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MERCANTILE BANKSHARES CORP

Form 425

January 31, 2007

Filed by The PNC Financial Services Group, Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and

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

Subject Company: Mercantile Bankshares Corporation

Commission File No. 0-5127

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

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

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

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

under About PNC  
Investor Relations.

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

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

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

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

have  
not  
provided  
other  
adjustments  
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imply  
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similar  
types  
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adjustments,  
but  
any  
such  
adjustments  
would  
not  
have  
been  
similar  
in  
magnitude  
to  
the  
amount  
of  
the  
adjustments  
shown.

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

Investor Relations.

Cautionary Statement Regarding  
Forward-Looking Information

Today's Discussion

PNC overview

Retail Banking

-

High performing model

-

Our framework for winning in 2007

-  
Investing to drive growth



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

segment earnings\* grew 9%

Balance sheet well positioned for

this interest rate environment

Overall asset quality remained

very strong

Mercantile acquisition will continue

expansion into attractive region

Total business segment earnings are reconciled to

total GAAP consolidated earnings in the attached Appendix

2006 Highlights

Net income

\$2.6 billion

Net income adjusted

\$1.5 billion

ROCE

28%

ROCE adjusted

16%

Noninterest income

to total revenue

74%

Noninterest

income

to total revenue adjusted

61%

Loans to deposits

76%

Loans to deposits as of December 31, 2006

\*

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

(1)

(2)

(1)

(2)

(1)

2006 Financial Highlights

(3)

Reconciled to GAAP in Appendix

(3)

Regional, National and International Businesses  
International investment management:  
BlackRock

with offices in 18 countries  
PNC  
A Diversified Financial

Services Company  
Business Leadership  
Retail Banking

-

A leading community bank in PNC major markets

-

Top 10 SBA lender in the U.S.

-

One of the nation's largest bank wealth management firms

Corporate & Institutional Banking

-

Top 10 Treasury Management business

-

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

-

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

BlackRock

-

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

PFPC

-

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

PNC Bank Branches

PNC Employees / Offices Outside of Retail Footprint

IN

OH

PA

KY

NJ

DE

VA

DC

MD

Winning in  
the

Payments

Space

A Premier

Middle-  
market

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

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

Twelve Months Ended December 31, 2006

Retail Banking

Corporate &

Institutional Banking

BlackRock

PFPC

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

Percentage for PFPC reflects return on average equity.

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

Business Earnings \*

\$ millions

\*

(1)

Return on

Average

Capital

(1)

26%

23%

N/A

29%

PNC's High Return Business Mix

Total business

segment earnings

grew 9% compared to

the twelve months

ended 12/31/05

\$124

\$187

\$463

\$765

2006 Retail Banking Revenue Generated by Product Segment

Retail Bank's Deposit Franchise is a

Primary Source of Revenue

Trust &

Brokerage

21%

Loans



19%  
Deposits  
60%

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

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

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

\$43

\$46

\$16

\$20

\$23

\$24

2003

2004

2005

2006

Average Deposits

Average Loans

63%

62%

60%

58%

2003

2004

2005

2006

Efficiency Ratio

\$566

\$610

\$682

\$765

2003

2004

2005

2006

Earnings

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

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

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

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



Branches

8%

Workplace &  
University

28%

Web,  
NFSC, etc.

1%

Expanding investment in  
new branches

Upgrading our existing  
branch facilities

Increasing commitment to  
alternative channels

The Web as an expanded  
acquisition channel

0.0  
0.5  
1.0  
1.5  
2.0  
2003  
2004

2005

2006

Increasing and Deepening Checking Relationships

Retail Banking

Checking Customer Base

millions

December 31

Small Business

Consumer

Small Business

Small Business debit

card revenue (\$ millions)

\$12.3

+24%

Small Business online

banking users

48%

+17%

Consumer

Consumer debit card

revenue (\$ millions)

\$100.6

+17%

Consumer online

banking users

53%

+10%

Consumer online

bill-pay users

23%

+97%

Provides Opportunities to Leverage Increased Ownership in Payments Business

Growth

(1)

Growth is for FY 2006 vs. FY 2005

Reflects growth in users

FY

2006

(2)

(2)

(2)

(1)

(2)

Differentiated Customer Experience  
PNC  
Bank  
received  
the  
highest  
numerical

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

surveyed  
in  
July

September  
2006.

Your  
experiences  
may  
vary.

Visit  
[jdpower.com](http://jdpower.com).

Highest in Customer Satisfaction  
with Small Business Banking

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

Human Sigma program

-

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

Service excellence program

-

Focused on problem reduction and process

simplification

Employee selection, retention and development

-

Developing talented, motivated, committed and successful employees

Initiatives to Further Differentiate the

Customer Experience



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



Focused on Winning in the Affluent

Segment

Mass Market

Affluent

Low

High

Opportunity

Ultra-

Affluent

Mass Affluent Customer Defined:

Mass Affluent Customer Defined:

Investable

assets from

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

682,000 existing PNC

households (32%)

67% of consumer deposit

base

Mass Affluent

Percentages in definition are as of December 31, 2006

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

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

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

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

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



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

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

MRBK

PNC

MRBK

PNC

MRBK

Median Household

Median Household

Income

Income

Projected 5-Year Growth

Projected 5-Year Growth

Household

Household

Income

Income

Population

Population

\$58,648

\$69,363

18.8%

16.9%

2.1%

10.0%

\$51,546

17.8%

6.7%

U.S.

U.S.

U.S.

Mercantile Opportunity

Distribute broader deposit product set and increase

Mercantile's

online banking penetration

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

Leverage PNC's small business technology capabilities across

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

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

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

Summary

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



We  
make  
statements  
in  
this  
presentation,  
and

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

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

forward-looking  
statements.

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

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

uncertainties.

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

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

Investor  
Relations

Financial  
Information.

Our  
business  
and  
operating  
results  
are

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

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

The  
value  
of  
our

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



financial  
results.

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

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

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

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

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

Legal  
and  
regulatory  
developments  
could  
have

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

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

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

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

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

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

The  
adequacy  
of



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

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

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

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

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

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

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

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

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

a  
result  
of  
unexpected  
factors  
or  
events.

Cautionary Statement Regarding  
Forward-Looking Information (continued)

The  
integration  
of  
Mercantile's  
business  
and

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

The  
anticipated  
benefits,  
including  
anticipated  
strategic  
gains  
and  
anticipated  
cost



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

be  
greater  
than  
expected.

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

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

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

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

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

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

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

Cautionary Statement Regarding



Forward-Looking Information (continued)

The  
PNC  
Financial  
Services  
Group,  
Inc.  
and

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

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

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

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

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

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

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

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

Additional Information About  
The PNC/Mercantile Transaction

Appendix



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

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

GAAP

Basis

Adjustments

(b)

\$ millions (except per share data)

Appendix

Income Statement and Selected Ratios

(a)

Year Ended December 31, 2006

BlackRock

Deconsolidation &

Other Adjustments

As Adjusted

BlackRock

Equity Method

(c)

The

table

above

represents

a

reconciliation

of

certain

GAAP

disclosures

to

adjusted

amounts

for

the

year

ended

December

31,

2006.

This

reconciliation

is

provided

for

informational

purposes

only

and

reflects

historical

consolidated

financial

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

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

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

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

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



to  
BlackRock  
earnings.

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

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

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

Year Ended December 31, 2006

BlackRock  
Deconsolidation &  
Other Adjustments  
As Adjusted  
Adjustments

(b)  
BlackRock  
Equity Method

(c)  
The  
table  
above  
represents

a

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

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

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

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

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



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

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

Retail Banking

\$765

\$682

12%

26%

Corporate & Institutional Banking

463

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

Earnings (Loss)

\$ millions

Year Ended December 31

2006

2005

Growth

(a)

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

(b)

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

(c)

For this PNC business segment reporting presentation, integration costs incurred by BlackRock for the MLIM transaction totaling \$60 million for 2006 have been reclassified from BlackRock to Other. These amounts are after-tax and, as applicable, net of minority interest.

(d)

Other

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

(e)

2006 return percentage for PFPC reflects return on average equity.

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

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

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

KEY

National City Corporation

NCC

The PNC Financial Services Group, Inc.

PNC

Regions Financial

RF

SunTrust Banks, Inc.

STI

U.S. Bancorp

USB

Wachovia Corporation

WB

Wells Fargo & Company

WFC

Ticker

Peer Group of

Super-Regional Banks

Appendix

ADDITIONAL INFORMATION ABOUT THE PNC/MERCANTILE TRANSACTION

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

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

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