

MERCANTILE BANKSHARES CORP

Form 425

November 08, 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 a press release and supplementary financial information announcing its earnings and business for the quarter ended September 30, 2006, and presentation materials from an accompanying presentation to investors.

PNC subsequently amended page 10 of the original supplementary financial information. Attached is a copy of the complete supplementary financial information, as amended.

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**THE PNC FINANCIAL SERVICES GROUP, INC.**

**FINANCIAL SUPPLEMENT  
THIRD QUARTER 2006  
UNAUDITED**

**AS AMENDED NOVEMBER 8, 2006**

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

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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.

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**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         |
| <b>Interest Income</b>   |              |              |              |              |              |
| 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           |
| <b>Total interest income</b>   | <b>1,203</b> | <b>1,126</b> | <b>1,066</b> | <b>1,034</b> | <b>995</b>   |
| <b>Interest Expense</b>  |              |              |              |              |              |
| Deposits   | 434          | 379          | 327          | 305          | 270          |
| Borrowed funds   | 202          | 191          | 183          | 174          | 166          |
| <b>Total interest expense</b>  | <b>636</b>   | <b>570</b>   | <b>510</b>   | <b>479</b>   | <b>436</b>   |
| <b>Net interest income</b>   | <b>567</b>   | <b>556</b>   | <b>556</b>   | <b>555</b>   | <b>559</b>   |
| Provision for credit losses  | 16           | 44           | 22           | 24           | 16           |
| <b>Net interest income less provision for credit losses</b>            | <b>551</b>   | <b>512</b>   | <b>534</b>   | <b>531</b>   | <b>543</b>   |
| <b>Noninterest Income</b>  |              |              |              |              |              |
| 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          |
| <b>Total noninterest income</b>  | <b>2,943</b> | <b>1,230</b> | <b>1,185</b> | <b>1,154</b> | <b>1,116</b> |
| <b>Noninterest Expense</b>   |              |              |              |              |              |
| 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           |

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|   |         |        |        |        |        |
|---|---------|--------|--------|--------|--------|
| Other   | 324     | 330    | 353    | 324    | 339    |
| <hr/>   |         |        |        |        |        |
| 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/>   |         |        |        |        |        |
| <b>Earnings Per Common Share</b>  |         |        |        |        |        |
| Basic   | \$5.09  | \$1.30 | \$1.21 | \$1.22 | \$1.16 |
| Diluted   | \$5.01  | \$1.28 | \$1.19 | \$1.20 | \$1.14 |
| <hr/>   |         |        |        |        |        |
| <b>Average Common Shares Outstanding</b>  |         |        |        |        |        |
| Basic   | 291     | 293    | 292    | 290    | 289    |
| Diluted   | 296     | 297    | 296    | 294    | 292    |
| <hr/>   |         |        |        |        |        |
| <b>Noninterest income to total revenue</b>                                      | 84%     | 69%    | 68%    | 68%    | 67%    |
| <b>Effective tax rate (a)</b>   | 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         |
| <b>Assets</b>   |              |          |          |             |              |
| 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,<br>\$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     |
| <b>Liabilities</b>  |              |          |          |             |              |
| 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<br>and letters of credit          | 117          | 103      | 103      | 100         | 79           |

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|                  |       |       |       |       |       |
|------------------|-------|-------|-------|-------|-------|
| Accrued expenses | 3,855 | 2,635 | 2,585 | 2,770 | 2,637 |
| Other            | 4,031 | 3,573 | 3,822 | 2,759 | 3,025 |

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|                   |        |        |        |        |        |
|-------------------|--------|--------|--------|--------|--------|
| Total liabilities | 87,270 | 85,455 | 83,849 | 82,801 | 84,329 |
|-------------------|--------|--------|--------|--------|--------|

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|  |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|
| 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,<br>and 62 shares | (3,296) | (3,201) | (3,124) | (3,256) | (3,355) |
|---|---------|---------|---------|---------|---------|

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|                           |        |       |       |       |       |
|---------------------------|--------|-------|-------|-------|-------|
| Total shareholders equity | 10,758 | 8,827 | 8,781 | 8,563 | 8,317 |
|---------------------------|--------|-------|-------|-------|-------|

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|  |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|
| Total liabilities, minority and noncontrolling interests, and<br>shareholders equity | \$98,436 | \$94,914 | \$93,257 | \$91,954 | \$93,241 |
|--|----------|----------|----------|----------|----------|

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**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 |
|--|-----|-----|-----|-----|-----|

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(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 |
|---|----------------|--------------|--------------|--------------|--------------|
| <b>Earnings</b>                                 | 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           |
| <b>Total business segment earnings</b>          | <b>422</b>     | <b>398</b>   | <b>397</b>   | <b>405</b>   | <b>383</b>   |
| Minority interest in income of BlackRock        | (20)           | (21)         | (23)         | (22)         | (19)         |
| Other (c) (d)                                   | 1,082          | 4            | (20)         | (28)         | (30)         |
| <b>Total consolidated net income</b>            | <b>\$1,484</b> | <b>\$381</b> | <b>\$354</b> | <b>\$355</b> | <b>\$334</b> |

**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            |
| <b>Total business segment revenue</b> | <b>1,683</b>   | <b>1,737</b>   | <b>1,721</b>   | <b>1,697</b>   | <b>1,617</b>   |
| Other                                 | 1,834          | 55             | 27             | 25             | 65             |
| <b>Total consolidated revenue</b>     | <b>\$3,517</b> | <b>\$1,792</b> | <b>\$1,748</b> | <b>\$1,722</b> | <b>\$1,682</b> |

- (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)

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"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):

|   | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>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                    |
| <b>Total consolidated revenue, taxable-equivalent basis</b> | <b>\$3,517</b>       | <b>\$1,792</b>  | <b>\$1,748</b>   | <b>\$1,722</b>      | <b>\$1,682</b>       |

- (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.

| <b>Period-end Employees</b>       | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>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                |
| <b>Total Other</b>                | <b>5,601</b>         | <b>5,587</b>    | <b>5,502</b>     | <b>5,511</b>        | <b>5,578</b>         |
| <b>Total full-time employees</b>  | <b>21,374</b>        | <b>23,791</b>   | <b>23,642</b>    | <b>23,593</b>       | <b>23,811</b>        |
| <b>Total part-time employees</b>  | <b>2,165</b>         | <b>2,241</b>    | <b>2,003</b>     | <b>1,755</b>        | <b>1,558</b>         |
| <b>Total employees</b>            | <b>23,539</b>        | <b>26,032</b>   | <b>25,645</b>    | <b>25,348</b>       | <b>25,369</b>        |

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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.

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## THE PNC FINANCIAL SERVICES GROUP, INC.

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## 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 |
|-------------|--------|--------|--------|--------|--------|

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|                                      |       |       |       |       |       |
|--------------------------------------|-------|-------|-------|-------|-------|
| 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 |
| 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 |
|-------------|----------|----------|----------|----------|----------|

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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 |
|-------------------------------------|--------------|---------|----------|-------------|--------------|
| Dollars in millions except as noted | 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  |

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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   |

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.



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- (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*

| <i>Taxable-equivalent basis (a)</i>        | 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**

|                     |       |       |       |       |       |
|---------------------|-------|-------|-------|-------|-------|
| 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 |
|--------------|----------|----------|----------|----------|----------|

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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 |
| 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.

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- (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.

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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 % |
|--------------------------|------|------|------|------|------|

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- (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 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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>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 obligation. Liabilities for each of the other periods presented include minority interest
-

## THE PNC FINANCIAL SERVICES GROUP, INC.

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## PFPC (Unaudited) (a)

| <i>Three months ended</i>                  | September 30 | June 30 | March 31 | December 31 | September 30 |
|--|--------------|---------|----------|-------------|--------------|
| <i>Dollars in millions except as noted</i> | 2006         | 2006    | 2006     | 2005        | 2005         |
| <b>INCOME STATEMENT</b>                    |              |         |          |             |              |
| 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         |
| <b>PERIOD-END BALANCE SHEET</b>            |              |         |          |             |              |
| 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      |
| <b>PERFORMANCE RATIOS</b>                  |              |         |          |             |              |
| Return on average equity                   | 35 %         | 25 %    | 28 %     | 32 %        | 34 %         |

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|                      |    |    |    |    |    |
|----------------------|----|----|----|----|----|
| Operating margin (c) | 24 | 23 | 24 | 24 | 23 |
|----------------------|----|----|----|----|----|

---

SERVICING STATISTICS (at period end)

Accounting/administration net fund assets (in billions) (d)

|          |       |       |       |       |       |
|----------|-------|-------|-------|-------|-------|
| Domestic | \$695 | \$671 | \$665 | \$754 | \$726 |
| Offshore | 79    | 72    | 85    | 81    | 67    |

---

|       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|
| Total | \$774 | \$743 | \$750 | \$835 | \$793 |
|-------|-------|-------|-------|-------|-------|

---

Asset type (in billions)

|              |       |       |       |       |       |
|--------------|-------|-------|-------|-------|-------|
| 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    |

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|       |       |       |       |       |       |
|-------|-------|-------|-------|-------|-------|
| Total | \$774 | \$743 | \$750 | \$835 | \$793 |
|-------|-------|-------|-------|-------|-------|

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|                                   |       |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|
| Custody fund assets (in billions) | \$399 | \$389 | \$383 | \$476 | \$475 |
|-----------------------------------|-------|-------|-------|-------|-------|

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Shareholder accounts (in millions)

|                 |    |    |    |    |    |
|-----------------|----|----|----|----|----|
| Transfer agency | 18 | 18 | 20 | 19 | 19 |
| Subaccounting   | 48 | 47 | 45 | 43 | 40 |

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|       |    |    |    |    |    |
|-------|----|----|----|----|----|
| Total | 66 | 65 | 65 | 62 | 59 |
|-------|----|----|----|----|----|

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OTHER INFORMATION

|                                |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|
| Period-end full-time employees | 4,317 | 4,314 | 4,291 | 4,391 | 4,457 |
|--------------------------------|-------|-------|-------|-------|-------|

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(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         |
| <b>Net Interest Income</b>                         |                    |              |              |              |              |
| 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           |
| <b>Total interest income</b>                       | <b>1,210</b>       | <b>1,132</b> | <b>1,073</b> | <b>1,047</b> | <b>1,002</b> |
| Interest expense                                   |                    |              |              |              |              |
| Deposits   | 434                | 379          | 327          | 305          | 270          |
| Borrowed funds                                     | 202                | 191          | 183          | 174          | 166          |
| <b>Total interest expense</b>                      | <b>636</b>         | <b>570</b>   | <b>510</b>   | <b>479</b>   | <b>436</b>   |
| <b>Net interest income (a)</b>                     | <b>\$574</b>       | <b>\$562</b> | <b>\$563</b> | <b>\$568</b> | <b>\$566</b> |

(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            |
| <b>Net interest income, taxable-equivalent basis</b> | <b>\$574</b>       | <b>\$562</b> | <b>\$563</b> | <b>\$568</b> | <b>\$566</b> |

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Three months ended

| Net Interest Margin                                | September 30 | June 30 | March 31 | December 31 | September 30 |
|--|--------------|---------|----------|-------------|--------------|
|  | 2006         | 2006    | 2006     | 2005        | 2005         |
| 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)<br><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           |

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|                       |      |      |      |      |      |
|-----------------------|------|------|------|------|------|
| Total trading revenue | \$37 | \$52 | \$57 | \$51 | \$48 |
|-----------------------|------|------|------|------|------|

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- (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) | 34%                | 64%     | 67%      | 67%         | 69%          |
| Bank efficiency ratio (b)           | 24%                | 59%     | 63%      | 64%         | 67%          |

(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 total 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.

**Retail Banking Efficiency Ratios (Unaudited)**

Three months ended

|                             | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|--|----------------------|-----------------|------------------|---------------------|----------------------|
| <b>Assets</b>  |                      |                 |                  |                     |                      |
| 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  |                      |                 |                  |                     |                      |
| 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    |

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|                           |          |          |          |          |          |
|---------------------------|----------|----------|----------|----------|----------|
| Total loans (a)           | \$50,338 | \$49,936 | \$49,146 | \$48,783 | \$49,450 |
| <b>Trading Assets</b>     |          |          |          |          |          |
| Securities (c)            | \$1,460  | \$1,477  | \$1,797  | \$1,852  | \$1,734  |
| Resale agreements (d)     | 537      | 378      | 321      | 593      | 411      |
| Financial derivatives (e) | 1,220    | 1,251    | 908      | 849      | 695      |
| Loans at fair value (e)   | 168      | 170      |          |          |          |
| Total trading assets      | \$3,385  | \$3,276  | \$3,026  | \$3,294  | \$2,840  |

- (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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|--|----------------------|-----------------|------------------|---------------------|----------------------|
| <b>Liabilities, Minority and Noncontrolling Interests, and Shareholders' Equity</b>              |                      |                 |                  |                     |                      |
| 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****Deposits and Other**

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| 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   |

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|                                    |          |          |          |          |          |
|------------------------------------|----------|----------|----------|----------|----------|
| Total deposits                     | \$64,598 | \$62,636 | \$60,950 | \$60,819 | \$59,627 |
| 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    |       |       |       |

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|                           |         |         |         |         |         |
|---------------------------|---------|---------|---------|---------|---------|
| Total trading liabilities | \$2,766 | \$2,658 | \$2,450 | \$2,854 | \$2,553 |
|---------------------------|---------|---------|---------|---------|---------|

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(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.

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## Details of Loans and Lending Statistics (Unaudited)

## Loans

| <i>Period ended - in millions</i>   | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|-------------------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
| <b>Commercial</b>                   |                      |                 |                  |                     |                      |
| 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                |
| <b>Total commercial</b>             | <b>20,684</b>        | <b>20,564</b>   | <b>19,927</b>    | <b>19,325</b>       | <b>20,103</b>        |
| <b>Commercial real estate</b>       |                      |                 |                  |                     |                      |
| Real estate projects                | 2,691                | 2,438           | 2,325            | 2,244               | 2,147                |
| Mortgage                            | 794                  | 768             | 721              | 918                 | 779                  |
| <b>Total commercial real estate</b> | <b>3,485</b>         | <b>3,206</b>    | <b>3,046</b>     | <b>3,162</b>        | <b>2,926</b>         |
| <b>Equipment lease financing</b>    | <b>3,609</b>         | <b>3,583</b>    | <b>3,558</b>     | <b>3,628</b>        | <b>3,721</b>         |
| <b>Total commercial lending</b>     | <b>27,778</b>        | <b>27,353</b>   | <b>26,531</b>    | <b>26,115</b>       | <b>26,750</b>        |
| <b>Consumer</b>                     |                      |                 |                  |                     |                      |
| 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                |
| <b>Total consumer</b>               | <b>16,356</b>        | <b>16,249</b>   | <b>16,108</b>    | <b>16,173</b>       | <b>16,885</b>        |
| 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 |
| <b>Supplemental Loan Information</b> |          |          |          |          |          |
| 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<br>2006 | September 30<br>2005 |
|---|----------------------|----------------------|
| <b>Commercial Lending Exposure (b)(c)</b> |                      |                      |
| 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.

**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**

| <i>Three months ended - in millions</i>                                     | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| Beginning balance   | \$611                | \$597           | \$596            | \$634               | \$628                |
| Charge-offs   |                      |                 |                  |                     |                      |
| Commercial  | (39)                 | (30)            | (16)             | (8)                 | (16)                 |
| Commercial real estate  | (2)                  |                 |                  | (1)                 |                      |
| Equipment lease financing (a)   |                      |                 |                  | (29)                |                      |
| Consumer  | (13)                 | (12)            | (12)             | (12)                | (12)                 |
| Residential mortgage  | (2)                  |                 |                  | (1)                 |                      |
| Total charge-offs (a)   | (56)                 | (42)            | (28)             | (51)                | (28)                 |
| Recoveries  |                      |                 |                  |                     |                      |
| Commercial  | 6                    | 4               | 6                | 6                   | 8                    |
| Commercial real estate  |                      |                 |                  |                     | 1                    |
| Equipment lease financing   |                      | 4               |                  |                     |                      |
| Consumer  | 3                    | 4               | 4                | 4                   | 4                    |
| Total recoveries  | 9                    | 12              | 10               | 10                  | 13                   |
| Net recoveries (charge-offs)  |                      |                 |                  |                     |                      |
| Commercial  | (33)                 | (26)            | (10)             | (2)                 | (8)                  |
| Commercial real estate  | (2)                  |                 |                  | (1)                 | 1                    |
| Equipment lease financing (a)   |                      | 4               |                  | (29)                |                      |
| Consumer  | (10)                 | (8)             | (8)              | (8)                 | (8)                  |
| Residential mortgage  | (2)                  |                 |                  | (1)                 |                      |
| Total net charge-offs (a)   | (47)                 | (30)            | (18)             | (41)                | (15)                 |
| Provision for credit losses   | 16                   | 44              | 22               | 24                  | 16                   |
| Net change in allowance for unfunded loan commitments and letters of credit | (14)                 |                 | (3)              | (21)                | 5                    |
| Ending balance  | \$566                | \$611           | \$597            | \$596               | \$634                |
| <b>Supplemental Information</b>   |                      |                 |                  |                     |                      |
| Commercial lending net charge-offs (a) (b)                                  | \$(35)               | \$(22)          | \$(10)           | \$(32)              | \$(7)                |
| Consumer lending net charge-offs (c)  | (12)                 | (8)             | (8)              | (9)                 | (8)                  |

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|                                  |        |        |        |        |        |
|----------------------------------|--------|--------|--------|--------|--------|
| Total net charge-offs (a)        | \$(47) | \$(30) | \$(18) | \$(41) | \$(15) |
| Net charge-offs to average loans |        |        |        |        |        |
| Commercial lending               | .52 %  | .34 %  | .16 %  | .51 %  | .11 %  |
| Consumer lending                 | .20    | .14    | .14    | .15    | .14    |

(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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| <i>Three months ended - in millions</i>                                     |                      |                 |                  |                     |                      |
| Beginning balance   | \$103                | \$103           | \$100            | \$79                | \$84                 |
| Net change in allowance for unfunded loan commitments and letters of credit | 14                   |                 | 3                | 21                  | (5)                  |
| Ending balance  | \$117                | \$103           | \$103            | \$100               | \$79                 |

|                                 | September 30<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|---------------------------------|----------------------|-----------------|------------------|---------------------|----------------------|
| <b>Net Unfunded Commitments</b> |                      |                 |                  |                     |                      |
| <i>In millions</i>              |                      |                 |                  |                     |                      |
| Net unfunded commitments (d)    | \$43,804             | \$40,904        | \$40,806         | \$40,178            | \$35,261             |

(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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| <b>Nonaccrual loans</b>   |                      |                 |                  |                     |                      |
| 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                   |
| <b>Total nonaccrual loans</b>   | <b>167</b>           | <b>207</b>      | <b>182</b>       | <b>190</b>          | <b>127</b>           |
| Troubled debt restructured loan   |                      | 1               |                  |                     |                      |
| <b>Total nonperforming loans</b>  | <b>167</b>           | <b>208</b>      | <b>182</b>       | <b>190</b>          | <b>127</b>           |
| Nonperforming loans held for sale (a)   |                      |                 | 1                | 1                   | 1                    |
| <b>Foreclosed and other assets</b>  |                      |                 |                  |                     |                      |
| Equipment lease financing   | 12                   | 12              | 13               | 13                  | 13                   |
| Residential mortgage  | 9                    | 8               | 8                | 9                   | 11                   |
| Other   | 3                    | 3               | 3                | 3                   | 4                    |
| <b>Total foreclosed and other assets</b>  | <b>24</b>            | <b>23</b>       | <b>24</b>        | <b>25</b>           | <b>28</b>            |
| <b>Total nonperforming assets (b)</b>   | <b>\$191</b>         | <b>\$231</b>    | <b>\$207</b>     | <b>\$216</b>        | <b>\$156</b>         |
| Nonperforming loans to total loans  | .34 %                | .41 %           | .37 %            | .39 %               | .25 %                |
| Nonperforming assets to total loans, loans held<br>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

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million, \$7 million and \$16 million, respectively). \$12 \$18 \$21 \$25 \$27

**Change in Nonperforming Assets**

| <i>In millions</i>                    | Nine months<br>ended |
|---------------------------------------|----------------------|
| <hr/>                                 |                      |
| January 1, 2006                       | \$216                |
| 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<br>2006 | June 30<br>2006 | March 31<br>2006 | December 31<br>2005 | September 30<br>2005 |
|---|----------------------|-----------------|------------------|---------------------|----------------------|
| <b><u>Retail Banking</u></b>                        |                      |                 |                  |                     |                      |
| Nonperforming loans                                 | \$85                 | \$95            | \$84             | \$81                | \$78                 |
| Foreclosed and other assets                         | 10                   | 9               | 9                | 9                   | 9                    |
| Total   | \$95                 | \$104           | \$93             | \$90                | \$87                 |
| <b><u>Corporate &amp; Institutional Banking</u></b> |                      |                 |                  |                     |                      |
| 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                 |
| <b><u>Other (a)</u></b>                             |                      |                 |                  |                     |                      |
| Nonperforming loans                                 | \$1                  | \$1             | \$1              | \$1                 | \$1                  |
| Foreclosed and other assets                         | 1                    | 1               | 1                | 1                   | 1                    |
| Total   | \$2                  | \$2             | \$2              | \$2                 | \$2                  |
| <b><u>Consolidated Totals</u></b>                   |                      |                 |                  |                     |                      |
| 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                |



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**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            |
| 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          |
| <b>Total</b>                         | <b>\$90</b>  |                               |
| 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.

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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).

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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.

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**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](http://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](http://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.

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***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 's 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.

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