

PNC Announces Agreement to Sell \$1 Billion Floating-Rate Exchangeable Senior Notes Due 2036

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PITTSBURGH
(NYSE:PNC)

PITTSBURGH, Dec. 15 /[PRNewswire-FirstCall](#)/ -- PNC Funding Corp announced that it priced a private placement of \$1 billion aggregate principal amount of its floating-rate, exchangeable senior notes due 2036 (the "notes"). PNC Funding Corp is a subsidiary of The PNC Financial Services Group (NYSE: PNC), which guaranteed the issue.

The notes will bear interest at a floating rate equal to three-month LIBOR minus 0.40 percent, payable quarterly in arrears. The notes have an initial exchange rate of 7.7788 shares of PNC common stock per \$1,000 principal amount of the notes, based on PNC's closing common stock price on December 14, 2006 of \$73.46 per share.

PNC has granted the initial purchaser an option to purchase an additional \$150 million of the notes.

PNC will apply the net proceeds from the sale of the notes for general corporate purposes. PNC expects to use the net proceeds to reduce its short-term indebtedness and provide financing flexibility. PNC continues to expect to issue approximately \$2.0 billion of PNC debt securities and hybrid capital instruments to finance the acquisition and integration of Mercantile Bankshares Corporation.

If exchanged, holders of the notes will receive cash up to the lesser of the principal amount of a note or the exchange value (the ten consecutive trading day sum of: 1/10th multiplied by the closing stock price on each trading day, multiplied by the exchange rate). If the exchange value exceeds the principal amount of a note on the exchange date, holders will also receive a number of shares of PNC common stock per note as determined pursuant to a specified formula, subject to PNC's option to settle all or some of its delivery obligations in cash.

PNC may redeem all or some of the notes for cash at any time on or after December 26, 2007, at 100 percent of their principal amount plus accrued and unpaid interest, if any, up to but not including the redemption date. On each of December 20, 2007, 2008, 2011, 2016, 2021, 2026 and 2031, or upon the occurrence of a change in control, the holders of the notes may require PNC to repurchase the notes for cash at a price equal to 100 percent of the principal amount of the notes submitted for repurchase, plus accrued and unpaid interest, if any, up to but not including the repurchase date.

The offering is being made only to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended.

This announcement is neither an offer to sell nor the solicitation of an offer to buy the notes or the shares

issuable upon exchange and shall not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is unlawful.

Neither the notes nor the shares issuable upon exchange have been registered under the Securities Act or any state securities laws, and until so registered, may not be offered or sold in the United States or any state absent registration or an applicable exemption from the registration requirements of such laws.

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

Forward-Looking Statements

The following information appears in accordance with the Private Securities Litigation Reform Act of 1995: This press release contains forward- looking statements about The PNC Financial Services Group. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These statements often include the words "may," "could," "would," "should," "believes," "expects," "anticipates," "estimates," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions. These forward- looking statements cover, among other things, anticipated future revenue and expenses and the future plans and prospects of the Company. Forward- looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including changes in general business and economic conditions, changes in interest rates, legal and regulatory developments, increased competition from both banks and non-banks, changes in customer behavior and preferences, effects of mergers and acquisitions and related integration, and effects of critical accounting policies and judgments. For discussion of these and other risks that may cause actual results to differ from expectations, refer to our Annual Report on Form 10-K for the year ended December 31, 2005, on file with the SEC. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

SOURCE: The PNC Financial Services Group, Inc.

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Web site: <http://www.pnc.com/>

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