

MERCANTILE BANKSHARES CORP

Form 425

October 31, 2006

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 October 31, 2006, The PNC Financial Services Group, Inc. (PNC) issued the attached press release and supplementary information announcing its earnings and business for the quarter ended September 30, 2006, and presentation materials from an accompanying presentation to investors.

MEDIA:

Brian E. Goerke
(412) 762-4550
corporate.communications@pnc.com

INVESTORS:

William H. Callihan
(412) 762-8257
investor.relations@pnc.com

PNC POSTS RECORD EARNINGS OF \$5.01 PER SHARE

Adjusted EPS of \$1.28 excludes BlackRock transaction and balance sheet repositioning

PITTSBURGH, Oct. 31, 2006 The PNC Financial Services Group, Inc. (NYSE: PNC) today reported record net income of \$1.5 billion, or \$5.01 per diluted share, for the third quarter of 2006 compared with net income of \$334 million, or \$1.14 per diluted share, in the third quarter of 2005 and net income of \$381 million, or \$1.28 per diluted share, in the prior quarter. For the first nine months of 2006, the company earned net income of \$2.2 billion, or \$7.46 per diluted share, compared with net income of \$970 million, or \$3.35 per diluted share, for the first nine months of 2005.

Third quarter 2006 net income included a \$1.3 billion after-tax gain from the BlackRock/Merrill Lynch Investment Managers (MLIM) transaction and the after-tax impact of merger integration costs of \$31 million. The period also included after-tax losses of \$127 million and \$31 million, respectively, arising from the previously announced repositioning of PNC's securities and mortgage loan portfolios. Excluding these items, PNC's adjusted net income for the quarter was \$380 million, or \$1.28 per diluted share.

PNC delivered strong adjusted earnings of \$1.28 per share for the third quarter, said Chairman and Chief Executive Officer James E. Rohr. Also, we recognized a \$1.6 billion increase in capital as a result of the BlackRock/MLIM transaction. This capital provides us with an extraordinary opportunity to grow our franchise through the acquisition of Mercantile Bankshares Corporation, continuing our expansion in the highly desirable and affluent Mid-Atlantic region.

HIGHLIGHTS

- In the third quarter, PNC launched a campaign to increase awareness of its Banking Made Easy initiative. It kicked off with high-visibility television advertising introducing PNC as the first major bank to offer its customers access to free ATMs worldwide. The offer is part of PNC's effort to improve the customer experience and increase deposit market share. It also includes refined checking products and a PNC credit card.

- more -

- Average loans for the third quarter of 2006 increased \$888 million, or 2 percent, compared with the third quarter 2005. Average loans increased \$3.0 billion, or 6 percent, compared with the prior year third quarter excluding the \$2.1 billion of average loans in the prior year period related to Market Street Funding, PNC's commercial papeconduit that was deconsolidated in October 2005. Loan growth was primarily a result of increased commercial loans, commercial real estate loans and residential mortgage loans.
- Average deposits for the third quarter increased \$5.0 billion, or 8 percent, compared with the same quarter in the prior year, primarily the result of an increase in money market deposits, retail certificates of deposit, Eurodollar deposits and noninterest-bearing deposits.
- Asset quality remained very strong. Nonperforming assets declined, with the ratio of nonperforming assets to loans, loans held for sale and foreclosed assets declining to .36 percent from .44 in the previous quarter.
- Upon the close of the BlackRock/MLIM transaction on September 29, the carrying value of PNC's investment in BlackRock increased to \$3.8 billion, reflecting the increase in BlackRock's equity resulting from the transaction. Based on BlackRock's closing market price of \$149 per common share on that date, the market value of PNC's BlackRock investment was approximately \$6.6 billion. As such, another \$2.8 billion of value is not recognized in PNC's investment account.
- On October 9, PNC announced a definitive agreement to acquire Baltimore-based Mercantile Bankshares Corporation. The transaction is expected to close in the first quarter of 2007, subject to regulatory and Mercantile shareholder approval. It will substantially increase PNC's presence in the Mid-Atlantic region, including, for the first time, the Baltimore metropolitan area.

Return on average common shareholders' equity was 65.94 percent for the quarter, 16.88 percent as adjusted. Return on average common shareholders' equity was 16.13 percent in the year-earlier quarter and 17.49 percent in the second quarter of 2006. Return on average common shareholders' equity for the nine months ended September 30, 2006 was 33.87 percent, 17.26 percent as adjusted. It was 16.49 percent for the nine months ended September 30, 2005.

As described on page 8 of the news release, the Consolidated Financial Highlights accompanying this news release include several new and reformatted schedules to reconcile the reported and adjusted results, including adjusted results referred to in this news release, and to provide proforma information illustrating the impact of the equity method of accounting for BlackRock.

BUSINESS SEGMENT RESULTS

Retail Banking

Retail Banking earned \$206 million for the quarter, compared with \$176 million for the year-ago quarter and \$185 million for the second quarter of 2006. Compared with the prior year third quarter, revenue increased 7 percent, while noninterest expense increased only 2 percent, driving a 17 percent increase in earnings and creating positive operating leverage.

- more -

Third quarter earnings increased 11 percent compared to the prior quarter, with the increase driven by higher revenue and lower expenses as the business maintained its focus on expense management and lower provision for credit losses as asset quality remained very strong.

Retail Banking highlights:

- Operating leverage was positive when compared with the prior year quarter and the linked quarter. The efficiency ratio was 57 percent for the current quarter, compared with 60 percent in the prior year third quarter and 58 percent in the second quarter 2006.
- Customer growth continued. Checking relationships grew by a net 37,000 compared with a year ago and by a net 2,000 since June 30, 2006, as PNC focused on consolidating low-activity, low-balance accounts and sought higher quality relationships.
- Average deposit balances increased \$2.0 billion, or 5 percent, compared with the prior year third quarter and \$272 million from the prior quarter. In the current rising rate environment, certificates of deposit and money market deposits have been the major growth products over the periods of comparison.
- Assets under management were \$52 billion at September 30, 2006, an increase of \$2 billion or 4 percent compared with both September 30, 2005 and June 30, 2006. Customer assets in brokerage accounts totaled \$44 billion at September 30, 2006 compared with \$42 billion at September 30, 2005 and \$43 billion at June 30, 2006.
- Noninterest income for the third quarter of 2006 increased \$31 million, or 9 percent, compared with the prior year quarter and \$6 million, or 2 percent, compared with the second quarter of 2006. The growth in fee income from the prior year third quarter was driven by customer growth, expansion of the branch network, consolidation of the merchant services business, various pricing actions resulting from the One PNC initiative, increased third-party loan servicing activities and increased distribution of investment products.
- Noninterest expense for the third quarter of 2006 increased \$7 million, or 2 percent, compared with the prior year third quarter and declined \$4 million, or 1 percent, compared with the second quarter of 2006. The growth in expenses from the prior year was the result of the continued expansion of the branch network, private client group, third-party loan servicing activities, and investments in various branding initiatives along with the launch of a refined set of checking products and a PNC credit card.
- Small business lending continues to be an area of growth; balances grew 13 percent over the prior year quarter and 3 percent over the linked quarter.

Corporate & Institutional Banking

Corporate & Institutional Banking earned \$113 million in the third quarter, compared with \$118 million in the third quarter of the prior year and \$116 million in the second quarter of 2006. The decrease when compared with the third quarter of 2005 was largely the result of an increase in the provision for credit losses. The increase in noninterest revenue and expense was driven by the acquisition of Harris Williams.

-more -

The earnings decrease compared with the second quarter of 2006 was primarily attributable to a decrease in other income, including decreases in trading income and net gains on commercial mortgage loan sales, partly offset by higher net interest income from deposit growth, a lower provision resulting from improved asset quality and lower noninterest expense. This business has been very successful in adding new customers, managing the risk and return of credit products, growing fee income and controlling expenses.

Corporate & Institutional Banking highlights:

- Average loan balances decreased \$440 million from the prior year third quarter. The prior year included \$2.1 billion in loans from Market Street, which was deconsolidated in October 2005. Excluding the impact of the Market Street loans, average loan balances increased approximately \$1.7 billion, or 9 percent, primarily driven by demand for commercial real estate loans, commercial real-estate related loans and asset-based lending.
- Average deposit balances for the quarter increased \$955 million, or 10 percent, compared with the third quarter of 2005. On a linked quarter basis, average deposits increased \$1.0 billion or 10 percent, contributing to a 5 percent growth in net interest income. Both increases were driven by growth in deposits related to the commercial mortgage servicing portfolio and treasury management products.
- The commercial mortgage servicing portfolio was \$180 billion at September 30, 2006, an increase of 43 percent from September 30, 2005 and 19 percent from June 30, 2006.
- Asset quality continues to be very strong with nonperforming assets decreasing 25 percent compared with the linked quarter.

BlackRock

BlackRock reported net income of \$19 million for the third quarter of 2006, compared with \$61 million in the third quarter of 2005 and \$63 million in the second quarter of 2006. BlackRock's reported net income includes after-tax MLIM integration costs of \$44 million in the third quarter of 2006 and \$8 million in the second quarter of 2006. The BlackRock segment earned \$63 million in the third quarter, an increase of \$2 million compared with the third quarter of 2005 and a decrease of \$8 million compared with the second quarter of 2006, excluding the impact of MLIM integration costs in those periods. The increase compared with the third quarter of 2005 was a result of higher investment and advisory fees due to growth in assets under management, partly offset by lower nonoperating income, due principally to unrealized losses on energy-related investments. The decrease compared with the second quarter of 2006 was largely a result of lower performance fees, partly offset by decreased expense. Second quarter 2006 benefited from energy-related performance fees.

- more -

Prior to the September 29, 2006 closing of the MLIM acquisition, PNC owned approximately 69 percent of BlackRock. Accordingly, PNC's Consolidated Income Statement for the third quarter and first nine months of 2006 continued to reflect PNC's ownership interest in BlackRock's net income on a consolidated basis through the closing date. Approximately 31 percent of BlackRock's earnings were recognized as minority interest expense in the Corporation's Consolidated Income Statement and are reflected on a separate line in the Business Earnings Summary table in the Consolidated Financial Highlights.

Upon closing of the MLIM acquisition, PNC owned approximately 34 percent of BlackRock. In accordance with generally accepted accounting principles, PNC deconsolidated BlackRock as of that date and, going forward, will account for BlackRock's earnings contribution using the equity method. BlackRock's net earnings contribution will be noted on a separate line on the income statement titled, BlackRock Investment.

PFPC

PFPC earned \$40 million for the quarter, compared with \$28 million in the year-earlier period and \$26 million in the linked quarter. The earnings increases from the third quarter of 2005 and the second quarter of 2006 were the result of a \$14 million reversal of deferred taxes related to earnings from foreign subsidiaries. The reversal resulted from a management decision to permanently reinvest earnings of the subsidiaries in foreign countries. Third quarter 2005 earnings included a \$3 million tax benefit identified as part of the One PNC initiative. This business is investing in high growth areas, including managed accounts services and offshore servicing.

PFPC provided accounting/administration services for \$774 billion of net fund assets and provided custody services for \$399 billion of fund assets as of September 30, 2006, compared with \$793 billion and \$475 billion respectively on September 30, 2005 and \$743 billion and \$389 billion respectively at June 30, 2006. Total fund assets serviced by PFPC were \$2.0 trillion at September 30, 2006, which represented an increase over the asset servicing levels of \$1.8 trillion at September 30, 2005 and \$1.9 trillion at June 30, 2006.

Other

The Other category includes the gain on the BlackRock/MLIM transaction, BlackRock/MLIM integration costs, One PNC implementation costs, asset and liability management activities, related net securities gains or losses, certain trading activities, equity management activities, differences between business segment performance reporting and financial statement (GAAP) reporting, corporate overhead, and intercompany eliminations.

- more -

PNC recorded earnings of \$1.1 billion in Other for the quarter largely as a result of the \$1.3 billion gain on the BlackRock/MLIM transaction, partly offset by the \$127 million after-tax securities portfolio rebalancing loss, \$31 million after-tax and minority interest in BlackRock/MLIM integration costs and a \$31 million after-tax loss on the mortgage loan portfolio repositioning.

CONSOLIDATED REVENUE REVIEW

Taxable-equivalent net interest income totaled \$574 million for the quarter, an increase of \$8 million compared with \$566 million in the year-earlier period and up 2 percent compared with \$562 million in the second quarter of 2006. The net interest margin in the third quarter of 2006 was 2.89 percent, compared with 2.96 percent in the year-earlier period and 2.90 percent in the second quarter of 2006. The increase in net interest income over the same quarter in the prior year and the linked quarter was largely the result of increased revenue from earning assets, partially offset by the higher cost of deposits and borrowings. The Consolidated Financial Highlights accompanying this news release include a reconciliation of taxable-equivalent net interest income to net interest income as reported under GAAP.

Noninterest income totaled \$2.9 billion for the third quarter of 2006 compared with \$1.1 billion for the same quarter in the prior year, and \$1.2 billion in the second quarter of 2006. The increase compared with the third quarter of 2005 was due to the \$2.1 billion net gain from the BlackRock/MLIM transaction, partly offset by the \$244 million aggregate impact of the balance sheet repositioning activities and lower equity management and trading revenue. Customer-driven fee revenue increased compared with the year earlier period, including a 17 percent increase in consumer services and a 30 percent increase in corporate services. The change compared with the prior quarter was the result of the net gain on the BlackRock/MLIM transaction, the aggregate impact of the balance sheet repositioning activities, decreased asset management revenues related to lower BlackRock performance fees, and lower equity management and trading revenues. The third quarter of 2006 also included a \$20 million loss related to the accounting for hedges on trust preferred securities.

CONSOLIDATED EXPENSE REVIEW

Noninterest expense for the three months ended September 30, 2006 was \$1.2 billion, up 2 percent compared with the third quarter of 2005. Noninterest expense increased 3 percent compared with \$1.1 billion in the second quarter of 2006. The increases compared with both quarters were driven by \$72 million of integration costs associated with the BlackRock/MLIM transaction. Disciplined expense control continues to be a high priority.

- more -

CONSOLIDATED BALANCE SHEET REVIEW

Total assets were \$98.4 billion at September 30, 2006, a 6 percent increase compared with \$93.2 billion at September 30, 2005, and a 4 percent increase compared with June 30, 2006. The increases compared with both prior dates reflected a \$1.8 billion increase related to the impact of the BlackRock/MLIM transaction on PNC and growth in loans and securities, partially offset by the balance sheet repositioning and the deconsolidation of Market Street Funding in October of 2005. More information on the balance sheet impact of the BlackRock/MLIM transaction is provided on page 17.

Average loans of \$50.3 billion for the quarter increased \$888 million, or 2 percent, over the year-earlier period and \$402 million, or 1 percent, over the linked period. Average loans increased \$3.0 billion, or 6 percent, compared with the prior year third quarter excluding the \$2.1 billion of average loans in the prior year period related to Market Street Funding, PNC's commercial paper conduit that was deconsolidated in October 2005. The increase over the third quarter of 2005 on an adjusted basis was driven by continued improvements in loan demand and targeted sales efforts across PNC's banking business. The increase over the linked quarter was primarily the result of an increase in commercial, commercial real estate and consumer loans.

Average securities for the third quarter of 2006 were \$21.7 billion, an increase of \$1.3 billion, or 6 percent, compared with the third quarter of 2005, and average securities increased \$283 million compared with the linked quarter. The company continues to invest through the interest rate cycle.

Average deposits of \$64.6 billion increased \$5.0 billion, or 8 percent, compared with the same quarter in the prior year, and increased \$2.0 billion, or 3 percent, compared with the linked quarter. Average deposits increased largely as a result of the increases in money market deposits, retail certificates of deposit, and Eurodollar deposits. Demand and other noninterest-bearing deposits increased \$811 million, or 6 percent year over year, largely as a result of deposits attributed to the commercial mortgage servicing portfolio at Midland.

PNC's Tier 1 risk-based capital ratio was an estimated 10.4 percent at September 30, 2006, compared with 8.4 percent at September 30, 2005 and 8.8 percent at June 30, 2006. The BlackRock/MLIM transaction increased capital by \$1.6 billion. The increase resulted from the \$1.3 billion after-tax gain and \$.3 billion of increase to additional paid-in capital.

The company repurchased 1.9 million common shares during the third quarter under its current common stock repurchase program. The board has authorized a repurchase of up to 20 million shares of common stock, of which approximately 15.8 million remained at the end of the third quarter. Management believes that PNC will have the capacity to engage in, and currently expects to actively engage in, share repurchase activity for the foreseeable future, subject to normal limitations posed by the pending Mercantile transaction.

- more -

Under the terms of its definitive agreement to acquire Mercantile Bankshares Corporation, which is subject to regulatory and other approvals, PNC plans to issue 52.5 million shares of common stock and pay Mercantile shareholders and option holders \$2.13 billion in cash upon close of the transaction.

ASSET QUALITY REVIEW

Overall asset quality remained very strong as the company continued to focus on lending that meets prudent risk-reward parameters. The provision for credit losses for both the third quarter of 2006 and 2005 was \$16 million and was \$44 million for the second quarter of 2006. The decrease in the provision compared with the linked quarter was primarily due to improved asset quality. Nonperforming assets were \$191 million, a decrease of \$40 million compared with the prior period.

Net charge-offs were \$47 million, or .37 percent of average loans, for the quarter compared with net charge-offs of \$15 million in the third quarter of 2005 and net charge-offs of \$30 million in the linked quarter. The increase in net charge-offs compared with the third quarter of 2005 and the second quarter of 2006 was the result of a single large overdraft from the second quarter of 2006. The overdraft is now fully charged-off.

CONSOLIDATED FINANCIAL HIGHLIGHTS

The Consolidated Financial Highlights accompanying this news release include: (1) adjusted results for the third quarter and first nine months 2006, illustrating the impact of certain 2006 items due to the magnitude of the aggregate of those items (2) a reconciliation of these adjusted amounts to net income, components of net income, diluted earnings per share and certain ratios as reported under generally accepted accounting principles (GAAP), and to GAAP condensed, consolidated income statements, (3) a supplemental schedule illustrating the impact of the equity method of accounting for BlackRock on them, and (4) information regarding the impact of BlackRock's deconsolidation, effective September 29, 2006, and other adjustments to the equity method of accounting on the consolidated balance sheet. The absence of adjusted amounts for other periods discussed in this news release is not intended to imply that there could not have been other similar types of adjustments for these periods, but any such adjustments would not have been similar in magnitude to the amount of the adjustments shown.

- more -

CONFERENCE CALL AND SUPPLEMENTAL FINANCIAL INFORMATION

PNC Chairman and Chief Executive Officer James E. Rohr and Chief Financial Officer Richard J. Johnson will hold a conference call for investors today at 9 a.m. Eastern Time regarding the topics addressed in this release and the related financial supplement. Investors should call five to 10 minutes before the start of the conference call at (800) 990-2718 or (706) 643-0187 (international). A slide presentation to accompany the conference call remarks may be found at www.pnc.com under About PNC Investor Relations Investor Events. A taped replay of the call will be available for one week at (800) 642-1687 or (706) 645-9291 (international); enter conference ID 7211664.

In addition, Internet access to the call (listen only) and to PNC's third quarter earnings release and supplemental financial information will be available at www.pnc.com under About PNC Investor Relations Investor Events. A replay of the webcast will be available on PNC's Web site for 30 days.

The PNC Financial Services Group, Inc. (www.pnc.com) is one of the nation's largest diversified financial services organizations providing retail and business banking; specialized services for corporations and government entities, including corporate banking, real estate finance and asset-based lending; wealth management; asset management and global fund services.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We make statements in this news release and in the conference call regarding this news release, 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. 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 these factors in our Form 10-K for the year ended December 31, 2005 and in our current year 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 news release 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.

- 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.

- more -

- 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.
- 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 also 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 substantially more expensive to complete (including the integration of Mercantile's businesses) and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.
- The integration of Mercantile's business and operations into PNC, which will include conversion of Mercantile's different systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to Mercantile's or PNC's existing businesses.

- more -

- 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.

ADDITIONAL INFORMATION ABOUT THE PNC/MERCANTILE TRANSACTION

The PNC Financial Services Group, Inc. and Mercantile Bankshares Corporation will be filing a proxy statement/prospectus and other relevant documents concerning the PNC/Mercantile merger transaction with the United States Securities and Exchange Commission (the "SEC"). **SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE MERGER TRANSACTION OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT/PROSPECTUS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** Shareholders will be able to obtain free copies of the proxy statement/prospectus, as well as other filings containing information about Mercantile Bankshares and PNC, without charge, at the SEC's Internet site (<http://www.sec.gov>). In addition, documents filed with the SEC by The PNC Financial Services Group, Inc. will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Mercantile Bankshares will be available free of charge from Mercantile Bankshares Corporation, 2 Hopkins Plaza, P.O. Box 1477, Baltimore, Maryland 21203, Attention: Investor Relations.

Mercantile Bankshares and its directors and executive officers and certain other members of management and employees are expected to be participants in the solicitation of proxies from Mercantile Bankshares' shareholders in respect of the proposed merger transaction. Information regarding the directors and executive officers of Mercantile Bankshares is available in the proxy statement for its May 9, 2006 annual meeting of shareholders, which was filed with the SEC on March 29, 2006. Additional information regarding the interests of such potential participants will be included in the proxy statement/prospectus relating to the merger transaction and the other relevant documents filed with the SEC when they become available.

TABULAR MATERIAL FOLLOWS

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 12

| <i>Dollars in millions, except per share data</i> | Three months ended | | | |
|---|--------------------|-----------------|---------|--------------|
| | September 30, 2006 | | June 30 | September 30 |
| | As Reported | As Adjusted (a) | 2006 | 2005 |
| FINANCIAL PERFORMANCE | | | | |
| Revenue | | | | |
| Net interest income (<i>taxable-equivalent basis</i>) (b) | \$574 | \$574 | \$562 | \$566 |
| Noninterest income | 2,943 | 1,109 | 1,230 | 1,116 |
| Total revenue | \$3,517 | \$1,683 | \$1,792 | \$1,682 |
| Net income | \$1,484 | \$380 | \$381 | \$334 |
| Diluted earnings per common share | \$5.01 | \$1.28 | \$1.28 | \$1.14 |
| Cash dividends declared per common share | \$.55 | \$.55 | \$.55 | \$.50 |

SELECTED RATIOS

| | | | | | | | | |
|---|-------|---|-------|---|-------|---|-------|---|
| Net interest margin | 2.89 | % | 2.89 | % | 2.90 | % | 2.96 | % |
| Noninterest income to total revenue (c) | 84 | | 66 | | 69 | | 67 | |
| Efficiency (d) | 34 | | 66 | | 64 | | 69 | |
| Return on: | | | | | | | | |
| Average common shareholders equity | 65.94 | % | 16.88 | % | 17.49 | % | 16.13 | % |
| Average assets | 6.17 | | 1.58 | | 1.64 | | 1.45 | |

Nine months ended

Dollars in millions, except per share data

September 30, 2006

September 30

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| <i>Unaudited</i> | As Reported | As Adjusted (a) | 2005 |
|---|-------------|-----------------|---------|
| FINANCIAL PERFORMANCE | | | |
| Revenue | | | |
| Net interest income (<i>taxable-equivalent basis</i>) (b) | \$1,699 | \$1,699 | \$1,619 |
| Noninterest income | 5,358 | 3,524 | 3,019 |
| <hr/> | | | |
| Total revenue | \$7,057 | \$5,223 | \$4,638 |
| <hr/> | | | |
| Net income | \$2,219 | \$1,123 | \$970 |
| <hr/> | | | |
| Diluted earnings per common share | \$7.46 | \$3.77 | \$3.35 |
| Cash dividends declared per common share | \$1.60 | \$1.60 | \$1.50 |

SELECTED RATIOS

| | | | | | | |
|---|-------|---|-------|---|-------|---|
| Net interest margin | 2.92 | % | 2.92 | % | 2.99 | % |
| Noninterest income to total revenue (c) | 76 | | 68 | | 65 | |
| Efficiency (d) | 50 | | 65 | | 69 | |
| Return on: | | | | | | |
| Average common shareholders equity | 33.87 | % | 17.13 | % | 16.49 | % |
| Average assets | 3.17 | | 1.60 | | 1.48 | |

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform with the current period presentation.

- (a) Amounts adjusted for the impact of certain 2006 items for informational purposes due to the magnitude of the aggregate of such adjustments for these periods. Reconciliations of these amounts to net income, diluted earnings per share and selected ratios reported on a generally accepted accounting principles ("GAAP") basis are included on page 13. Reconciliations of noninterest income as reported (GAAP basis) to adjusted amounts are included on page 14. The absence of adjusted amounts for the other periods presented in these tables is not intended to imply that there could not have been other similar types of adjustments for those periods, but any such adjustments would not have been similar in magnitude to the amount of the adjustments shown for the three month and nine month periods ended September 30, 2006.
- (b) See Reconciliation of Net Interest Income on a GAAP Basis to Taxable-Equivalent Net Interest Income on page 14.
- (c) Calculated as noninterest income divided by the sum of net interest income (GAAP basis) and noninterest income.
- (d) Calculated as noninterest expense divided by the sum of net interest income (GAAP basis) and noninterest income.

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 13

**RECONCILIATION OF GAAP NET INCOME, DILUTED EPS
AND SELECTED RATIOS TO ADJUSTED AMOUNTS (a)***Dollars in millions, except per share data**Unaudited*

| | <u>Three months ended September 30, 2006</u> | | | <u>Nine months ended September 30, 2006</u> | | |
|--|--|---------------|-----------------------|---|---------------|-----------------------|
| | Adjustments, Pretax | Net Income | Diluted EPS Impact | Adjustments, Pretax | Net Income | Diluted EPS Impact |
| Net income, GAAP basis | | \$1,484 | \$5.01 | | \$2,219 | \$7.46 |
| Adjustments: | | | | | | |
| Gain on BlackRock transaction* | (2,078) | (1,293) | (4.36) | (2,078) | (1,293) | (4.35) |
| Securities portfolio rebalancing loss * | 196 | 127 | 0.43 | 196 | 127 | 0.43 |
| BlackRock/MLIM transaction integration costs** | 72 | 31 | 0.10 | 91 | 39 | 0.13 |
| Mortgage loan portfolio repositioning loss* | 48 | 31 | 0.10 | 48 | 31 | 0.10 |
| Net income, as adjusted | | \$380 | \$1.28 | | \$1,123 | \$3.77 |

* Included in noninterest income on a pretax basis.

** Included in noninterest expense on a pretax basis.

| | <u>Three months ended September 30 2006</u> | | <u>Nine months ended September 30 2006</u> | |
|--|---|---|--|---|
| Noninterest income to total revenue, GAAP basis | 84 | % | 76 | % |
| Pretax impact of adjustments | (18) | | (8) | |
| Noninterest income to total revenue, as adjusted | 66 | % | 68 | % |
| Efficiency, GAAP basis | 34 | % | 50 | % |
| Pretax impact of adjustments | 32 | | 15 | |
| Efficiency, as adjusted | 66 | % | 65 | % |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

Return on:

| | | | | |
|---|---------|---|---------|---|
| Average common shareholders equity, GAAP basis | 65.94 | % | 33.87 | % |
| After-tax impact of adjustments | (49.06) | | (16.74) | |
| <hr/> | | | | |
| Average common shareholders equity, as adjusted | 16.88 | % | 17.13 | % |
| <hr/> | | | | |
| Average assets, GAAP basis | 6.17 | % | 3.17 | % |
| After-tax impact of adjustments | (4.59) | | (1.57) | |
| <hr/> | | | | |
| Average assets, as adjusted | 1.58 | % | 1.60 | % |
| <hr/> | | | | |

- (a) The tables above represent reconciliations of certain GAAP disclosures to adjusted amounts for the three months and nine months ended September 30, 2006. We have provided these adjusted amounts and reconciliations so that shareholders, investor analysts, regulators and others will be better able to evaluate the impact of certain significant predominantly third quarter items on our GAAP results for the three months and nine months ended September 30, 2006. 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. Our Current Reports on Form 8-K dated September 8, 2006, September 22, 2006 and September 29, 2006 include additional information regarding our securities portfolio rebalancing, mortgage loan portfolio repositioning and BlackRock/MLIM transaction accounting, respectively.
-

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 14

**RECONCILIATION OF GAAP CONDENSED CONSOLIDATED
INCOME STATEMENT TO ADJUSTED AMOUNTS (a)**

| <i>Dollars in millions</i> | Three months ended | | | | |
|---|---------------------------------|-----------------|-----------------|---------|--------------|
| | September 30, 2006 | | | June 30 | September 30 |
| | <i>Unaudited</i> As Reported | Adjustments (a) | As Adjusted (a) | 2006 | 2005 |
| Net interest income | \$567 | | \$567 | \$556 | \$559 |
| Provision for credit losses | 16 | | 16 | 44 | 16 |
| Noninterest income | 2,943 | \$(1,834) | 1,109 | 1,230 | 1,116 |
| Noninterest expense | 1,178 | (72) | 1,106 | 1,149 | 1,159 |
| Income before minority and noncontrolling interests and income taxes | 2,316 | (1,762) | 554 | 593 | 500 |
| Minority and noncontrolling interests in income (loss) of consolidated entities | (5) | 14 | 9 | 15 | 14 |
| Income taxes | 837 | (672) | 165 | 197 | 152 |
| Net income | \$1,484 | \$(1,104) | \$380 | \$381 | \$334 |

| <i>Dollars in millions</i> | Nine months ended | | | |
|--|---------------------------------|-----------------|-----------------|--------------|
| | September 30, 2006 | | | September 30 |
| | <i>Unaudited</i> As Reported | Adjustments (a) | As Adjusted (a) | 2005 |
| Net interest income | \$1,679 | | \$1,679 | \$1,599 |
| Provision for (recoveries of) credit losses | 82 | | 82 | (3) |
| Noninterest income | 5,358 | \$(1,834) | 3,524 | 3,019 |
| Noninterest expense | 3,498 | (91) | 3,407 | 3,199 |
| Income before minority and noncontrolling interests and income taxes | 3,457 | (1,743) | 1,714 | 1,422 |
| Minority and noncontrolling interests in income of consolidated entities | 23 | 18 | 41 | 29 |
| Income taxes | 1,215 | (665) | 550 | 423 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | |
|------------|---------|-----------|---------|-------|
| Net income | \$2,219 | \$(1,096) | \$1,123 | \$970 |
|------------|---------|-----------|---------|-------|

- (a) See page 13 for additional information. We have included adjusted amounts as additional, supplemental information in the tables on this page 14 for the three month and nine month periods ended September 30, 2006 only because of the magnitude of the aggregate of such adjustments for these periods. The absence of adjusted amounts for the other periods presented in these tables is not intended to imply that there could not have been other similar types of adjustments for those periods, but any such adjustments would not have been similar in magnitude to the amount of the adjustments shown for the three month and nine month periods ended September 30, 2006.

RECONCILIATION OF NET INTEREST INCOME ON A GAAP BASIS TO TAXABLE-EQUIVALENT NET INTEREST INCOME

The interest income earned on certain assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. To provide more meaningful comparisons of yields and margins for all earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income on other taxable investments. This adjustment is not permitted under GAAP in the Consolidated Income Statement.

The following is a reconciliation of net interest income as reported in the Consolidated Income Statement to net interest income on a taxable-equivalent basis (in millions):

| | Three months ended | | | Nine months ended | |
|--|----------------------|-----------------|----------------------|----------------------|----------------------|
| | September 30 2006 | June 30 2006 | September 30 2005 | September 30 2006 | September 30 2005 |
| Net interest income, GAAP basis | \$567 | \$556 | \$559 | \$1,679 | \$1,599 |
| Taxable-equivalent adjustment | 7 | 6 | 7 | 20 | 20 |
| Net interest income, taxable-equivalent basis | \$574 | \$562 | \$566 | \$1,699 | \$1,619 |

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 15

| <i>In millions</i> <i>Unaudited</i> | Three months ended | | | Nine months ended | |
|--|----------------------|-----------------|----------------------|----------------------|----------------------|
| | September 30 2006 | June 30 2006 | September 30 2005 | September 30 2006 | September 30 2005 |
| BUSINESS EARNINGS SUMMARY (a) | | | | | |
| Retail Banking | \$206 | \$185 | \$176 | \$581 | \$487 |
| Corporate & Institutional Banking | 113 | 116 | 118 | 334 | 372 |
| BlackRock (b) (c) | 63 | 71 | 61 | 209 | 167 |
| PFPC | 40 | 26 | 28 | 93 | 75 |
| Total business segment earnings | 422 | 398 | 383 | 1,217 | 1,101 |
| Minority interest in income of BlackRock | (20) | (21) | (19) | (64) | (51) |
| Other (c) (d) | 1,082 | 4 | (30) | 1,066 | (80) |
| Total consolidated net income (e) | \$1,484 | \$381 | \$334 | \$2,219 | \$970 |

(a) This summary also serves as a reconciliation of total earnings for all business segments to total consolidated net income. Our business segment information is presented based on our management accounting practices and our management structure. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change.

(b) Our ownership interest in BlackRock was approximately 69% -70% for all periods presented. Effective September 29, 2006, PNC's ownership interest in BlackRock dropped to approximately 34%.

(c) BlackRock reported GAAP earnings of \$19 million and \$63 million for the three months ended September 30, 2006 and June 30, 2006, respectively, and reported GAAP earnings of \$153 million and \$161 million for the nine months ended September 30, 2006 and 2005, respectively. For this PNC business segment reporting presentation, pretax integration costs incurred by BlackRock for the MLIM transaction totaling \$72 million and \$13 million for the three months ended September 30, 2006 and June 30, 2006 and \$91 million for the nine months ended September 30, 2006, respectively, have been reclassified from BlackRock to "Other." Similarly, pretax integration costs of \$9 million related to BlackRock's January 2005 acquisition of State Street Research and Management have been reclassified from BlackRock to "Other" for the nine months ended September 30, 2005.

(d) "Other" for the three months and nine months ended September 30, 2006 includes the after-tax impact of the gain on the BlackRock transaction and costs associated with the securities portfolio rebalancing and mortgage loan portfolio repositioning.

(e) See pages 12-14.

| <i>Dollars in millions, except per share data</i> <i>Unaudited</i> | September 30 2006 | June 30 2006 | September 30 2005 |
|---|----------------------|-----------------|----------------------|
| BALANCE SHEET DATA | | | |
| Assets | \$98,436 | \$94,914 | \$93,241 |
| Loans, net of unearned income | 48,900 | 50,548 | 50,510 |
| Allowance for loan and lease losses | 566 | 611 | 634 |
| Securities | 19,512 | 21,724 | 20,658 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | | |
|--------------------------------------|--------|---|--------|---|--------|---|
| Loans held for sale | 4,317 | | 2,165 | | 2,377 | |
| Investment in BlackRock | 3,836 | | | | | |
| Deposits | 64,572 | | 63,493 | | 60,214 | |
| Borrowed funds | 14,695 | | 15,651 | | 18,374 | |
| Shareholders' equity | 10,758 | | 8,827 | | 8,317 | |
| Common shareholders' equity | 10,751 | | 8,820 | | 8,309 | |
| Book value per common share | 36.60 | | 29.92 | | 28.54 | |
| Common shares outstanding (millions) | 294 | | 295 | | 291 | |
| Loans to deposits | 76 | % | 80 | % | 84 | % |

ASSETS ADMINISTERED (billions)

| | | | | | | |
|------------------|------|--|-------|--|-------|--|
| Managed (f) | \$52 | | \$506 | | \$469 | |
| Nondiscretionary | 89 | | 85 | | 85 | |

FUND ASSETS SERVICED (billions)

| | | | | | | |
|--------------------------------------|-------|--|-------|--|-------|--|
| Accounting/administration net assets | \$774 | | \$743 | | \$793 | |
| Custody assets | 399 | | 389 | | 475 | |

CAPITAL RATIOS

| | | | | | | |
|---------------------------------------|------|---|------|---|------|---|
| Tier 1 risk-based (g) | 10.4 | % | 8.8 | % | 8.4 | % |
| Total risk-based (g) | 13.6 | | 12.4 | | 12.5 | |
| Leverage (g) | 9.4 | | 7.7 | | 7.1 | |
| Tangible common equity (h) | 7.5 | | 5.2 | | 4.9 | |
| Common shareholders' equity to assets | 10.9 | | 9.3 | | 8.9 | |

ASSET QUALITY RATIOS

| | | | | | | |
|---|------|---|------|---|------|---|
| Nonperforming assets to loans, | | | | | | |
| loans held for sale and foreclosed assets | .36 | % | .44 | % | .29 | % |
| Nonperforming loans to loans | .34 | | .41 | | .25 | |
| Net charge-offs to average loans (for the three months ended) | .37 | | .24 | | .12 | |
| Allowance for loan and lease losses to loans | 1.16 | | 1.21 | | 1.26 | |
| Allowance for loan and lease losses to nonperforming loans | 339 | | 294 | | 499 | |

(f) Our assets under management at September 30, 2006 do not include BlackRock's assets under management as we deconsolidated BlackRock effective September 29, 2006.

Excluding the impact of BlackRock, our assets under management (consisting of Retail Banking assets under management) totaled \$50 billion at both June 30, 2006 and September 30, 2005.

(g) The ratios for September 30, 2006 are estimated and reflect the impact of the deconsolidation of BlackRock effective September 29, 2006.

(h) Common shareholders' equity less goodwill and other intangible assets (excluding mortgage servicing rights) divided by assets less goodwill and other intangible assets (excluding mortgage servicing rights).

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 16

Illustrative Impact Of Equity Method Of Accounting For BlackRock - Condensed Consolidated Income Statement (a)

| <i>For the three months ended September 30, 2006 - in millions</i> | PNC | | PNC | BlackRock | |
|--|-------------|-----------------|-----------------|--|--------------------------------|
| <i>Unaudited</i> | As Reported | Adjustments (b) | As Adjusted (b) | Deconsolidation and Other Adjustments | BlackRock Equity Method (c) |
| Net Interest Income | | | | | |
| Interest income | \$1,203 | | \$1,203 | \$(5) | |
| Interest expense | 636 | | 636 | (2) | |
| Net interest income | 567 | | 567 | (3) | |
| Provision for credit losses | 16 | | 16 | | |
| Net interest income less provision for credit losses | 551 | | 551 | (3) | |
| Noninterest Income | | | | | |
| Asset management | 381 | | 381 | (302) | |
| BlackRock investment | | | | | \$43 |
| Gain on BlackRock transaction | 2,078 | \$(2,078) | | | |
| Other | 484 | 244 | 728 | (18) | |
| Total noninterest income | 2,943 | (1,834) | 1,109 | (320) | 43 |
| Noninterest Expense | | | | | |
| Compensation and benefits | 659 | (44) | 615 | (154) | |
| Other | 519 | (28) | 491 | (80) | |
| Total noninterest expense | 1,178 | (72) | 1,106 | (234) | |
| Income before minority and noncontrolling interests and income taxes | 2,316 | (1,762) | 554 | (89) | 43 |
| Minority and noncontrolling interests in income (loss) of consolidated entities | (5) | 14 | 9 | (9) | |
| Income taxes | 837 | (672) | 165 | (37) | |
| Net income | \$1,484 | \$(1,104) | \$380 | \$(43) | \$43 |
| Noninterest income to total revenue | 84 | % | | | |
| Efficiency | 34 | % | | | |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

- (a) In our Current Report on Form 8-K dated August 16, 2006 (the "August 16 Form 8-K"), we presented, for informational purposes only, historical financial information of PNC adjusted as if (1) the deconsolidation of BlackRock from PNC's consolidated financial statements had occurred January 1, 2003 and (2) our investment in BlackRock had been accounted for under the equity method of accounting subsequent to that date. In the August 16 Form 8-K, we presented this information for the three months ended June 30, 2006, March 31, 2006, December 31, 2005, September 30, 2005 and June 30, 2005, along with the years ended December 31, 2005, 2004 and 2003. This schedule is presented for informational purposes only and to supplement the disclosures provided in the August 16 Form 8-K.
 - (b) See page 13 for additional information. We have included adjusted amounts as additional, supplemental information in the table on this page 16 for the three months ended September 30, 2006 only because of the magnitude of the aggregate of such adjustments for this period.
 - (c) BlackRock investment revenue represents PNC's approximately 69% ownership interest in earnings of BlackRock for the third quarter of 2006 excluding MLIM pretax integration costs totaling \$72 million. At September 30, 2006, PNC's ownership interest in BlackRock was approximately 34%.
-

Consolidated Financial Highlights

The PNC Financial Services Group, Inc.

Page 17

Illustrative Impact Of Equity Method Of Accounting For BlackRock - Condensed Consolidated Balance Sheet

| <i>At September 30, 2006 - in millions</i> | PNC with BlackRock | BlackRock Deconsolidation and Other Adjustments to | BlackRock/MLIM | PNC |
|---|--------------------|--|----------------|-----------------|
| <i>Unaudited</i> | Consolidated | Equity Method (a) | Transaction | As Reported |
| Assets | | | | |
| Loans, net of unearned income of \$815 | \$48,900 | | | \$48,900 |
| Securities available for sale and held to maturity | 19,543 | \$(31) | | 19,512 |
| Loans held for sale | 4,317 | | | 4,317 |
| Goodwill and other intangible assets | 4,535 | (497) | \$(30) | 4,008 |
| Investment in BlackRock | | 710 | 3,126 | 3,836 |
| Other | 19,294 | (1,431) | | 17,863 |
| Total assets | \$96,589 | \$(1,249) | \$3,096 | \$98,436 |
| Liabilities, Minority and Noncontrolling Interests, and Shareholders' Equity | | | | |
| Deposits | \$64,569 | \$3 | | \$64,572 |
| Borrowed funds | 14,948 | (253) | | 14,695 |
| Other | 7,125 | (663) | \$1,541 (b) | 8,003 |
| Total liabilities | 86,642 | (913) | 1,541 | 87,270 |
| Minority and noncontrolling interests in consolidated entities | 744 | (336) | | 408 |
| Total shareholders' equity | 9,203 | | 1,555 | 10,758 |
| Total liabilities, minority and noncontrolling interests, and shareholders' equity | \$96,589 | \$(1,249) | \$3,096 | \$98,436 |

(a) Includes the elimination of minority interest liability and other adjustments for intercompany transactions and related party transactions due to the deconsolidation of BlackRock.

(b) Includes deferred taxes of approximately \$.9 billion and a liability of approximately \$.6 billion related to our obligation to provide shares of BlackRock common stock to help fund BlackRock long-term retention and incentive plans.

THE PNC FINANCIAL SERVICES GROUP, INC.

**FINANCIAL SUPPLEMENT
THIRD QUARTER 2006
UNAUDITED**

THE PNC FINANCIAL SERVICES GROUP, INC.
FINANCIAL SUPPLEMENT
THIRD QUARTER 2006

UNAUDITED

| | Page |
|--|-------|
| Consolidated Income Statement | 1 |
| Consolidated Balance Sheet | 2 |
| Capital Ratios and Asset Quality Ratios | 2 |
| Results of Businesses | |
| Summary of Business Results and Period-end Employees | 3 |
| Retail Banking | 4-5 |
| Corporate & Institutional Banking | 6 |
| BlackRock | 7 |
| PFPC | 8 |
| Details of Net Interest Income, Net Interest Margin, and Trading Revenue | 9 |
| GAAP and Bank Efficiency Ratios | 10 |
| Retail Banking Efficiency Ratios | 11 |
| Average Consolidated Balance Sheet and Supplemental Average Balance Sheet Information | 12-13 |
| Details of Loans and Lending Statistics | 14 |
| Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit and Net Unfunded Commitments | 15 |
| Details of Nonperforming Assets | 16-17 |
| Glossary of Terms | 18-20 |
| Business Segment Descriptions | 21 |
| Additional Information About The PNC/Mercantile Transaction | 22 |

The information contained in this Financial Supplement is preliminary, unaudited and based on data available at October 31, 2006. We have reclassified certain prior period amounts included in this Financial Supplement to be consistent with the current period presentation. This information speaks only as of the particular date or dates included in the schedules. We do not undertake any obligation to, and disclaim any duty to, correct or update any of the information provided in this Financial Supplement. Our future financial performance is subject to risks and uncertainties as described in our SEC filings.

BlackRock/MLIM Transaction

As further described in our Current Reports on Form 8-K dated February 15, 2006 and September 29, 2006, BlackRock, Inc. ("BlackRock"), formerly a majority-owned subsidiary of The PNC Financial Services Group, Inc., and Merrill Lynch entered into a definitive agreement pursuant to which Merrill Lynch agreed to contribute its investment management business ("MLIM") to BlackRock in exchange for 65 million shares of newly issued BlackRock common and preferred stock.

This transaction closed on September 29, 2006. For all quarterly periods presented in this Financial Supplement, our Consolidated Income Statement reflects our former majority ownership interest in BlackRock. However, our Consolidated Balance Sheet as of September 30, 2006 reflects the deconsolidation of BlackRock's balance sheet amounts and recognizes our 34% ownership interest in BlackRock as of that date as an investment to be accounted for under the equity method on a prospective basis.

Market Street

As disclosed in our 2005 Annual Report on Form 10-K, in October 2005 Market Street Funding ("Market Street"), a multi-seller asset-backed commercial paper conduit owned by an independent third party and administered by PNC Bank, N.A., was restructured. As a result, Market Street was deconsolidated from our Consolidated Balance Sheet effective October 17, 2005. This deconsolidation is reflected in the information

contained in this Financial Supplement. We had previously consolidated Market Street under the provisions of FIN 46R effective July 1, 2003.

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 1

Consolidated Income Statement (Unaudited)

| | September 30 | June 30 | March 31 | December 31 | September 30 |
|--|--------------|--------------|--------------|--------------|--------------|
| <i>For the three months ended - in millions, except per share data</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Interest Income | | | | | |
| Loans | \$838 | \$797 | \$747 | \$727 | \$718 |
| Securities available for sale and held to maturity | 271 | 255 | 243 | 233 | 219 |
| Other | 94 | 74 | 76 | 74 | 58 |
| Total interest income | 1,203 | 1,126 | 1,066 | 1,034 | 995 |
| Interest Expense | | | | | |
| Deposits | 434 | 379 | 327 | 305 | 270 |
| Borrowed funds | 202 | 191 | 183 | 174 | 166 |
| Total interest expense | 636 | 570 | 510 | 479 | 436 |
| Net interest income | 567 | 556 | 556 | 555 | 559 |
| Provision for credit losses | 16 | 44 | 22 | 24 | 16 |
| Net interest income less provision for credit losses | 551 | 512 | 534 | 531 | 543 |
| Noninterest Income | | | | | |
| Asset management | 381 | 429 | 461 | 431 | 364 |
| Fund servicing | 213 | 210 | 221 | 213 | 218 |
| Service charges on deposits | 81 | 80 | 73 | 74 | 73 |
| Brokerage | 61 | 63 | 59 | 57 | 56 |
| Consumer services | 89 | 94 | 89 | 80 | 76 |
| Corporate services | 157 | 157 | 135 | 143 | 121 |
| Equity management gains | 21 | 54 | 7 | 16 | 36 |
| Net securities losses | (195) | (8) | (4) | (4) | (2) |
| Trading | 38 | 55 | 57 | 49 | 47 |
| Gain on BlackRock transaction | 2,078 | | | | |
| Other | 19 | 96 | 87 | 95 | 127 |
| Total noninterest income | 2,943 | 1,230 | 1,185 | 1,154 | 1,116 |
| Noninterest Expense | | | | | |
| Compensation | 573 | 558 | 555 | 556 | 545 |
| Employee benefits | 86 | 76 | 87 | 77 | 86 |
| Net occupancy | 79 | 83 | 79 | 82 | 86 |
| Equipment | 77 | 80 | 77 | 75 | 73 |
| Marketing | 39 | 22 | 20 | 31 | 30 |
| Other | 324 | 330 | 353 | 324 | 339 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|---|---------|--------|--------|--------|--------|
| Total noninterest expense | 1,178 | 1,149 | 1,171 | 1,145 | 1,159 |
| <hr/> | | | | | |
| Income before minority and noncontrolling interests and income taxes | 2,316 | 593 | 548 | 540 | 500 |
| Minority and noncontrolling interests in income (loss) of consolidated entities | (5) | 15 | 13 | 4 | 14 |
| Income taxes | 837 | 197 | 181 | 181 | 152 |
| <hr/> | | | | | |
| Net income | \$1,484 | \$381 | \$354 | \$355 | \$334 |
| <hr/> | | | | | |
| Earnings Per Common Share | | | | | |
| Basic | \$5.09 | \$1.30 | \$1.21 | \$1.22 | \$1.16 |
| Diluted | \$5.01 | \$1.28 | \$1.19 | \$1.20 | \$1.14 |
| <hr/> | | | | | |
| Average Common Shares Outstanding | | | | | |
| Basic | 291 | 293 | 292 | 290 | 289 |
| Diluted | 296 | 297 | 296 | 294 | 292 |
| <hr/> | | | | | |
| Noninterest income to total revenue | 84% | 69% | 68% | 68% | 67% |
| <hr/> | | | | | |
| Effective tax rate (a) | 36.1% | 33.2% | 33.0% | 33.5% | 30.4% |
| <hr/> | | | | | |

(a) The increase in the third quarter 2006 effective tax rate is primarily due to taxes related to the gain on, and a cumulative adjustment to deferred taxes in connection with, the BlackRock transaction, partially offset by a reduction in pretax income due to third quarter 2006 balance sheet repositioning activities.

Consolidated Balance Sheet (Unaudited)

| | September 30 | June 30 | March 31 | December 31 | September 30 |
|---|--------------|----------|----------|-------------|--------------|
| <i>In millions, except par value</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Assets | | | | | |
| Cash and due from banks | \$3,018 | \$3,438 | \$3,206 | \$3,518 | \$3,474 |
| Federal funds sold and resale agreements | 2,818 | 675 | 511 | 350 | 907 |
| Other short-term investments, including trading securities | 2,718 | 2,005 | 2,641 | 2,543 | 2,553 |
| Loans held for sale | 4,317 | 2,165 | 2,266 | 2,449 | 2,377 |
| Securities available for sale and held to maturity | 19,512 | 21,724 | 21,529 | 20,710 | 20,658 |
| Loans, net of unearned income of \$815, \$828, \$832, \$835, and \$856 | 48,900 | 50,548 | 49,521 | 49,101 | 50,510 |
| Allowance for loan and lease losses | (566) | (611) | (597) | (596) | (634) |
| Net loans | 48,334 | 49,937 | 48,924 | 48,505 | 49,876 |
| Goodwill | 3,418 | 3,636 | 3,638 | 3,619 | 3,470 |
| Other intangible assets | 590 | 862 | 844 | 847 | 755 |
| Investment in BlackRock | 3,836 | | | | |
| Other | 9,875 | 10,472 | 9,698 | 9,413 | 9,171 |
| Total assets | \$98,436 | \$94,914 | \$93,257 | \$91,954 | \$93,241 |
| Liabilities | | | | | |
| Deposits | | | | | |
| Noninterest-bearing | \$14,840 | \$14,434 | \$14,250 | \$14,988 | \$14,099 |
| Interest-bearing | 49,732 | 49,059 | 46,649 | 45,287 | 46,115 |
| Total deposits | 64,572 | 63,493 | 60,899 | 60,275 | 60,214 |
| Borrowed funds | | | | | |
| Federal funds purchased | 3,475 | 3,320 | 3,156 | 4,128 | 1,477 |
| Repurchase agreements | 2,275 | 2,136 | 2,892 | 1,691 | 2,054 |
| Bank notes and senior debt | 2,177 | 3,503 | 3,362 | 3,875 | 3,475 |
| Subordinated debt | 4,436 | 4,329 | 4,387 | 4,469 | 4,506 |
| Commercial paper | 110 | 10 | 120 | 10 | 3,447 |
| Other | 2,222 | 2,353 | 2,523 | 2,724 | 3,415 |
| Total borrowed funds | 14,695 | 15,651 | 16,440 | 16,897 | 18,374 |
| Allowance for unfunded loan commitments and letters of credit | 117 | 103 | 103 | 100 | 79 |
| Accrued expenses | 3,855 | 2,635 | 2,585 | 2,770 | 2,637 |
| Other | 4,031 | 3,573 | 3,822 | 2,759 | 3,025 |
| Total liabilities | 87,270 | 85,455 | 83,849 | 82,801 | 84,329 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Minority and noncontrolling interests in consolidated entities | 408 | 632 | 627 | 590 | 595 |
| Shareholders Equity | | | | | |
| Preferred stock (a) | | | | | |
| Common stock - \$5 par value | | | | | |
| Authorized 800 shares, issued 353 shares | 1,764 | 1,764 | 1,764 | 1,764 | 1,764 |
| Capital surplus | 1,679 | 1,385 | 1,349 | 1,358 | 1,358 |
| Retained earnings | 10,771 | 9,449 | 9,230 | 9,023 | 8,814 |
| Deferred compensation expense | (51) | (60) | (44) | (59) | (64) |
| Accumulated other comprehensive loss | (109) | (510) | (394) | (267) | (200) |
| Common stock held in treasury at cost: 59, 58, 57, 60, and 62 shares | (3,296) | (3,201) | (3,124) | (3,256) | (3,355) |
| Total shareholders equity | 10,758 | 8,827 | 8,781 | 8,563 | 8,317 |
| Total liabilities, minority and noncontrolling interests, and shareholders equity | \$98,436 | \$94,914 | \$93,257 | \$91,954 | \$93,241 |

CAPITAL RATIOS

| | | | | | |
|--------------------------------------|--------|-------|-------|-------|-------|
| Tier 1 risk-based (b) | 10.4 % | 8.8 % | 8.8 % | 8.3 % | 8.4 % |
| Total risk-based (b) | 13.6 | 12.4 | 12.5 | 12.1 | 12.5 |
| Leverage (b) | 9.4 | 7.7 | 7.6 | 7.2 | 7.1 |
| Tangible common equity | 7.5 | 5.2 | 5.2 | 5.0 | 4.9 |
| Common shareholders equity to assets | 10.9 | 9.3 | 9.4 | 9.3 | 8.9 |

ASSET QUALITY RATIOS

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Nonperforming assets to loans, loans held for sale and foreclosed assets | .36 % | .44 % | .40 % | .42 % | .29 % |
| Nonperforming loans to loans | .34 | .41 | .37 | .39 | .25 |
| Net charge-offs to average loans (For the three months ended) | .37 | .24 | .15 | .33 | .12 |
| Allowance for loan and lease losses to loans | 1.16 | 1.21 | 1.21 | 1.21 | 1.26 |
| Allowance for loan and lease losses to nonperforming loans | 339 | 294 | 328 | 314 | 499 |

(a) Less than \$.5 million at each date.

(b) The ratios for September 30, 2006 are estimated and reflect the impact of the deconsolidation of BlackRock effective September 29, 2006.

Summary of Business Results and Period-end Employees(Unaudited)

| <i>Three months ended</i> dollars in million ^(a) | September 30 | June 30 | March 31 | December 31 | September 30 |
|---|----------------|--------------|--------------|--------------|--------------|
| Earnings | 2006 | 2006 | 2006 | 2005 | 2005 |
| Retail Banking | \$206 | \$185 | \$190 | \$195 | \$176 |
| Corporate & Institutional Banking | 113 | 116 | 105 | 108 | 118 |
| BlackRock (b) (c) | 63 | 71 | 75 | 73 | 61 |
| PFPC | 40 | 26 | 27 | 29 | 28 |
| Total business segment earnings | 422 | 398 | 397 | 405 | 383 |
| Minority interest in income of BlackRock | (20) | (21) | (23) | (22) | (19) |
| Other (c) (d) | 1,082 | 4 | (20) | (28) | (30) |
| Total consolidated net income | \$1,484 | \$381 | \$354 | \$355 | \$334 |

Revenue (e)

| | | | | | |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Retail Banking | \$791 | \$782 | \$753 | \$755 | \$740 |
| Corporate & Institutional Banking | 356 | 382 | 340 | 358 | 346 |
| BlackRock (b) (f) | 328 | 365 | 410 | 375 | 320 |
| PFPC (g) | 208 | 208 | 218 | 209 | 211 |
| Total business segment revenue | 1,683 | 1,737 | 1,721 | 1,697 | 1,617 |
| Other | 1,834 | 55 | 27 | 25 | 65 |
| Total consolidated revenue | \$3,517 | \$1,792 | \$1,748 | \$1,722 | \$1,682 |

- (a) This summary also serves as a reconciliation of total earnings and revenue for all business segments to total consolidated net income and revenue. Our business segment information is presented based on our management accounting practices and our management structure. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change.
- (b) Our ownership interest in BlackRock was approximately 69% - 70% for all periods presented. Effective September 29, 2006, PNC's ownership interest in BlackRock dropped to approximately 34%.
- (c) BlackRock reported GAAP earnings of \$19 million, \$63 million and \$71 million for the three months ended September 30, 2006, June 30, 2006 and March 31, 2006, respectively. For this PNC business segment reporting presentation, pretax integration costs incurred by BlackRock for the MLIM transaction totaling \$72 million, \$13 million and \$6 million for the three months ended September 30, 2006, June 30, 2006 and March 31, 2006, respectively, have been reclassified from BlackRock to "Other."
- (d) "Other" for the three months ended September 30, 2006 includes the after-tax impact of the gain on the BlackRock transaction and costs associated with the securities portfolio rebalancing and mortgage loan portfolio repositioning.
- (e) Business segment revenue is presented on a taxable-equivalent basis. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. To provide more meaningful comparisons of yields and margins for all earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income on other taxable investments. This adjustment is not permitted under generally accepted accounting principles (GAAP) on the Consolidated Income Statement. The following is a reconciliation of total consolidated revenue on a book (GAAP) basis to total consolidated revenue on a taxable-equivalent basis (in millions):

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| Total consolidated revenue, book (GAAP) basis | \$3,510 | \$1,786 | \$1,741 | \$1,709 | \$1,675 |
| Taxable-equivalent adjustment | 7 | 6 | 7 | 13 | 7 |
| Total consolidated revenue, taxable-equivalent basis | \$3,517 | \$1,792 | \$1,748 | \$1,722 | \$1,682 |

(f) Amounts for BlackRock represent the sum of total operating revenue and nonoperating income.

(g) Amounts for PFPC represent the sum of servicing revenue and net nonoperating income less debt financing costs.

| Period-end Employees | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|-----------------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
| Full-time employees | | | | | |
| Retail Banking | 9,531 | 9,674 | 9,725 | 9,679 | 9,891 |
| Corporate & Institutional Banking | 1,925 | 1,899 | 1,892 | 1,861 | 1,740 |
| BlackRock | | 2,317 | 2,232 | 2,151 | 2,145 |
| PFPC | 4,317 | 4,314 | 4,291 | 4,391 | 4,457 |
| Other | | | | | |
| Operations & Technology | 4,006 | 3,994 | 3,942 | 3,966 | 4,010 |
| Staff Services | 1,595 | 1,593 | 1,560 | 1,545 | 1,568 |
| Total Other | 5,601 | 5,587 | 5,502 | 5,511 | 5,578 |
| Total full-time employees | 21,374 | 23,791 | 23,642 | 23,593 | 23,811 |
| Total part-time employees | 2,165 | 2,241 | 2,003 | 1,755 | 1,558 |
| Total employees | 23,539 | 26,032 | 25,645 | 25,348 | 25,369 |

The period-end employee statistics disclosed for each business segment reflect staff directly employed by the respective business segment and exclude operations, technology and staff services employees. No employees are shown for BlackRock at September 30, 2006 as we deconsolidated BlackRock effective September 29, 2006.

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 4

Retail Banking (Unaudited)

Three months ended

| Taxable-equivalent basis (a) | September 30 | June 30 | March 31 | December 31 | September 30 |
|------------------------------|--------------|---------|----------|-------------|--------------|
| Dollars in millions | 2006 | 2006 | 2006 | 2005 | 2005 |

INCOME STATEMENT

| | | | | | |
|---------------------------------|------------|------------|------------|------------|------------|
| Net interest income | \$427 | \$424 | \$408 | \$417 | \$407 |
| Noninterest income | | | | | |
| Asset management | 87 | 87 | 87 | 86 | 87 |
| Service charges on deposits | 79 | 77 | 71 | 72 | 71 |
| Brokerage | 59 | 59 | 58 | 54 | 54 |
| Consumer services | 86 | 88 | 86 | 78 | 72 |
| Other | 53 | 47 | 43 | 48 | 49 |
| Total noninterest income | 364 | 358 | 345 | 338 | 333 |

| | | | | | |
|-----------------------------|-----|-----|-----|-----|-----|
| Total revenue | 791 | 782 | 753 | 755 | 740 |
| Provision for credit losses | 9 | 28 | 9 | 9 | 14 |
| Noninterest expense | 451 | 455 | 436 | 434 | 444 |

| | | | | | |
|-------------------|-----|-----|-----|-----|-----|
| Pretax earnings | 331 | 299 | 308 | 312 | 282 |
| Minority interest | 5 | 5 | 4 | | |
| Income taxes | 120 | 109 | 114 | 117 | 106 |

| | | | | | |
|----------|-------|-------|-------|-------|-------|
| Earnings | \$206 | \$185 | \$190 | \$195 | \$176 |
|----------|-------|-------|-------|-------|-------|

AVERAGE BALANCE SHEET

Loans

| | | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Consumer | | | | | |
| Home equity | \$13,849 | \$13,816 | \$13,778 | \$13,751 | \$13,570 |
| Indirect | 1,069 | 1,019 | 987 | 980 | 952 |
| Other consumer | 1,221 | 1,202 | 1,248 | 1,264 | 1,205 |
| Total consumer | 16,139 | 16,037 | 16,013 | 15,995 | 15,727 |
| Commercial | 5,821 | 5,715 | 5,433 | 5,282 | 5,235 |
| Floor plan | 854 | 964 | 970 | 936 | 903 |
| Residential mortgage | 1,509 | 1,577 | 1,648 | 1,716 | 1,789 |
| Other | 250 | 248 | 236 | 244 | 247 |
| Total loans | 24,573 | 24,541 | 24,300 | 24,173 | 23,901 |
| Goodwill and other intangible assets | 1,580 | 1,586 | 1,582 | 1,560 | 1,545 |
| Loans held for sale | 1,513 | 1,535 | 1,880 | 1,802 | 1,602 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Other assets | 1,640 | 1,621 | 1,607 | 1,505 | 1,498 |
| Total assets | \$29,306 | \$29,283 | \$29,369 | \$29,040 | \$28,546 |
| Deposits | | | | | |
| Noninterest-bearing demand | \$7,848 | \$7,908 | \$7,777 | \$7,925 | \$7,891 |
| Interest-bearing demand | 7,787 | 7,950 | 8,025 | 8,095 | 8,044 |
| Money market | 14,832 | 14,697 | 14,644 | 14,399 | 14,042 |
| Total transaction deposits | 30,467 | 30,555 | 30,446 | 30,419 | 29,977 |
| Savings | 1,976 | 2,109 | 2,183 | 2,309 | 2,516 |
| Certificates of deposit | 14,053 | 13,560 | 13,115 | 12,671 | 11,996 |
| Total deposits | 46,496 | 46,224 | 45,744 | 45,399 | 44,489 |
| Other liabilities | 515 | 537 | 560 | 392 | 370 |
| Capital | 2,988 | 2,979 | 2,943 | 2,965 | 2,919 |
| Total funds | \$49,999 | \$49,740 | \$49,247 | \$48,756 | \$47,778 |

PERFORMANCE RATIOS

| | | | | | |
|-------------------------------------|------|------|------|------|------|
| Return on average capital | 27 % | 25 % | 26 % | 26 % | 24 % |
| Noninterest income to total revenue | 46 | 46 | 46 | 45 | 45 |
| Efficiency, GAAP basis | 57 | 58 | 58 | 57 | 60 |
| Efficiency, as adjusted (b) | 55 | 56 | 56 | 55 | 58 |

(a) See notes (a) and (e) on page 3.

(b) See page 11 for a reconciliation of the efficiency ratio, as adjusted, to the efficiency ratio on a GAAP basis.

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 5

Retail Banking (Unaudited) (Continued)

| Three months ended | September 30 | June 30 | March 31 | December 31 | September 30 |
|--|--------------|---------|----------|-------------|--------------|
| <i>Dollars in millions except as noted</i> | 2006 | 2006 | 2006 | 2005 | 2005 |

OTHER INFORMATION (a)Credit-related statistics:

| | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|
| Nonperforming assets | \$95 | \$104 | \$93 | \$90 | \$87 |
| Net charge-offs (b) | \$31 | \$19 | \$14 | \$12 | \$11 |
| Annualized net charge-off ratio | .50 % | .31 % | .23 % | .20 % | .18 % |

Home equity portfolio credit statistics:

| | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|
| % of first lien positions | 44 % | 45 % | 45 % | 46 % | 47 % |
| Weighted average loan-to-value ratios | 69 % | 69 % | 68 % | 68 % | 70 % |
| Weighted average FICO scores | 728 | 728 | 727 | 728 | 721 |
| Loans 90 days past due | .22 % | .21 % | .22 % | .21 % | .18 % |

Checking-related statistics:

| | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Retail Banking checking relationships | 1,958,000 | 1,956,000 | 1,950,000 | 1,934,000 | 1,921,000 |
| Consumer DDA households using online banking | 920,000 | 897,000 | 880,000 | 855,000 | 830,000 |
| % of consumer DDA households using online banking | 52 % | 51 % | 50 % | 49 % | 48 % |
| Consumer DDA households using online bill payment | 361,000 | 305,000 | 253,000 | 205,000 | 188,000 |
| % of consumer DDA households using online bill payment | 20 % | 17 % | 14 % | 12 % | 11 % |

Small business managed deposits:On-balance sheet

| | | | | | |
|----------------------------|---------|---------|---------|---------|---------|
| Noninterest-bearing demand | \$4,370 | \$4,319 | \$4,357 | \$4,555 | \$4,499 |
| Interest-bearing demand | 1,545 | 1,392 | 1,454 | 1,656 | 1,547 |
| Money market | 2,658 | 2,617 | 2,705 | 2,941 | 3,045 |
| Certificates of deposit | 647 | 574 | 553 | 530 | 410 |

Off-balance sheet (c)

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Small business sweep checking | 1,676 | 1,532 | 1,454 | 1,392 | 1,321 |
|-------------------------------|-------|-------|-------|-------|-------|

| | | | | | |
|------------------------|----------|----------|----------|----------|----------|
| Total managed deposits | \$10,896 | \$10,434 | \$10,523 | \$11,074 | \$10,822 |
|------------------------|----------|----------|----------|----------|----------|

Brokerage statistics:

| | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|
| Margin loans | \$170 | \$194 | \$205 | \$217 | \$223 |
| Financial consultants (d) | 752 | 775 | 783 | 779 | 784 |
| Full service brokerage offices | 99 | 100 | 100 | 100 | 99 |
| Brokerage account assets (billions) | \$44 | \$43 | \$43 | \$42 | \$42 |

Other statistics:

| | | | | | |
|---------------------------------------|-------|-------|-------|-------|-------|
| Gains on sales of education loans (e) | \$11 | \$7 | \$4 | \$4 | \$11 |
| Period-end full-time employees | 9,531 | 9,674 | 9,725 | 9,679 | 9,891 |
| Period-end part-time employees | 1,660 | 1,526 | 1,373 | 1,117 | 934 |
| ATMs | 3,594 | 3,553 | 3,763 | 3,721 | 3,770 |
| Branches (f) | 848 | 846 | 846 | 839 | 830 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

ASSETS UNDER ADMINISTRATION (in billions) (g)

Assets under management

| | | | | | |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Personal | \$42 | \$40 | \$40 | \$40 | \$41 |
| Institutional | 10 | 10 | 10 | 9 | 9 |
| Total | \$52 | \$50 | \$50 | \$49 | \$50 |

Asset Type

| | | | | | |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Equity | \$32 | \$31 | \$32 | \$31 | \$31 |
| Fixed income | 12 | 12 | 12 | 12 | 13 |
| Liquidity/Other | 8 | 7 | 6 | 6 | 6 |
| Total | \$52 | \$50 | \$50 | \$49 | \$50 |

Nondiscretionary assets under administration

| | | | | | |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Personal | \$27 | \$25 | \$28 | \$27 | \$27 |
| Institutional | 62 | 60 | 59 | 57 | 58 |
| Total | \$89 | \$85 | \$87 | \$84 | \$85 |

Asset Type

| | | | | | |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Equity | \$32 | \$31 | \$33 | \$33 | \$32 |
| Fixed income | 27 | 26 | 26 | 24 | 25 |
| Liquidity/Other | 30 | 28 | 28 | 27 | 28 |
| Total | \$89 | \$85 | \$87 | \$84 | \$85 |

- (a) Presented as of period-end, except for net charge-offs, annualized net charge-off ratio, gains on sales of education loans, and small business deposits.
 - (b) The increase at September 30, 2006 was primarily due to a single large overdraft fraud that occurred during the second quarter of 2006.
 - (c) Represents small business balances, a portion of which are calculated on a one-month lag. These balances are swept into liquidity products managed by other PNC business segments, the majority of which are off-balance sheet.
 - (d) Financial consultants provide services in full service brokerage offices and PNC traditional branches.
 - (e) Included in "Noninterest income-Other" on page 4.
 - (f) Excludes certain satellite branches that provide limited products and service hours.
 - (g) Excludes brokerage account assets.
-

Corporate & Institutional Banking (Unaudited)*Three months ended*

Taxable-equivalent basis (a) September 30 June 30 March 31 December 31 September 30
Dollars in millions except as noted 2006 2006 2006 2005 2005

INCOME STATEMENT

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Net interest income | \$182 | \$173 | \$175 | \$184 | \$194 |
| Noninterest income | | | | | |
| Corporate services | 131 | 133 | 113 | 118 | 99 |
| Other | 43 | 76 | 52 | 56 | 53 |
| Noninterest income | 174 | 209 | 165 | 174 | 152 |
| Total revenue | 356 | 382 | 340 | 358 | 346 |
| Provision for (recoveries of) credit losses | 7 | 17 | 12 | 23 | (1) |
| Noninterest expense | 182 | 192 | 176 | 177 | 172 |
| Pretax earnings | 167 | 173 | 152 | 158 | 175 |
| Income taxes | 54 | 57 | 47 | 50 | 57 |
| Earnings | \$113 | \$116 | \$105 | \$108 | \$118 |

AVERAGE BALANCE SHEET

| | | | | | |
|--------------------------------------|----------|----------|----------|----------|----------|
| Loans | | | | | |
| Corporate (b) | \$9,966 | \$9,981 | \$9,685 | \$9,829 | \$11,436 |
| Commercial real estate | 2,953 | 2,760 | 2,643 | 2,620 | 2,580 |
| Commercial - real estate related | 2,476 | 2,484 | 2,454 | 2,219 | 2,155 |
| Asset-based lending | 4,563 | 4,452 | 4,252 | 4,227 | 4,227 |
| Total loans (b) | 19,958 | 19,677 | 19,034 | 18,895 | 20,398 |
| Loans held for sale | 865 | 875 | 866 | 923 | 789 |
| Goodwill and other intangible assets | 1,366 | 1,328 | 1,314 | 1,265 | 1,081 |
| Other assets | 4,721 | 4,411 | 4,282 | 4,243 | 4,416 |
| Total assets | \$26,910 | \$26,291 | \$25,496 | \$25,326 | \$26,684 |
| Deposits | | | | | |
| Noninterest-bearing demand | \$6,817 | \$6,353 | \$6,697 | \$6,526 | \$6,195 |
| Money market | 2,678 | 2,168 | 2,110 | 2,886 | 2,620 |
| Other | 995 | 933 | 777 | 717 | 720 |
| Total deposits | 10,490 | 9,454 | 9,584 | 10,129 | 9,535 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|----------------------|-------|-------|-------|-------|-------|
| Commercial paper (c) | | | | 514 | 2,553 |
| Other liabilities | 3,885 | 3,722 | 3,439 | 3,405 | 3,280 |
| Capital | 1,879 | 2,027 | 1,945 | 1,787 | 1,743 |

| | | | | | |
|-------------|----------|----------|----------|----------|----------|
| Total funds | \$16,254 | \$15,203 | \$14,968 | \$15,835 | \$17,111 |
|-------------|----------|----------|----------|----------|----------|

PERFORMANCE RATIOS

| | | | | | |
|-------------------------------------|------|------|------|------|------|
| Return on average capital | 24 % | 23 % | 22 % | 24 % | 27 % |
| Noninterest income to total revenue | 49 | 55 | 49 | 49 | 44 |
| Efficiency | 51 | 50 | 52 | 49 | 50 |

COMMERCIAL MORTGAGE

SERVICING PORTFOLIO (in billions)

| | | | | | |
|------------------------|-------|-------|-------|-------|-------|
| Beginning of period | \$151 | \$140 | \$136 | \$126 | \$119 |
| Acquisitions/additions | 37 | 19 | 13 | 21 | 18 |
| Repayments/transfers | (8) | (8) | (9) | (11) | (11) |

| | | | | | |
|---------------|-------|-------|-------|-------|-------|
| End of period | \$180 | \$151 | \$140 | \$136 | \$126 |
|---------------|-------|-------|-------|-------|-------|

OTHER INFORMATION

Consolidated revenue from: (d)

| | | | | | |
|---|----------|----------|----------|----------|----------|
| Treasury Management | \$108 | \$106 | \$102 | \$105 | \$105 |
| Capital Markets | \$64 | \$76 | \$64 | \$62 | \$42 |
| Midland Loan Services | \$47 | \$42 | \$42 | \$41 | \$39 |
| Total loans (e) | \$20,405 | \$20,057 | \$19,447 | \$18,817 | \$21,084 |
| Nonperforming assets (e) | \$94 | \$125 | \$112 | \$124 | \$67 |
| Net charge-offs (recoveries) | \$14 | \$12 | \$4 | \$28 | \$5 |
| Period-end full-time employees | 1,925 | 1,899 | 1,892 | 1,861 | 1,740 |
| Net gains on commercial mortgage loan sales | \$12 | \$18 | \$7 | \$13 | \$21 |
| Net carrying amount of commercial mortgage servicing rights (e) | \$414 | \$385 | \$353 | \$344 | \$297 |

(a) See notes (a) and (e) on page 3.

(b) Includes lease financing and Market Street. Market Street was deconsolidated from our Consolidated Balance Sheet effective October 17, 2005.

(c) Includes Market Street. See Supplemental Average Balance Sheet Information on pages 12-13.

(d) Represents consolidated PNC amounts.

(e) Presented as of period-end.

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 7

BlackRock (Unaudited) (a) (b)

Three months ended

| Taxable-equivalent basis (a) | September 30 | June 30 | March 31 | December 31 | September 30 |
|-------------------------------------|--------------|---------|----------|-------------|--------------|
| Dollars in millions except as noted | 2006 | 2006 | 2006 | 2005 | 2005 |

INCOME STATEMENT

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Investment advisory and administrative fees | \$275 | \$313 | \$350 | \$320 | \$255 |
| Other income | 48 | 47 | 46 | 49 | 46 |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| Total operating revenue | 323 | 360 | 396 | 369 | 301 |
| Operating expense (c) | 212 | 240 | 280 | 245 | 208 |
| Fund administration and servicing costs | 11 | 11 | 10 | 11 | 13 |

| | | | | | |
|-------------------|-----|-----|-----|-----|-----|
| Total expense (c) | 223 | 251 | 290 | 256 | 221 |
|-------------------|-----|-----|-----|-----|-----|

| | | | | | |
|---------------------|-----|-----|-----|-----|----|
| Operating income | 100 | 109 | 106 | 113 | 80 |
| Nonoperating income | 5 | 5 | 14 | 6 | 19 |

| | | | | | |
|-------------------|-----|-----|-----|-----|----|
| Pretax earnings | 105 | 114 | 120 | 119 | 99 |
| Minority interest | 1 | | 1 | 1 | 1 |
| Income taxes | 41 | 43 | 44 | 45 | 37 |

| | | | | | |
|--------------|------|------|------|------|------|
| Earnings (c) | \$63 | \$71 | \$75 | \$73 | \$61 |
|--------------|------|------|------|------|------|

PERIOD-END BALANCE SHEET

| | | | | | |
|--------------------------------------|---------|-------|-------|-------|-------|
| Investment in BlackRock | \$3,836 | | | | |
| Goodwill and other intangible assets | 29 | \$490 | \$492 | \$484 | \$492 |
| Other assets | | 1,434 | 1,349 | 1,364 | 1,181 |

| | | | | | |
|--------------|---------|---------|---------|---------|---------|
| Total assets | \$3,865 | \$1,924 | \$1,841 | \$1,848 | \$1,673 |
|--------------|---------|---------|---------|---------|---------|

| | | | | | |
|----------------------|---------|-------|-------|-------|-------|
| Liabilities (d) | \$1,541 | \$883 | \$852 | \$926 | \$806 |
| Stockholders' equity | 2,324 | 1,041 | 989 | 922 | 867 |

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Total liabilities and stockholders' equity | \$3,865 | \$1,924 | \$1,841 | \$1,848 | \$1,673 |
|--|---------|---------|---------|---------|---------|

| | | | | | |
|--------------------------|------|------|------|------|------|
| Return on average equity | 24 % | 28 % | 32 % | 32 % | 28 % |
|--------------------------|------|------|------|------|------|

(a) See notes (a) and (e) on page 3.

(b) Effective September 29, 2006, we deconsolidated BlackRock from our consolidated financial statements and our investment in BlackRock was accounted for under equity method of accounting subsequent to that date. At September 30, 2006, we owned approximately 34% of BlackRock.

(c) BlackRock reported GAAP earnings of \$19 million, \$63 million and \$71 million for the three months ended September 30, 2006, June 30, 2006 and March 31, 2006, respectively. For this PNC business segment reporting presentation, pretax integration costs incurred by BlackRock for the MLIM

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

transaction totaling \$72 million, \$13 million and \$6 million for the three months ended September 30, 2006, June 30, 2006 and March 31, 2006, respectively, have been reclassified from BlackRock to "Other." The following is a reconciliation of BlackRock's earnings as reported in this PNC business segment reporting presentation to BlackRock's reported GAAP earnings (in millions):

| | Three months ended | | | | |
|--|--------------------|---------|----------|-------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| | 2006 | 2006 | 2006 | 2005 | 2005 |
| BlackRock earnings, as reported in PNC's business reporting presentation | \$63 | \$71 | \$75 | \$73 | \$61 |
| Less: BlackRock/MLIM transaction integration costs, after-tax | 44 | 8 | 4 | | |
| BlackRock reported GAAP earnings | \$19 | \$63 | \$71 | \$73 | \$61 |

- (d) Liabilities at September 30, 2006 primarily consist of income taxes payable and our total BlackRock long-term retention and incentive plan ("LTIP") funding obligatio Liabilities for each of the other periods presented include minority interest

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 8

PFPC (Unaudited) (a)

| Three months ended | September 30 | June 30 | March 31 | December 31 | September 30 |
|--|--------------|---------|----------|-------------|--------------|
| <i>Dollars in millions except as noted</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| INCOME STATEMENT | | | | | |
| Servicing revenue | \$218 | \$218 | \$227 | \$217 | \$221 |
| Expenses | | | | | |
| Operating expense | 163 | 163 | 170 | 161 | 168 |
| Amortization of other intangibles, net | 3 | 4 | 3 | 4 | 3 |
| Total expense | 166 | 167 | 173 | 165 | 171 |
| Operating income | 52 | 51 | 54 | 52 | 50 |
| Debt financing | 11 | 11 | 10 | 10 | 10 |
| Net nonoperating income | 1 | 1 | 1 | 2 | |
| Pretax earnings | 42 | 41 | 45 | 44 | 40 |
| Income taxes (b) | 2 | 15 | 18 | 15 | 12 |
| Earnings | \$40 | \$26 | \$27 | \$29 | \$28 |
| PERIOD-END BALANCE SHEET | | | | | |
| Goodwill and other intangible assets | \$1,015 | \$1,018 | \$1,022 | \$1,025 | \$1,029 |
| Other assets | 1,038 | 1,398 | 1,363 | 1,103 | 1,053 |
| Total assets | \$2,053 | \$2,416 | \$2,385 | \$2,128 | \$2,082 |
| Debt financing | \$813 | \$852 | \$890 | \$890 | \$939 |
| Other liabilities | 772 | 1,137 | 1,094 | 864 | 799 |
| Shareholder's equity | 468 | 427 | 401 | 374 | 344 |
| Total funds | \$2,053 | \$2,416 | \$2,385 | \$2,128 | \$2,082 |
| PERFORMANCE RATIOS | | | | | |
| Return on average equity | 35 % | 25 % | 28 % | 32 % | 34 % |
| Operating margin (c) | 24 | 23 | 24 | 24 | 23 |
| SERVICING STATISTICS (at period end) | | | | | |
| Accounting/administration net fund assets (<i>in billions</i>) (d) | | | | | |
| Domestic | \$695 | \$671 | \$665 | \$754 | \$726 |
| Offshore | 79 | 72 | 85 | 81 | 67 |
| Total | \$774 | \$743 | \$750 | \$835 | \$793 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| <i>Asset type (in billions)</i> | | | | | |
| Money market | \$260 | \$247 | \$238 | \$361 | \$333 |
| Equity | 331 | 317 | 338 | 305 | 284 |
| Fixed income | 111 | 110 | 107 | 104 | 114 |
| Other | 72 | 69 | 67 | 65 | 62 |
| Total | \$774 | \$743 | \$750 | \$835 | \$793 |
| <i>Custody fund assets (in billions)</i> | | | | | |
| | \$399 | \$389 | \$383 | \$476 | \$475 |
| <i>Shareholder accounts (in millions)</i> | | | | | |
| Transfer agency | 18 | 18 | 20 | 19 | 19 |
| Subaccounting | 48 | 47 | 45 | 43 | 40 |
| Total | 66 | 65 | 65 | 62 | 59 |
| OTHER INFORMATION | | | | | |
| Period-end full-time employees | 4,317 | 4,314 | 4,291 | 4,391 | 4,457 |

- (a) See notes (a) and (e) on page 3.
- (b) Income taxes for the quarter ended September 30, 2006 included the benefit of a \$13.5 million reversal of deferred taxes related to foreign subsidiary earnings.
- (c) Operating income divided by servicing revenue.
- (d) Includes alternative investment net assets serviced.

Details of Net Interest Income, Net Interest Margin, and Trading Revenue (Unaudited)*Taxable-equivalent basis*

| | Three months ended | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| <i>In millions</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Net Interest Income | | | | | |
| Interest income | | | | | |
| Loans | \$841 | \$801 | \$750 | \$730 | \$721 |
| Securities available for sale and held to maturity | 272 | 255 | 244 | 234 | 219 |
| Other | 97 | 76 | 79 | 83 | 62 |
| Total interest income | 1,210 | 1,132 | 1,073 | 1,047 | 1,002 |
| Interest expense | | | | | |
| Deposits | 434 | 379 | 327 | 305 | 270 |
| Borrowed funds | 202 | 191 | 183 | 174 | 166 |
| Total interest expense | 636 | 570 | 510 | 479 | 436 |
| Net interest income (a) | \$574 | \$562 | \$563 | \$568 | \$566 |

(a) The following is a reconciliation of net interest income as reported in the Consolidated Income Statement (GAAP basis) to net interest income on a taxable-equivalent basis:

| | Three months ended | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| <i>In millions</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Net interest income, GAAP basis | \$567 | \$556 | \$556 | \$555 | \$559 |
| Taxable-equivalent adjustment | 7 | 6 | 7 | 13 | 7 |
| Net interest income, taxable-equivalent basis | \$574 | \$562 | \$563 | \$568 | \$566 |

| | Three months ended | | | | |
|----------------------------|--------------------|---------|----------|-------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| <i>In millions</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Net Interest Margin | | | | | |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

Average yields/rates

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Yield on interest-earning assets | | | | | |
| Loans | 6.59 % | 6.38 % | 6.14 % | 5.91 % | 5.75 % |
| Securities available for sale and held to maturity | 5.01 | 4.76 | 4.66 | 4.49 | 4.29 |
| Other | 5.78 | 5.23 | 5.04 | 5.00 | 4.15 |
| Total yield on interest-earning assets | 6.09 | 5.84 | 5.64 | 5.44 | 5.23 |
| Rate on interest-bearing liabilities | | | | | |
| Deposits | 3.43 | 3.11 | 2.81 | 2.58 | 2.33 |
| Borrowed funds | 5.40 | 5.06 | 4.65 | 4.23 | 3.79 |
| Total rate on interest-bearing liabilities | 3.88 | 3.56 | 3.27 | 3.01 | 2.73 |
| Interest rate spread | 2.21 | 2.28 | 2.37 | 2.43 | 2.50 |
| Impact of noninterest-bearing sources | .68 | .62 | .58 | .53 | .46 |
| Net interest margin | 2.89 % | 2.90 % | 2.95 % | 2.96 % | 2.96 % |

Three months ended

| Trading Revenue (b) <i>In millions</i> | September 30 | June 30 | March 31 | December 31 | September 30 |
|---|--------------|---------|----------|-------------|--------------|
| | 2006 | 2006 | 2006 | 2005 | 2005 |
| Net interest income (expense) | \$(1) | \$(3) | | \$2 | \$1 |
| Noninterest income | 38 | 55 | \$57 | 49 | 47 |
| Total trading revenue | \$37 | \$52 | \$57 | \$51 | \$48 |
| Securities underwriting and trading (c) | \$8 | \$2 | \$4 | \$7 | \$2 |
| Foreign exchange | 11 | 17 | 14 | 12 | 10 |
| Financial derivatives | 18 | 33 | 39 | 32 | 36 |
| Total trading revenue | \$37 | \$52 | \$57 | \$51 | \$48 |

(b) See pages 12-13 for disclosure of average trading assets and liabilities.

(c) Includes changes in fair value for certain loans accounted for at fair value. See page 12 for disclosure of average loans at fair value.

GAAP and Bank Efficiency Ratios (Unaudited)

| | Three months ended | | | | |
|---|--------------------|---------|----------|-------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| | 2006 | 2006 | 2006 | 2005 | 2005 |
| PNC GAAP basis efficiency ratio (a) (c) | 34% | 64% | 67% | 67% | 69% |
| Bank efficiency ratio (b) (c) | 24% | 59% | 63% | 64% | 67% |
| PNC adjusted efficiency ratio (c) | 66% | | | | |
| Bank adjusted efficiency ratio (c) | 56% | | | | |

(a) Calculated as noninterest expense divided by the sum of net interest income and noninterest income.

(b) The bank efficiency ratio represents the consolidated (GAAP basis) efficiency ratio excluding the effect of BlackRock and PFPC. We believe the disclosure of this bank efficiency ratio is meaningful for investors because it provides a more relevant basis of comparison with other financial institutions that may not have significant asset management and fund processing businesses.

Reconciliation of GAAP amounts with amounts used in the calculation of the bank efficiency ratio:

| <i>Dollars in millions</i> | Three months ended | | | | |
|-------------------------------------|--------------------|---------|----------|-------------|--------------|
| | September 30 | June 30 | March 31 | December 31 | September 30 |
| | 2006 | 2006 | 2006 | 2005 | 2005 |
| PNC total revenue, GAAP basis | \$3,510 | \$1,786 | \$1,741 | \$1,709 | \$1,675 |
| Less: BlackRock revenue* | 325 | 365 | 409 | 373 | 320 |
| PFPC revenue* | 208 | 208 | 218 | 209 | 211 |
| Revenue, as adjusted | \$2,977 | \$1,213 | \$1,114 | \$1,127 | \$1,144 |
| PNC noninterest expense, GAAP basis | \$1,178 | \$1,149 | \$1,171 | \$1,145 | \$1,159 |
| Less: BlackRock noninterest expense | 295 | 264 | 296 | 256 | 221 |
| PFPC noninterest expense | 166 | 167 | 173 | 165 | 171 |
| Noninterest expense, as adjusted | \$717 | \$718 | \$702 | \$724 | \$767 |

* These amounts differ from amounts included on pages 7 and 8 of this financial supplement due to the presentation on pages 7 and 8 of BlackRock revenue on a taxable-equivalent basis and classification differences related to BlackRock and PFPC. Note 13 Segment Reporting in our second quarter 2006 Quarterly Report on Form 10-Q provides further details on these differences.

(c) The following present calculations of (1) PNC adjusted efficiency ratio and (2) bank adjusted efficiency ratio for third quarter 2006, as (1) and (2) are adjusted to illustrate the impact of certain third quarter 2006 items due to the magnitude of the aggregate of those items, and reconciliations of those adjusted amounts to amounts used in the PNC GAAP basis efficiency ratio. The absence of adjusted amounts for the other periods presented is not intended to imply that there could not have been other similar types of adjustments for those periods, but any such adjustments would not have been similar in magnitude to the amount of the adjustments shown for third quarter 2006.

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

September 30

For the three months ended - dollars in millions

2006

Reconciliation of GAAP amounts with amounts used in the calculation of the adjusted PNC efficiency ratio:

| | |
|--|------------|
| PNC total revenue, GAAP basis | \$3,510 |
| Adjustments: | |
| Gain on BlackRock transaction | (2,078) |
| Securities portfolio rebalancing loss | 196 |
| Mortgage loan portfolio repositioning loss | 48 |
| | <hr/> |
| PNC total revenue, as adjusted | \$1,676 |
| | <hr/> |
| PNC noninterest expense, GAAP basis | \$1,178 |
| Adjustments: | |
| BlackRock/MLIM transaction integration costs | (72) |
| | <hr/> |
| PNC noninterest expense, as adjusted | \$1,106 |
| | <hr/> |
| PNC efficiency ratio, as adjusted | 66% |

Reconciliation of amounts used in adjusted PNC efficiency ratio with amounts used in the adjusted bank efficiency ratio:

| | |
|--|------------|
| PNC total revenue, as adjusted | \$1,676 |
| Less: BlackRock/PFPC revenue** | 533 |
| | <hr/> |
| Revenue for bank efficiency, as adjusted | \$1,143 |
| | <hr/> |
| PNC noninterest expense, as adjusted | \$1,106 |
| Less: BlackRock/PFPC noninterest expense** | 461 |
| | <hr/> |
| Noninterest expense for bank efficiency, as adjusted | \$645 |
| | <hr/> |
| Bank efficiency ratio, as adjusted | 56% |

** See detail in (b) above.

Retail Banking Efficiency Ratios (Unaudited)

Three months ended

| | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|-----------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
| Efficiency, GAAP basis (a) | 57% | 58% | 58% | 57% | 60% |
| Efficiency, as adjusted (b) | 55% | 56% | 56% | 55% | 58% |

(a) Calculated as noninterest expense divided by the sum of net interest income and noninterest income.

(b) Calculated by excluding the impact of Hilliard Lyons activities included within the Retail Banking business segment. Activities excluded are the principal activities of Hilliard Lyons on a management reporting basis, including client-related brokerage and trading, investment banking and investment management. Industry-wide efficiency measures for brokerage firms and asset management firms differ significantly due primarily to the highly variable compensation structure of brokerage firms. We believe the disclosure of an efficiency ratio for Retail Banking excluding the impact of these Hilliard Lyons activities is meaningful for investors as it provides a more relevant basis of comparison with other retail banking franchises.

Reconciliation of GAAP amounts with amounts used in the calculation of the adjusted Retail Banking efficiency ratio:

Three months ended

| <i>Dollars in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|----------------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
| Revenue, GAAP basis | \$791 | \$782 | \$753 | \$755 | \$740 |
| Less: Hilliard Lyons | 48 | 50 | 56 | 48 | 50 |
| Revenue, as adjusted | \$743 | \$732 | \$697 | \$707 | \$690 |
| Noninterest expense, GAAP basis | \$451 | \$455 | \$436 | \$434 | \$444 |
| Less: Hilliard Lyons | 43 | 45 | 45 | 44 | 44 |
| Noninterest expense, as adjusted | \$408 | \$410 | \$391 | \$390 | \$400 |

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 12

Average Consolidated Balance Sheet (Unaudited)

| <i>Three months ended - in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|--|----------------------|-----------------|------------------|---------------------|----------------------|
| Assets | | | | | |
| Interest-earning assets | | | | | |
| Securities available for sale and held to maturity | | | | | |
| Mortgage-backed, asset-backed, and other debt | \$15,109 | \$13,771 | \$13,007 | \$12,541 | \$12,154 |
| U.S. Treasury and government agencies/corporations | 6,187 | 7,263 | 7,527 | 7,952 | 7,960 |
| State and municipal | 144 | 152 | 156 | 161 | 167 |
| Corporate stocks and other | 259 | 230 | 216 | 163 | 167 |
| Total securities available for sale and held to maturity (a) (b) | 21,699 | 21,416 | 20,906 | 20,817 | 20,448 |
| Loans, net of unearned income | | | | | |
| Commercial | 20,431 | 20,348 | 19,556 | 19,130 | 19,685 |
| Commercial real estate | 3,268 | 3,071 | 3,021 | 2,983 | 2,947 |
| Consumer | 16,150 | 16,049 | 16,184 | 16,310 | 16,673 |
| Residential mortgage | 7,332 | 7,353 | 7,272 | 7,175 | 6,739 |
| Lease financing | 2,790 | 2,761 | 2,769 | 2,821 | 2,937 |
| Other | 367 | 354 | 344 | 364 | 469 |
| Total loans, net of unearned income (a) | 50,338 | 49,936 | 49,146 | 48,783 | 49,450 |
| Loans held for sale | 2,408 | 2,411 | 2,745 | 2,715 | 2,390 |
| Federal funds sold and resale agreements | 1,401 | 613 | 488 | 643 | 423 |
| Other | 2,805 | 2,795 | 3,147 | 3,248 | 3,046 |
| Total interest-earning assets | 78,651 | 77,171 | 76,432 | 76,206 | 75,757 |
| Noninterest-earning assets | | | | | |
| Allowance for loan and lease losses | (609) | (600) | (600) | (628) | (634) |
| Cash and due from banks | 3,161 | 3,140 | 3,187 | 3,325 | 3,233 |
| Other | 14,142 | 13,736 | 13,110 | 13,167 | 12,720 |
| Total assets (a) | \$95,345 | \$93,447 | \$92,129 | \$92,070 | \$91,076 |

Supplemental Average Balance Sheet Information

Loans

| | | | | | |
|---------------------------|----------|----------|----------|----------|----------|
| Loans excluding conduit | \$50,338 | \$49,936 | \$49,146 | \$48,353 | \$47,351 |
| Market Street conduit (a) | | | | 430 | 2,099 |
| Total loans (a) | \$50,338 | \$49,936 | \$49,146 | \$48,783 | \$49,450 |

Trading Assets

| | | | | | |
|-----------------------|---------|---------|---------|---------|---------|
| Securities (c) | \$1,460 | \$1,477 | \$1,797 | \$1,852 | \$1,734 |
| Resale agreements (d) | 537 | 378 | 321 | 593 | 411 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|---------------------------|---------|---------|---------|---------|---------|
| Financial derivatives (e) | 1,220 | 1,251 | 908 | 849 | 695 |
| Loans at fair value (e) | 168 | 170 | | | |
| <hr/> | | | | | |
| Total trading assets | \$3,385 | \$3,276 | \$3,026 | \$3,294 | \$2,840 |
| <hr/> | | | | | |

- (a) We deconsolidated Market Street from our Consolidated Balance Sheet in October 2005. Assets and liabilities of Market Street, consisting primarily of securities, loans, and commercial paper, are not reflected in our Average Consolidated Balance Sheet after October 17, 2005. The deconsolidation of Market Street affected the following loan categories: commercial, consumer, lease financing and other.
- (b) Securities held to maturity totaled less than \$.5 million for each of the periods presented and are included in the "Mortgage-backed, asset-backed, and other debt" category above.
- (c) Included in "Interest-earning assets-Other" above.
- (d) Included in "Federal funds sold and resale agreements" above.
- (e) Included in "Noninterest-earning assets-Other" above.
-

Average Consolidated Balance Sheet (Unaudited) (Continued)

| <i>Three months ended - in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|--|----------------------|-----------------|------------------|---------------------|----------------------|
| Liabilities, Minority and Noncontrolling Interests, and Shareholders' Equity | | | | | |
| Interest-bearing liabilities | | | | | |
| Interest-bearing deposits | | | | | |
| Money market | \$20,565 | \$19,019 | \$18,482 | \$19,194 | \$18,447 |
| Demand | 8,075 | 8,229 | 8,304 | 8,378 | 8,343 |
| Savings | 2,021 | 2,177 | 2,250 | 2,377 | 2,589 |
| Retail certificates of deposit | 14,209 | 13,686 | 13,243 | 12,804 | 12,143 |
| Other time | 1,467 | 1,323 | 1,309 | 1,527 | 2,306 |
| Time deposits in foreign offices | 3,712 | 4,276 | 3,396 | 2,482 | 2,061 |
| Total interest-bearing deposits | 50,049 | 48,710 | 46,984 | 46,762 | 45,889 |
| Borrowed funds | | | | | |
| Federal funds purchased | 3,831 | 2,715 | 2,594 | 2,518 | 1,704 |
| Repurchase agreements | 2,027 | 2,226 | 2,307 | 1,915 | 2,137 |
| Bank notes and senior debt | 2,801 | 3,145 | 3,824 | 3,558 | 3,271 |
| Subordinated debt | 4,436 | 4,437 | 4,437 | 4,438 | 3,996 |
| Commercial paper (a) | 153 | 206 | 219 | 798 | 3,316 |
| Other | 1,474 | 2,298 | 2,380 | 2,960 | 2,790 |
| Total borrowed funds | 14,722 | 15,027 | 15,761 | 16,187 | 17,214 |
| Total interest-bearing liabilities | 64,771 | 63,737 | 62,745 | 62,949 | 63,103 |
| Noninterest-bearing liabilities, minority and noncontrolling interests, and shareholders' equity | | | | | |
| Demand and other noninterest-bearing deposits | 14,549 | 13,926 | 13,966 | 14,057 | 13,738 |
| Allowance for unfunded loan commitments and letters of credit | 104 | 103 | 101 | 80 | 84 |
| Accrued expenses and other liabilities | 6,346 | 6,305 | 6,106 | 6,049 | 5,408 |
| Minority and noncontrolling interests in consolidated entities | 640 | 631 | 589 | 599 | 518 |
| Shareholders' equity | 8,935 | 8,745 | 8,622 | 8,336 | 8,225 |
| Total liabilities, minority and noncontrolling interests, and shareholders' equity | \$95,345 | \$93,447 | \$92,129 | \$92,070 | \$91,076 |
| Supplemental Average Balance Sheet Information | | | | | |
| <u>Deposits and Other</u> | | | | | |
| Interest-bearing deposits | \$50,049 | \$48,710 | \$46,984 | \$46,762 | \$45,889 |
| Demand and other noninterest-bearing deposits | 14,549 | 13,926 | 13,966 | 14,057 | 13,738 |
| Total deposits | \$64,598 | \$62,636 | \$60,950 | \$60,819 | \$59,627 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | | |
|------------------------------------|----------|----------|----------|----------|----------|
| Transaction deposits | \$43,189 | \$41,174 | \$40,752 | \$41,629 | \$40,528 |
| Market Street commercial paper (a) | | | | \$514 | \$2,553 |
| Common shareholders' equity | \$8,928 | \$8,738 | \$8,615 | \$8,328 | \$8,217 |

Trading Liabilities

| | | | | | |
|--|---------|---------|---------|---------|---------|
| Securities sold short (b) | \$867 | \$769 | \$663 | \$961 | \$806 |
| Repurchase agreements and other borrowings (c) | 708 | 641 | 886 | 985 | 933 |
| Financial derivatives (d) | 1,151 | 1,200 | 901 | 908 | 814 |
| Borrowings at fair value (d) | 40 | 48 | | | |
| <hr/> | | | | | |
| Total trading liabilities | \$2,766 | \$2,658 | \$2,450 | \$2,854 | \$2,553 |
| <hr/> | | | | | |

(a) See note (a) on page 12.

(b) Included in "Borrowed funds-Other" above.

(c) Included in "Borrowed funds-Repurchase agreements" and "Borrowed funds-Other" above.

(d) Included in "Accrued expenses and other liabilities" above.

Details of Loans and Lending Statistics (Unaudited)**Loans**

| <i>Period ended - in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|--|----------------------|-----------------|------------------|---------------------|----------------------|
| Commercial | | | | | |
| Retail/wholesale | \$5,245 | \$5,393 | \$4,962 | \$4,854 | \$5,114 |
| Manufacturing | 4,318 | 4,164 | 4,113 | 4,045 | 4,321 |
| Other service providers | 2,155 | 2,179 | 2,114 | 1,986 | 2,173 |
| Real estate related | 3,000 | 2,903 | 2,845 | 2,577 | 2,492 |
| Financial services | 1,423 | 1,479 | 1,561 | 1,438 | 1,297 |
| Health care | 685 | 641 | 651 | 616 | 608 |
| Other | 3,858 | 3,805 | 3,681 | 3,809 | 4,098 |
| Total commercial | 20,684 | 20,564 | 19,927 | 19,325 | 20,103 |
| Commercial real estate | | | | | |
| Real estate projects | 2,691 | 2,438 | 2,325 | 2,244 | 2,147 |
| Mortgage | 794 | 768 | 721 | 918 | 779 |
| Total commercial real estate | 3,485 | 3,206 | 3,046 | 3,162 | 2,926 |
| Equipment lease financing | 3,609 | 3,583 | 3,558 | 3,628 | 3,721 |
| Total commercial lending | 27,778 | 27,353 | 26,531 | 26,115 | 26,750 |
| Consumer | | | | | |
| Home equity | 13,876 | 13,853 | 13,787 | 13,790 | 13,722 |
| Automobile | 1,061 | 1,008 | 958 | 938 | 931 |
| Other | 1,419 | 1,388 | 1,363 | 1,445 | 2,232 |
| Total consumer | 16,356 | 16,249 | 16,108 | 16,173 | 16,885 |
| Residential mortgage | 5,234 | 7,416 | 7,362 | 7,307 | 7,156 |
| Other | 347 | 358 | 352 | 341 | 575 |
| Unearned income | (815) | (828) | (832) | (835) | (856) |
| Total, net of unearned income (a) | \$48,900 | \$50,548 | \$49,521 | \$49,101 | \$50,510 |
| Supplemental Loan Information | | | | | |
| Loans excluding conduit | \$48,900 | \$50,548 | \$49,521 | \$49,101 | \$47,889 |
| Market Street conduit (a) | | | | | 2,621 |
| Total loans (a) | \$48,900 | \$50,548 | \$49,521 | \$49,101 | \$50,510 |

| | September 30 2006 | September 30 2005 |
|---|----------------------|----------------------|
| Commercial Lending Exposure (b)(c) | | |
| Investment grade or equivalent | 49 % | 48 % |
| Non-investment grade | | |
| \$50 million or greater | 3 % | 2 % |
| All other non-investment grade | 48 % | 50 % |
| Total | 100 % | 100 % |

(a) See note (a) on page 12.

(b) Includes all commercial loans in the Retail Banking and Corporate & Institutional Banking business segments other than the loans of Market Street. We deconsolidated Market Street from our Consolidated Balance Sheet effective October 17, 2005.

(c) Exposure represents the sum of all loans, leases, commitments and letters of credit.

THE PNC FINANCIAL SERVICES GROUP, INC.

Page 15

Allowances for Loan and Lease Losses and Unfunded Loan Commitments and Letters of Credit and Net Unfunded Commitments(Unaudited)**Change in Allowance for Loan and Lease Losses**

| | September 30 | June 30 | March 31 | December 31 | September 30 |
|---|--------------|---------|----------|-------------|--------------|
| <i>Three months ended - in millions</i> | 2006 | 2006 | 2006 | 2005 | 2005 |
| Beginning balance | \$611 | \$597 | \$596 | \$634 | |
| Charge-offs | | | | | |
| Commercial | (39) | (30) | (16) | (8) | |
| Commercial real estate | (2) | | | (1) | |
| Equipment lease financing (a) | | | | (29) | |
| Consumer | (13) | (12) | (12) | (12) | |
| Residential mortgage | (2) | | | (1) | |
| Total charge-offs (a) | (56) | (42) | (28) | (51) | |
| Recoveries | | | | | |
| Commercial | 6 | 4 | 6 | 6 | |
| Commercial real estate | | | | | |
| Equipment lease financing | | 4 | | | |
| Consumer | 3 | 4 | 4 | 4 | |
| Total recoveries | 9 | 12 | 10 | 10 | |
| Net recoveries (charge-offs) | | | | | |
| Commercial | (33) | (26) | (10) | (2) | |
| Commercial real estate | (2) | | | (1) | |
| Equipment lease financing (a) | | 4 | | (29) | |
| Consumer | (10) | (8) | (8) | (8) | |
| Residential mortgage | (2) | | | (1) | |
| Total net charge-offs (a) | (47) | (30) | (18) | (41) | |
| Provision for credit losses | 16 | 44 | 22 | 24 | |
| Net change in allowance for unfunded loan commitments and letters of credit | (14) | | (3) | (21) | |
| Ending balance | \$566 | \$611 | \$597 | \$596 | |
| Supplemental Information | | | | | |
| Commercial lending net charge-offs (a) (b) | \$(35) | \$(22) | \$(10) | \$(32) | |
| Consumer lending net charge-offs (c) | (12) | (8) | (8) | (9) | |
| Total net charge-offs (a) | \$(47) | \$(30) | \$(18) | \$(41) | |
| Net charge-offs to average loans | | | | | |
| Commercial lending | .52 % | .34 % | .16 % | .51 % | .1 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | | | |
|------------------|-----|-----|-----|-----|
| Consumer lending | .20 | .14 | .14 | .15 |
|------------------|-----|-----|-----|-----|

(a) Fourth quarter 2005 amounts reflect the impact of a charge-off related to a single leasing customer during that period.

(b) Includes commercial, commercial real estate and equipment lease financing.

(c) Includes consumer and residential mortgage.

Change in Allowance for Unfunded Loan Commitments and Letters of Credit

| | September 30 | June 30 | March 31 | December 31 | September |
|---|--------------|---------|----------|-------------|-----------|
| <i>Three months ended - in millions</i> | 2006 | 2006 | 2006 | 2005 | |
| Beginning balance | \$103 | \$103 | \$100 | \$79 | |
| Net change in allowance for unfunded loan commitments and letters of credit | 14 | | 3 | 21 | |
| Ending balance | \$117 | \$103 | \$103 | \$100 | |

| Net Unfunded Commitments | September 30 | June 30 | March 31 | December 31 | September |
|---------------------------------|--------------|----------|----------|-------------|-----------|
| <i>In millions</i> | 2006 | 2006 | 2006 | 2005 | |
| Net unfunded commitments (d) | \$43,804 | \$40,904 | \$40,806 | \$40,178 | \$ |

(d) Balances subsequent to October 17, 2005 reflect the deconsolidation of Market Street from our Consolidated Balance Sheet as of that date. Amounts related to Market Street are now considered third party net unfunded commitments.

Details of Nonperforming Assets (Unaudited)**Nonperforming Assets by Type**

| <i>Period ended - in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| Nonaccrual loans | | | | | |
| Commercial | \$112 | \$151 | \$127 | \$134 | \$86 |
| Commercial real estate | 14 | 12 | 13 | 14 | 11 |
| Equipment lease financing | 14 | 16 | 16 | 17 | 3 |
| Consumer | 14 | 14 | 11 | 10 | 11 |
| Residential mortgage | 13 | 14 | 15 | 15 | 16 |
| Total nonaccrual loans | 167 | 207 | 182 | 190 | 127 |
| Troubled debt restructured loan | | 1 | | | |
| Total nonperforming loans | 167 | 208 | 182 | 190 | 127 |
| Nonperforming loans held for sale (a) | | | 1 | 1 | 1 |
| Foreclosed and other assets | | | | | |
| Equipment lease financing | 12 | 12 | 13 | 13 | 13 |
| Residential mortgage | 9 | 8 | 8 | 9 | 11 |
| Other | 3 | 3 | 3 | 3 | 4 |
| Total foreclosed and other assets | 24 | 23 | 24 | 25 | 28 |
| Total nonperforming assets (b) | \$191 | \$231 | \$207 | \$216 | \$156 |
| Nonperforming loans to total loans | .34 % | .41 % | .37 % | .39 % | .25 % |
| Nonperforming assets to total loans, loans held for sale and foreclosed assets | .36 | .44 | .40 | .42 | .29 |
| Nonperforming assets to total assets | .19 | .24 | .22 | .23 | .17 |

(a) Amounts represent troubled debt restructured loans held for sale.

(b) Excludes equity management assets carried at estimated fair value (amounts include troubled debt restructured assets of \$4 million, \$7 million, \$7 million, \$7 million and \$16 million, respectively).

| | | | | | |
|--|------|------|------|------|------|
| | \$12 | \$18 | \$21 | \$25 | \$27 |
|--|------|------|------|------|------|

Change in Nonperforming Assets

| <i>In millions</i> | Nine months ended |
|--------------------|----------------------|
| January 1, 2006 | \$216 |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | |
|---------------------------------------|-------|
| Transferred from accrual | 182 |
| Returned to performing | (15) |
| Principal activity including payoffs | (93) |
| Asset sales | (14) |
| Charge-offs and valuation adjustments | (85) |
| <hr/> | |
| September 30, 2006 | \$191 |
| <hr/> | |

Details of Nonperforming Assets (Unaudited) (Continued)**Nonperforming Assets by Business**

| <i>Period ended - in millions</i> | September 30 2006 | June 30 2006 | March 31 2006 | December 31 2005 | September 30 2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| <u>Retail Banking</u> | | | | | |
| Nonperforming loans | \$85 | \$95 | \$84 | \$81 | \$78 |
| Foreclosed and other assets | 10 | 9 | 9 | 9 | 9 |
| Total | \$95 | \$104 | \$93 | \$90 | \$87 |
| <u>Corporate & Institutional Banking</u> | | | | | |
| Nonperforming loans | \$81 | \$112 | \$97 | \$108 | \$48 |
| Nonperforming loans held for sale | | | 1 | 1 | 1 |
| Foreclosed and other assets | 13 | 13 | 14 | 15 | 18 |
| Total | \$94 | \$125 | \$112 | \$124 | \$67 |
| <u>Other (a)</u> | | | | | |
| Nonperforming loans | \$1 | \$1 | \$1 | \$1 | \$1 |
| Foreclosed and other assets | 1 | 1 | 1 | 1 | 1 |
| Total | \$2 | \$2 | \$2 | \$2 | \$2 |
| <u>Consolidated Totals</u> | | | | | |
| Nonperforming loans | \$167 | \$208 | \$182 | \$190 | \$127 |
| Nonperforming loans held for sale | | | 1 | 1 | 1 |
| Foreclosed and other assets | 24 | 23 | 24 | 25 | 28 |
| Total | \$191 | \$231 | \$207 | \$216 | \$156 |

Largest Nonperforming Assets at September 30, 2006 - in millions (b)

| Ranking | Outstandings | Industry |
|---------|--------------|------------------------------|
| 1 | \$19 | Food Mfg. |
| 2 | 14 | Air Transportation |
| 3 | 12 | Computer and Electronic Mfg. |
| 4 | 12 | Air Transportation |

Edgar Filing: MERCANTILE BANKSHARES CORP - Form 425

| | | |
|----|----|-------------------------------|
| 5 | 12 | Fabricated Metal Product Mfg. |
| 6 | 6 | Real Estate |
| 7 | 4 | Construction of Buildings |
| 8 | 4 | Transportation Equipment Mfg. |
| 9 | 4 | Private Households |
| 10 | 3 | Truck Transportation |

| | |
|-------|------|
| Total | \$90 |
|-------|------|

As a percent of nonperforming assets

| | |
|----|---|
| 47 | % |
|----|---|

(a) Represents residential mortgages related to PNC's asset and liability management function.

(b) Amounts shown are not net of related allowance for loan and lease losses, if applicable.

Glossary of Terms

Accounting/administration net fund assets - Net domestic and foreign fund investment assets for which we provide accounting and administration services. We do not include these assets on our Consolidated Balance Sheet.

Adjusted average total assets - Primarily comprised of total average quarterly (or annual) assets plus (less) unrealized losses (gains) on available-for-sale debt securities, less goodwill and certain other intangible assets.

Annualized - Adjusted to reflect a full year of activity.

Assets under management - Assets over which we have sole or shared investment authority for our customers/clients. We do not include these assets on our Consolidated Balance Sheet.

Basis point - One hundredth of a percentage point.

Charge-off - Process of removing a loan or portion of a loan from our balance sheet because it is considered uncollectible. We also record a charge-off when a loan is transferred to held for sale and the loan's market value is less than its carrying amount.

Common shareholders' equity to total assets - Common shareholders' equity divided by total assets. Common shareholders' equity equals total shareholders' equity less the liquidation value of preferred stock.

Custody assets - Investment assets held on behalf of clients under safekeeping arrangements. We do not include these assets on our Consolidated Balance Sheet. Investment assets held in custody at other institutions on our behalf are included in the appropriate asset categories on the Consolidated Balance Sheet as if physically held by us.

Derivatives - Financial contracts whose value is derived from publicly traded securities, interest rates, currency exchange rates or market indices. Derivatives cover a wide assortment of financial contracts, including forward contracts, futures, options and swaps.

Duration of equity - An estimate of the rate sensitivity of our economic value of equity. A negative duration of equity is associated with asset sensitivity (*i.e.*, positioned for rising interest rates), while a positive value implies liability sensitivity (*i.e.*, vulnerable to rising rates). For example, if the duration of equity is +1.5 years, the economic value of equity declines by 1.5% for each 100 basis point increase in interest rates.

Earning assets - Assets that generate income, which include: federal funds sold; resale agreements; other short-term investments, including trading securities; loans held for sale; loans, net of unearned income; securities; and certain other assets.

Economic capital - Represents the amount of resources that our business segments should hold to guard against potentially large losses that could cause insolvency. It is based on a measurement of economic risk, as opposed to risk as defined by regulatory bodies. The economic capital measurement process involves converting a risk distribution to the capital that is required to support the risk, consistent with our target credit rating. As such, economic risk serves as a common currency of risk that allows us to compare different risks on a similar basis.

Economic value of equity ("EVE") - The present value of the expected cash flows of our existing assets less the present value of the expected cash flows of our existing liabilities, plus the present value of the net cash flows of our existing off-balance sheet positions.

Effective duration - A measurement, expressed in years, that, when multiplied by a change in interest rates, would approximate the percentage change in value of on- and off- balance sheet positions.

Efficiency - Noninterest expense divided by the sum of net interest income and noninterest income.

Funds transfer pricing - A management accounting methodology designed to recognize the net interest income effects of sources and uses of funds provided by the assets and liabilities of our business segments. We assign these balances LIBOR-based funding rates at origination that represent the interest cost for us to raise/invest funds with similar maturity and repricing structures.

Futures and forward contracts - Contracts in which the buyer agrees to purchase and the seller agrees to deliver a specific financial instrument at a predetermined price or yield. May be settled either in cash or by delivery of the underlying financial instrument.

GAAP - Accounting principles generally accepted in the United States of America.

Leverage ratio - Tier 1 risk-based capital divided by adjusted average total assets.

Net interest margin - Annualized taxable-equivalent net interest income divided by average earning assets.

Nondiscretionary assets under administration - Assets we hold for our customers/clients in a non-discretionary, custodial capacity. We do not include these assets on our Consolidated Balance Sheet.

Noninterest income to total revenue - Noninterest income divided by the sum of net interest income and noninterest income.

Nonperforming assets - Nonperforming assets include nonaccrual loans, troubled debt restructured loans, nonaccrual loans held for sale, foreclosed assets and other assets. We do not accrue interest income on assets classified as nonperforming.

Nonperforming loans - Nonperforming loans include loans to commercial, commercial real estate, equipment lease financing, consumer, and residential mortgage customers as well as troubled debt restructured loans. Nonperforming loans do not include nonaccrual loans held for sale or foreclosed and other assets. We do not accrue interest income on loans classified as nonperforming.

Operating leverage - The period to period percentage change in total revenue less the percentage change in noninterest expense. A positive percentage indicates that revenue growth exceeded expense growth (*i.e.*, positive operating leverage) while a negative percentage implies expense growth exceeded revenue growth (*i.e.*, negative operating leverage).

Recovery - Cash proceeds received on a loan that we had previously charged off. We credit the amount received to the allowance for loan and lease losses.

Return on average capital - Annualized net income divided by average capital.

Return on average assets - Annualized net income divided by average assets.

Return on average common equity - Annualized net income divided by average common shareholders' equity.

Risk-weighted assets - Primarily computed by the assignment of specific risk-weights (as defined by The Board of Governors of the Federal Reserve System) to assets and off-balance sheet instruments.

Securitization - The process of legally transforming financial assets into securities.

Tangible common equity ratio - Period-end common shareholders' equity less goodwill and other intangible assets (excluding mortgage servicing rights) divided by period-end assets less goodwill and other intangible assets (excluding mortgage servicing rights).

Taxable-equivalent interest - The interest income earned on certain assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. To provide more meaningful comparisons of yields and margins for all interest-earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income on other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement.

Tier 1 risk-based capital - Tier 1 risk-based capital equals: total shareholders' equity, plus trust preferred capital securities, plus certain minority interests that are held by others; less goodwill and certain other intangible assets, less equity investments in nonfinancial companies and less net unrealized holding losses on available-for-sale equity securities. Net unrealized holding gains on available-for-sale equity securities, net unrealized holding gains (losses) on available-for-sale debt securities and net unrealized holding gains (losses) on cash flow hedge derivatives are excluded from total shareholders' equity for tier 1 risk-based capital purposes.

Tier 1 risk-based capital ratio - Tier 1 risk-based capital divided by period-end risk-weighted assets.

Total fund assets serviced - Total domestic and offshore fund investment assets for which we provide related processing services. We do not include these assets on our Consolidated Balance Sheet.

Total return swap - A non-traditional swap where one party agrees to pay the other the total return of a defined underlying asset (e.g., a loan), usually in return for receiving a stream of LIBOR-based cash flows. The total returns of the asset, including interest and any default shortfall, are passed through to the counterparty. The counterparty is therefore assuming the credit and economic risk of the underlying asset.

Total risk-based capital - Tier 1 risk-based capital plus qualifying senior and subordinated debt, other minority interest not qualified as tier 1, and the allowance for loan and lease losses, subject to certain limitations.

Total risk-based capital ratio - Total risk-based capital divided by period-end risk-weighted assets.

Transaction deposits - The sum of money market and interest-bearing demand deposits and demand and other noninterest-bearing deposits.

Yield curve - A graph showing the relationship between the yields on financial instruments or market indices of the same credit quality with different maturities. For example, a normal or positive yield curve exists when long-term bonds have higher yields than short-term bonds. A flat yield curve exists when yields are the same for short-term and long-term bonds. A steep yield curve exists when yields on long-term bonds are significantly higher than on short-term bonds. An inverted or negative yield curve exists when short-term bonds have higher yields than long-term bonds.

Business Segment Descriptions

Retail Banking provides deposit, lending, brokerage, trust, investment management, and cash management services to approximately 2.5 million consumer and small business customers within our primary geographic area. Our customers are serviced through approximately 850 offices in our branch network, the call center located in Pittsburgh and the Internet www.pncbank.com. The branch network is located primarily in Pennsylvania; New Jersey; the greater Washington, D.C. area, including Virginia and Maryland; Ohio; Kentucky and Delaware. Brokerage services are provided through PNC Investments, LLC, and J.J.B. Hilliard, W.L. Lyons, Inc. Retail Banking also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets and provides nondiscretionary defined contribution plan services and investment options through its *Vested Interest®* product. These services are provided to individuals and corporations primarily within our primary geographic markets.

Corporate & Institutional Banking provides lending, treasury management, and capital markets products and services to mid-sized corporations, government entities, and selectively to large corporations. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting, and global trade services. Capital markets products and services include foreign exchange, derivatives, loan syndications, mergers and acquisitions advisory and related services to middle-market companies, securities underwriting, and securities sales and trading. Corporate & Institutional Banking also provides commercial loan servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Corporate & Institutional Banking provides products and services generally within our primary geographic markets, with certain products and services provided nationally.

BlackRock is one of the world's largest publicly traded investment management firms. As of September 30, 2006, BlackRock's assets under management, including assets under management acquired as a result of the BlackRock/MLIM transaction, were \$1.1 trillion. The firm manages assets on behalf of institutions and individuals worldwide through a variety of equity, fixed income, cash management and alternative investment products. In addition, BlackRock provides BlackRock Solutions® investment system, risk management, and financial advisory services to a growing number of institutional investors. The firm has a major presence in key global markets, including the United States, Europe, Asia, Australia and the Middle East. For additional information, please visit the firm's website at www.blackrock.com. At September 30, 2006, PNC owned approximately 34% of BlackRock and will prospectively account for its investment in BlackRock under the equity method.

PFPC is a leading full service provider of processing, technology and business solutions for the global investment industry. Securities services include custody, securities lending, and accounting and administration for funds registered under the 1940 Act and alternative investments. Investor services include transfer agency, managed accounts, subaccounting, and distribution. PFPC serviced \$2.0 trillion in total assets and 66 million shareholder accounts as of September 30, 2006 both domestically and internationally through its Ireland and Luxembourg operations.

Additional Information About The PNC/Mercantile Transaction

The PNC Financial Services Group, Inc. and Mercantile Bankshares Corporation (Mercantile Bankshares) will be filing a proxy statement/prospectus and other relevant documents concerning the PNC/Mercantile merger transaction with the United States Securities and Exchange Commission (the SEC). SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE MERGER TRANSACTION OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT/PROSPECTUS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders will be able to obtain free copies of the proxy statement/prospectus, as well as other filings containing information about Mercantile Bankshares and PNC, without charge, at the SEC s Internet site (<http://www.sec.gov>). In addition, documents filed with the SEC by The PNC Financial Services Group, Inc. will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Mercantile Bankshares will be available free of charge from Mercantile Bankshares Corporation, 2 Hopkins Plaza, P.O. Box 1477, Baltimore, Maryland 21203, Attention: Investor Relations.

Mercantile Bankshares and its directors and executive officers and certain other members of management and employees are expected to be participants in the solicitation of proxies from Mercantile Bankshares shareholders in respect of the proposed merger transaction. Information regarding the directors and executive officers of Mercantile Bankshares is available in the proxy statement for its May 9, 2006 annual meeting of shareholders, which was filed with the SEC on March 29, 2006. Additional information regarding the interests of such potential participants will be included in the proxy statement/prospectus relating to the merger transaction and the other relevant documents filed with the SEC when they become available.

ADDITIONAL INFORMATION ABOUT THE PNC/MERCANTILE TRANSACTION

The PNC Financial Services Group, Inc. and Mercantile Bankshares Corporation will be filing a proxy statement/prospectus and other relevant documents concerning the PNC/Mercantile merger transaction with the United States Securities and Exchange Commission (the SEC). SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE MERGER TRANSACTION OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT/PROSPECTUS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Shareholders will be able to obtain free copies of the proxy statement/prospectus, as well as other filings containing information about Mercantile Bankshares and PNC, without charge, at the SEC's Internet site (<http://www.sec.gov>). In addition, documents filed with the SEC by The PNC Financial Services Group, Inc. will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Mercantile Bankshares will be available free of charge from Mercantile Bankshares Corporation, 2 Hopkins Plaza, P.O. Box 1477, Baltimore, Maryland 21203, Attention: Investor Relations.

Mercantile Bankshares and its directors and executive officers and certain other members of management and employees are expected to be participants in the solicitation of proxies from Mercantile Bankshares' shareholders in respect of the proposed merger transaction. Information regarding the directors and executive officers of Mercantile Bankshares is available in the proxy statement for its May 9, 2006 annual meeting of shareholders, which was filed with the SEC on March 29, 2006. Additional information regarding the interests of such potential participants will be included in the proxy statement/prospectus relating to the merger transaction and the other relevant documents filed with the SEC when they become available.
