

PNC FINANCIAL SERVICES GROUP INC  
Form 8-K  
September 09, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

September 9, 2008

Date of Report (Date of earliest event reported)

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

(Exact name of registrant as specified in its charter)

Commission File Number 001-09718

Pennsylvania  
(State or other jurisdiction of

25-1435979  
(I.R.S. Employer

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incorporation or organization)

Identification No.)

**One PNC Plaza**

**249 Fifth Avenue**

**Pittsburgh, Pennsylvania 15222-2707**

(Address of principal executive offices, including zip code)

**(412) 762-2000**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01 Regulation FD Disclosure.**

In response to the significant increase in the share price of BlackRock, Inc. ( BlackRock ) common stock, the continued widening of credit spreads since June 30, 2008, and recent developments at the Federal Home Loan Mortgage Corporation ( FHLMC ) and Federal National Mortgage Association ( FNMA ), The PNC Financial Services Group, Inc. ( the Corporation ) is providing the following information.

1) As of August 31, 2008, the increase in the BlackRock share price has negatively impacted noninterest income of the Corporation by approximately \$120 million due to an increase in the liability related to our BlackRock LTIP shares obligation. On a monthly basis, we mark to market our liability that represents a commitment to fund additional BlackRock LTIP programs. The market value of the Corporation s investment in BlackRock has increased approximately \$1.7 billion since June 30, 2008 and the unrecognized value of our investment in BlackRock was \$5.1 billion at August 31, 2008.

2) As of August 31, 2008, the continued widening of credit spreads on certain assets reported at fair value, primarily commercial mortgage loans held for sale, driven by lack of market liquidity has negatively impacted noninterest income by approximately \$120 million. These valuation adjustments do not represent credit quality concerns with the underlying assets.

3) The Corporation owns perpetual preferred stock in FHLMC and FNMA with an aggregate cost of \$80 million. Due to the recent restructuring at these entities and the resulting impact on market pricing of the shares, we expect to record a significant other-than-temporary impairment charge on these shares in the third quarter of 2008.

As a result of these anticipated adjustments to noninterest income, the Corporation now expects total revenue growth to exceed ten percent for the full year 2008 compared with the full year 2007. Total noninterest expense percentage growth expectations remain at low to mid single digits resulting in significant positive operating leverage for the same period comparison.

Also as of August 31, 2008, the Corporation s accumulated other comprehensive loss included in shareholders equity has increased by \$0.8 billion to \$2.0 billion primarily driven by the impact of widening credit spreads on our available for sale securities portfolio. Excluding the preferred stock mentioned above, these valuation adjustments do not represent credit quality concerns with the underlying assets.

Final results for the third quarter of 2008 will depend on market conditions as of September 30, 2008, which may be different, possibly significantly so, from the conditions at the end of August 2008 reflected in the amounts provided above.

The Corporation s remaining business operations and credit quality migrations are performing as expected.

The information in this Current Report on Form 8-K ( Report ) shall be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and shall be incorporated by reference into registration statements and other documents filed under the Securities Act of 1933, as amended, or the Exchange Act.

Cautionary Statement Regarding Forward-Looking Information

We make statements in this Report, 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 the Corporation 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, will, project and other similar words and expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements. Actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements, and future results could differ materially from our historical performance.

Our forward-looking statements are subject to the following principal risks and uncertainties. We provide greater detail regarding some of these factors in our Form 10-K for the year ended December 31, 2007 and in our second quarter 2008 Form 10-Q, including in the Risk Factors and Risk Management sections of these reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this Report or in our other filings with the SEC.

Our businesses and financial results are affected by business and economic conditions, both generally and specifically in the principal markets in which we operate. In particular, our businesses and financial results may be impacted by:

Changes in interest rates and valuations in the debt, equity and other financial markets.

Disruptions in the liquidity and other functioning of financial markets, including such disruptions in the markets for real estate and other assets commonly securing financial products.

Actions by the Federal Reserve and other government agencies, including those that impact money supply and market interest rates.

Changes in our customers, suppliers and other counterparties' performance in general and their creditworthiness in particular.

Changes in customer preferences and behavior, whether as a result of changing business and economic conditions or other factors.

A continuation of recent turbulence in significant portions of the global financial markets could impact our performance, both directly by affecting our revenues and the value of our assets and liabilities and indirectly by affecting the economy generally.

Given current economic and financial market conditions, our forward-looking financial statements are subject to the risk that these conditions will be substantially different than we are currently expecting. These statements are based on our current expectations that interest rates will remain low through 2008 with continued wide market credit spreads, and our view that national economic conditions currently point toward a mild recession followed by a subdued recovery.

Our operating results are affected by our liability to provide shares of BlackRock common stock to help fund certain BlackRock LTIP programs, as our LTIP liability is adjusted quarterly (marked-to-market) based on changes in BlackRock's common stock price and the number of remaining committed shares, and we recognize gain or loss on such shares at such times as shares are transferred for payouts under the LTIP programs.

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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

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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, education lending, 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, derivatives, and capital management techniques.

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 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.

Our ability to implement our business initiatives and strategies could affect our financial performance over the next several years.

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 business and operating results can also be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and capital and other financial 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 equity interest in BlackRock, Inc. are discussed in more detail in BlackRock's filings with the SEC, including in the Risk Factors sections of BlackRock's reports. BlackRock's SEC filings are accessible on the SEC's website and on or through BlackRock's website at [www.blackrock.com](http://www.blackrock.com).

We grow our business from time to time by acquiring other financial services companies. Acquisitions in general present us with risks in addition to 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 arising as a result of those issues. Our recent acquisition of Sterling Financial Corporation (Sterling) presents regulatory and litigation risk, as a result of financial irregularities at Sterling's commercial finance subsidiary, that may adversely impact our financial results.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**THE PNC FINANCIAL SERVICES GROUP, INC.**  
*(Registrant)*

Date: September 9, 2008

By: /s/ Samuel R. Patterson  
Samuel R. Patterson  
*Controller*

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