounting,
securities
portfolio
rebalancing
and
mortgage
loan
portfolio
repositioning.
Includes
the
impact
of
the
following
items,
all
on
a
pretax
basis:
\$2,078
million
gain
on
BlackRock/MLIM
transaction,
\$196
million
securities
portfolio
rebalancing
loss,

\$101 million of BlackRock/MLIM transaction integration costs, and \$48 million mortgage loan portfolio repositioning loss. BlackRock investment revenue represents PNC's ownership interest in earnings of BlackRock excluding our share of pretax BlackRock/MLIM transaction integration costs totaling \$101 million. The income taxes amount represents additional income taxes recorded by PNC related

to
BlackRock
earnings.

- (a)
- (b)
- (c)

Non-GAAP to GAAP
Reconcilement
Noninterest
income
\$6,327
(\$1,824)
(\$1,087)

\$144
\$3,560
Total revenue
\$8,572
(\$1,824)
(\$1,097)
\$144
\$5,795
Net income
\$2,595
(\$1,088)
(\$137)
\$137
\$1,507
Average common shareholders
equity
\$9,275
\$9,275
Return on average common
shareholders
equity
27.97%
16.24%
Noninterest
income to total revenue
74%
61%
Reported,
GAAP
Basis
\$ millions (except per share data)
Appendix
Income Statement and Selected Ratios
(a)

Year Ended December 31, 2006

BlackRock
Deconsolidation &
Other Adjustments
As Adjusted
Adjustments

(b)
BlackRock
Equity Method

(c)
The
table
above
represents

a

reconciliation
of
certain
GAAP
disclosures
to
adjusted
amounts
for
the
year
ended
December
31,
2006.
This
reconciliation
is
provided
for
informational
purposes
only
and
reflects
historical
consolidated
financial
information
of
PNC
(1)
with
amounts
adjusted
for
the
impact
of
certain
significant
2006
items
and
(2)
as
if
we
had
recorded

our
investment
in
BlackRock
on
the
equity
method
for
all
of
2006.
We
have
provided
these
adjusted
amounts
and
reconciliation
so
that
shareholders,
investor
analysts,
regulators
and
others will
be
better
able
to
evaluate
the
impact
of
certain
significant
items
on
our
GAAP
results
for
the
twelve
months
ended
December
31,

2006
in
addition
to
providing
a
basis
of
comparability
for
the
impact
of
BlackRock.
This
information
supplements
our
results
as
reported
in
accordance with
GAAP
and
should
not
be
viewed
in
isolation
from,
or
as
a
substitute
for,
our
GAAP
results.
The
absence
of
other
adjustments
is
not
intended
to
imply

that
there
could
not
have
been
other
similar
types
of
adjustments,
but
any
such
adjustments
would
not
have
been
similar
in
magnitude
to
the
amount
of
the
adjustments
shown.
Our
third
quarter
2006
Form
10-Q
includes
additional
information
regarding
our
BlackRock/Merrill
Lynch
Investment
Managers
transaction
accounting,
securities
portfolio
rebalancing
and

mortgage
loan
portfolio
repositioning.
Includes
the
impact
of
the
following
items,
all
on
a
pretax
basis:
\$2,078
million
gain
on
BlackRock/MLIM
transaction,
\$196
million
securities
portfolio
rebalancing
loss,
\$101
million
of
BlackRock/MLIM
transaction
integration
costs,
and
\$48
million
mortgage
loan
portfolio
repositioning
loss.
BlackRock
investment
revenue
represents
PNC's
ownership
interest

in
earnings
of
BlackRock
excluding
our
share
of
pretax
BlackRock/MLIM
transaction
integration
costs
totaling
\$101
million.
The
income
taxes
amount
represents
additional
income
taxes
recorded
by
PNC
related
to
BlackRock
earnings.
(a)
(b)
(c)

Retail Banking

\$765

\$682

12%

26%

Corporate & Institutional Banking

463

480
 (4)%
 23%
 BlackRock (a)(b)(c)
 187
 152
 23%
 N/A
 PFPC
 (e)
 124
 104
 19%
 29%
 Total business segment earnings
 1,539
 1,418
 9%
 Other
 (c)(d)
 1,056
 (93)
 Total consolidated net income
 \$2,595
 \$1,325
 96%
 28%

Earnings (Loss)

\$ millions

Year Ended December 31

2006

2005

Growth

(a)

PNC's ownership interest in BlackRock was approximately 69%-70% for 2005 and through the first nine months of 2006. Effective September 29, 2006, PNC's ownership interest in BlackRock dropped to approximately 34%.

(b)

These amounts have been reduced by minority interest in income of BlackRock, excluding MLIM integration costs, totaling \$60 million and \$71 million for the years ended December 31, 2006 and 2005, respectively.

(c)

For this PNC business segment reporting presentation, integration costs incurred by BlackRock for the MLIM transaction totaling \$100 million for 2006 have been reclassified from BlackRock to Other. These amounts are after-tax and, as applicable, net of minority interest.

(d)

Other

for 2006 includes the after-tax impact of the net gain on the BlackRock/MLIM transaction, MLIM integration costs and costs associated with the securities portfolio rebalancing and mortgage loan portfolio repositioning.

(e)

2006 return percentage for PFPC reflects return on average equity.

Certain prior period amounts have been reclassified to conform with the current period presentation

Non-GAAP to GAAP
Reconciliation
Appendix
Business Earnings Summary
2006
Return on
Average
Capital

BB&T Corporation
BBT
Comerica
CMA
Fifth Third Bancorp
FITB
KeyCorp

KEY

National City Corporation

NCC

The PNC Financial Services Group, Inc.

PNC

Regions Financial

RF

SunTrust Banks, Inc.

STI

U.S. Bancorp

USB

Wachovia Corporation

WB

Wells Fargo & Company

WFC

Ticker

Peer Group of

Super-Regional Banks

Appendix

ADDITIONAL INFORMATION ABOUT THE PNC/MERCANTILE TRANSACTION

The PNC Financial Services Group, Inc. and Mercantile Bankshares Corporation have filed a proxy statement/prospectus and other relevant documents concerning the merger with the United States Securities and Exchange Commission (the SEC). WE URGE INVESTORS TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS FILED WITH THE SEC IN CONNECTION WITH THE MERGER OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT/PROSPECTUS BECAUSE THEY CONTAIN IMPORTANT INFORMATION.

Investors may obtain these documents free of charge at the SEC's website (www.sec.gov). In addition, documents filed with the SEC by The PNC Financial Services Group, Inc. are available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Mercantile Bankshares are available free of charge from Mercantile Bankshares Corporation, 2 Hopkins Plaza, P.O. Box 1477, Baltimore, Maryland 21203, Attention: Investor Relations.

The directors, executive officers, and certain other members of management and employees of Mercantile Bankshares Corporation are participants in the solicitation of proxies in favor of the merger from the shareholders of Mercantile Bankshares Corporation. Information about the directors and executive officers of Mercantile Bankshares Corporation is set forth in the proxy statement for its 2006 annual meeting of shareholders, which was filed with the SEC on March 29, 2006. Additional information regarding the interests of such participants is included in the proxy statement/prospectus filed with the SEC.