PNC FINANCIAL SERVICES GROUP INC
Form S-4/A
August 31, 2007
**Table of Contents**

**As filed with the Securities and Exchange Commission on August 31, 2007**

**Registration No. 333-144686**

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Amendment No. 1

# to

# Form S-4

# REGISTRATION STATEMENT

***UNDER THE SECURITIES ACT OF 1933***

# THE PNC FINANCIAL SERVICES GROUP, INC.

**(Exact name of registrant as specified in its charter)**

| | | |
|---|---|---|
| **Pennsylvania** | **6712** | **25-1435979** |
| **(State or other jurisdiction of incorporation)** | **(Primary Standard Industrial Classification Code Number)** | **(I.R.S. Employer Identification Number)** |

**One PNC Plaza**

**249 Fifth Avenue**

**Pittsburgh, Pennsylvania 15222-2707**

**(412) 762-2000**

**(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)**

**Richard J. Johnson**

**Chief Financial Officer**

**One PNC Plaza**

**249 Fifth Avenue**

**Pittsburgh, Pennsylvania 15222-2707**

**(412) 762-2000**

**(Name, Address, including Zip Code, and Telephone Number, including Area Code, of Agent for Service)**

***With copies to:***

| | | |
|---|---|---|
| **Thomas L. Hanley, Esq.** | **Daniel J. O Donnell, Esq.** | **Edward D. Herlihy, Esq.** |
| **Pepper Hamilton LLP** | **Secretary** | **Nicholas G. Demmo, Esq.** |
| **600 Fourteenth Street, N.W.** | **Yardville National Bancorp** | **Wachtell, Lipton, Rosen & Katz** |
| **Washington, D.C. 20005** | **2465 Kuser Road** | **51 West 52nd Street** |
| **(202) 220-1200** | **Hamilton, New Jersey 08690** | **New York, New York 10019** |
| | **(609) 585-5100** | **(212) 403-1000** |

**Approximate date of commencement of the proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed document.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

**PRELIMINARY SUBJECT TO COMPLETION DATED AUGUST 31, 2007**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

On June 6, 2007 Yardville National Bancorp agreed to merge with The PNC Financial Services Group, Inc. We are sending you this proxy statement/prospectus to invite you to attend a special meeting of Yardville shareholders being held to vote on the merger and to ask you to vote at the special meeting in favor of the merger.

If the merger is completed, Yardville will merge with and into PNC, and you will be entitled to elect to receive your merger consideration in the form of PNC common stock, cash or a combination of both. Subject to the election and adjustment procedures described in this document, you will be entitled to receive, in exchange for each share of Yardville common stock you hold at the time of the merger, consideration, without interest, with a value equal to the sum of (i) 0.2923 multiplied by the average closing price of PNC common stock on the New York Stock Exchange during the five trading days ending the day before the completion of the merger and (ii) $14.00. We expect that the merger will generally be tax-free to you as to shares of PNC common stock you receive in the merger and generally taxable to you as to the cash you receive.

The implied value of the merger consideration will fluctuate with the market price of PNC common stock. As explained in more detail in this document, whether you make a cash election, a stock election or no election, the value of the consideration you will receive as of the completion date will be substantially the same based on the average pre-closing PNC trading price.

As an example, if the average closing price of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger is $69.61, which was the closing price of PNC common stock on the NYSE on August 30, 2007 (the most recent practicable date prior to the mailing of this proxy statement), each share of Yardville common stock would be converted into the right to receive either approximately $34.35 in cash or approximately 0.4934 shares of PNC common stock. Based on that PNC closing price, the 0.4934 shares of PNC common stock would have a market value of approximately $34.35. As an additional example, if the average closing price of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger is $73.16, which was the average closing price for PNC common stock for the five days ending on June 6, 2007, the last trading day prior to the announcement of the merger, each share of Yardville common stock would be converted into the right to receive approximately $35.38 in cash or approximately 0.4837 of a share of PNC common stock. A chart showing the cash and stock merger consideration at various hypothetical closing prices of PNC common stock is provided on page 5 of this document.

Table of Contents

The market prices of both PNC common stock and Yardville common stock will fluctuate before the merger. You should obtain current stock price quotations for PNC common stock and Yardville common stock. PNC common stock trades on the NYSE under the symbol PNC and Yardville common stock is quoted on The Nasdaq Global Select Market under the symbol YANB.

The special meeting of the shareholders of Yardville will be held on October 19, 2007 at 10:00 a.m., local time, at the La Villa Ristorante, 2275 Kuser Road, Hamilton Square, New Jersey 08690. **Your vote is important.** A majority of the votes cast at the Yardville special meeting is required to approve the merger agreement, and a majority of the outstanding Yardville common stock entitled to vote is necessary to constitute a quorum in order to transact business at the special meeting. The members of the board of directors of Yardville and certain executive officers, who in the aggregate have the power to vote approximately 12.85% of the outstanding shares of Yardville common stock, have each executed a voting agreement with PNC pursuant to which they have agreed to vote their shares of Yardville common stock in favor of the merger and against any competing business combination transaction. Regardless of whether you plan to attend the special shareholders meeting, please take the time to vote your shares in accordance with the instructions contained in this document. **The Yardville board of directors recommends that Yardville shareholders vote FOR approval of the merger.**

**This document describes the special meeting, the merger, the documents related to the merger and other related matters. Please carefully read this entire document, including Risk Factors beginning on page 15, for a discussion of the risks relating to the proposed merger. You also can obtain information about our companies from documents that each of us has filed with the Securities and Exchange Commission.**

Patrick M. Ryan

Chief Executive Officer

Yardville National Bancorp

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the PNC common stock to be issued under this document or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense.**

The date of this document is August 31, 2007, and it is first being mailed or otherwise delivered to Yardville shareholders on or about September 5, 2007.

Table of Contents

**YARDVILLE NATIONAL BANCORP**

**2465 Kuser Road**

**Hamilton, New Jersey 08690**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

Yardville National Bancorp will hold a special meeting of shareholders at the La Villa Ristorante, 2275 Kuser Road, Hamilton Square, New Jersey 08690 at 10:00 a.m. local time, on October 19, 2007 to consider and vote upon the following proposals:

- to approve the Agreement and Plan of Merger, dated as of June 6, 2007, by and between Yardville National Bancorp and The PNC Financial Services Group, Inc., which provides for, among other things, the merger of Yardville National Bancorp with and into The PNC Financial Services Group, Inc.; and

- to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to approve the plan of merger.

The Yardville board of directors has fixed the close of business on August 24, 2007 as the record date for the special meeting. Only Yardville shareholders of record at that time are entitled to notice of, and to vote at, the special meeting, or any adjournment or postponement of the special meeting.

A majority of the votes cast at the Yardville special meeting is required to approve the merger agreement.

**Regardless of whether you plan to attend the special meeting, please submit your proxy with voting instructions. Please vote as soon as possible. If you hold stock in your name as a shareholder of record, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed, stamped envelope. You may also authorize a proxy to vote your shares by either visiting the website or calling the toll-free number shown on your proxy card. If you hold your stock in street name through a bank or broker, please direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.** This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of Yardville common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked in writing at any time before its exercise at the special meeting in the manner described in the accompanying document.

**The Yardville board of directors has unanimously approved the merger and the merger agreement and recommends that Yardville shareholders vote FOR approval of the plan of merger.**

BY ORDER OF THE BOARD OF DIRECTORS,

Daniel J. O Donnell

*Secretary*

August 31, 2007

**YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, REGARDLESS OF WHETHER YOU PLAN TO ATTEND THE SPECIAL MEETING. YOU CAN FIND INSTRUCTIONS FOR VOTING ON THE ENCLOSED PROXY CARD.**

**Table of Contents**

**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about PNC and Yardville from documents that are not included in or delivered with this document. You can obtain documents incorporated by reference in this document, other than certain exhibits to those documents, by requesting them in writing or by telephone from the appropriate company at the following addresses:

| The PNC Financial Services Group, Inc. | Yardville National Bancorp |
|---|---|
| One PNC Plaza | 2465 Kuser Road |
| 249 Fifth Avenue | Hamilton, New Jersey 08690 |
| Pittsburgh, Pennsylvania 15222-2707 | Attention: Howard N. Hall, |
| Attention: Shareholder Services | Assistant Treasurer s Office |
| (800) 982-7652 | (609) 631-6223 |
| Email: webqueries@computershare.com | |

*You will not be charged for any of these documents that you request. Yardville shareholders requesting documents should do so by October 12, 2007 in order to receive them before the special meeting.*

See Where You Can Find More Information on page 83.

**Table of Contents**

**TABLE OF CONTENTS**

**Table of Contents**

Table of Contents

## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

**The questions and answers below highlight only selected procedural information from this document. They do not contain all of the information that may be important to you. You should read carefully the entire document and the additional documents incorporated by reference into this document to fully understand the voting procedures for the special meeting.**

**Q: What is the proposed transaction for which I am being asked to vote?**

A: You are being asked to approve the Agreement and Plan of Merger, dated as of June 6, 2007, by and between Yardville National Bancorp and The PNC Financial Services Group, Inc., which provides for, among other things, the merger of Yardville National Bancorp with and into The PNC Financial Services Group, Inc.

**Q: What do I need to do now?**

A: With respect to the meeting after you have carefully read this document and have decided how you wish to vote your shares, please vote your shares promptly. If you hold stock in your name as a shareholder of record, you must complete, sign, date and mail your proxy card in the enclosed postage paid return envelope as soon as possible. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card. If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card, authorizing a proxy by telephone or through the Internet, or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

With respect to the merger you should complete and return the election form, together with your stock certificates, to Computershare, the exchange agent for the merger, according to the instructions printed on the form or, if your shares are held in street name, according to your broker s instructions.

**Q: When must I elect the type of merger consideration that I prefer to receive?**

A: If you wish to elect the type of merger consideration you receive in the merger, you should carefully review and follow the instructions set forth in the form of election , which is being separately mailed to Yardville shareholders following the mailing of this document. You will need to sign, date and complete the election form and transmittal materials and return them to the exchange agent, Computershare, at the address given in the materials, together with the certificates representing shares of Yardville common stock, prior to the election deadline. The election deadline will be October 18, 2007 or such other date as the parties agree. If you do not submit a properly completed and signed form of election to the exchange agent by the election deadline, you will have no control over the type of merger consideration you may receive, and consequently, may receive only cash, only PNC common stock or a combination of cash and PNC common stock in the merger. If you hold shares in street name, you will have to follow your broker s instructions to make an election.

**Q: If I am a Yardville shareholder, should I send in my Yardville stock certificates with my proxy card?**

A: No. Please DO NOT send your Yardville stock certificates with your proxy card. You should carefully review and follow the instructions set forth in the form of election, which is being mailed to Yardville shareholders separately following the mailing of this document, regarding the surrender of your share certificates. You should then, prior to the election deadline, send your Yardville common stock certificates to the exchange agent, together with your completed, signed form of election.

Table of Contents

**Q: Why is my vote important?**

A: Because the merger cannot be completed without the affirmative vote of a majority of the votes cast at the special meeting, and because a majority of the outstanding Yardville common stock entitled to vote is necessary to constitute a quorum in order to transact business at the special meeting, every shareholder s vote is important. **The Yardville board of directors recommends that you vote FOR approval of the plan of merger.** The members of the board of directors of Yardville and certain executive officers, who in the aggregate have the power to vote approximately 12.85% of the outstanding shares of Yardville common stock, have each executed a voting agreement with PNC pursuant to which they have agreed to vote their shares of Yardville common stock in favor of the merger and against any competing business combination transaction.

**Q: If my shares of common stock are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. Your broker cannot vote your shares without instructions from you. You should instruct your broker as to how to vote your shares, following the directions your broker provides to you. Please check the voting form used by your broker.

**Q: What if I fail to instruct my broker?**

A: If you do not provide your broker with instructions, your broker generally will not be permitted to vote your shares on the merger proposal (a so-called broker non-vote ). Because only those votes cast for and against the merger proposal are counted, a failure to provide your broker instructions will have no effect on the vote to approve the merger proposal. For purposes of determining the number of votes cast with respect to the merger proposal, only those votes cast for or against the proposal are counted. Broker non-votes, if any are submitted by brokers or nominees in connection with the special meeting, will not be counted as votes for or against for purposes of determining the number of votes cast but will be treated as present for quorum purposes.

**Q: Can I attend the special meeting and vote my shares in person?**

A: Yes. All shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Holders of record of Yardville common stock can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy, executed in your favor, from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

**Q: Can I change my vote?**

A: Yes. You may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date, or by submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to the Secretary of Yardville, or (3) attending the special meeting in person, notifying the Secretary and voting by ballot at the special meeting. The Yardville Secretary s mailing address is 2465 Kuser Road, Hamilton, New Jersey 08690.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy, but the mere presence (without notifying the Secretary of Yardville) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

**Table of Contents**

**Q: When do you expect to complete the merger?**

A: We expect to complete the merger in the fourth quarter of 2007. However, we cannot assure you when or if the merger will occur. Among other things, we cannot complete the merger until we obtain the approval of Yardville shareholders at the special meeting.

**Q: Whom should I call with questions about the shareholders meeting or the merger?**

A: Yardville shareholders should call Georgeson Inc., Yardville s proxy solicitor, at 1-800-509-1393 with any questions about the merger and related transactions.

Table of Contents

## SUMMARY

**This summary highlights information contained elsewhere in this document and may not contain all of the information that is important to you. We urge you to carefully read the entire document and the other documents to which we refer in order to fully understand the merger and the related transactions. See Where You Can Find More Information on page 83. Each item in this summary refers to the page of this document on which that subject is discussed in more detail.**

### THE MERGER (page 22)

The terms and conditions of the merger are contained in the merger agreement, which is attached as Annex A to this document. Please carefully read the merger agreement as it is the legal document that governs the merger.

### Yardville Will Merge into PNC

We are proposing the merger of Yardville with and into PNC. As a result, PNC will continue as the surviving company.

### Yardville Shareholders Will Receive Cash and/or Shares of PNC Common Stock in the Merger depending on their Election and any Proration (page 50)

You will have the right to elect to receive merger consideration, without interest, for each of your shares of Yardville common stock in the form of cash or shares of PNC common stock, subject to proration in the circumstances described below. In the event of proration, you may receive a portion of the merger consideration in a form other than that which you elected.

The implied value of the merger consideration will fluctuate with the market price of PNC common stock and will be determined based on the average closing price of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger. As explained in more detail in this document, whether you make a cash election or a stock election, the value of the consideration you receive as of the date of completion of the merger will be substantially the same based on the average PNC closing price used to calculate the merger consideration. Record holders may specify different elections with respect to different shares that you hold (if, for example, you own 100 shares of Yardville common stock, you could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

As an example, based on the average of the closing prices of PNC common stock on the NYSE for the five trading days ending on August 30, 2007, for each share of Yardville common stock held, you would receive either approximately $34.63 in cash or 0.4907 of a share of PNC common stock, subject to possible proration. We will compute the actual amount of cash and number of shares of PNC common stock that each Yardville shareholder will receive in the merger using the formula contained in the merger agreement. For a summary of the formula contained in the merger agreement, see The Merger Agreement Consideration To Be Received in the Merger beginning on page 50.

Set forth below is a table showing the consideration that you would receive in a cash election, on the one hand, or in a stock election, on the other hand, under the merger consideration formula if the actual average of the closing prices of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger were equal to the hypothetical range contained in the table. The table does not reflect the fact that cash will be paid instead of fractional shares. As described below, regardless of whether you make a cash election or a stock election, you may nevertheless receive a mix of cash and stock.

Table of Contents

| PNC Common Stock | | | Yardville Common Stock | |
|---|---|---|---|---|
| | Cash Election: | OR | Stock Election: Stock Consideration per share | |
| | Cash Consideration | | Shares of PNC | Market |
| Hypothetical Five-Day Average Closing Prices | Per Share | | Common Stock | Value (*) |
| $64.00 | $32.71 | | 0.5110 | $32.70 |
| $65.00 | $33.00 | | 0.5077 | $33.00 |
| $66.00 | $33.29 | | 0.5044 | $33.29 |
| $67.00 | $33.58 | | 0.5013 | $33.59 |
| $68.00 | $33.88 | | 0.4982 | $33.88 |
| $69.00 | $34.17 | | 0.4952 | $34.17 |
| $70.00 | $34.46 | | 0.4923 | $34.46 |
| $71.00 | $34.75 | | 0.4895 | $34.75 |
| $72.00 | $35.05 | | 0.4868 | $35.05 |
| $73.00 | $35.34 | | 0.4841 | $35.34 |
| $74.00 | $35.63 | | 0.4815 | $35.63 |
| $75.00 | $35.92 | | 0.4790 | $35.93 |
| $76.00 | $36.22 | | 0.4765 | $36.21 |
| $77.00 | $36.51 | | 0.4741 | $36.51 |
| $78.00 | $36.80 | | 0.4718 | $36.80 |
| $79.00 | $37.09 | | 0.4695 | $37.09 |
| $80.00 | $37.38 | | 0.4673 | $37.38 |
| $81.00 | $37.68 | | 0.4651 | $37.67 |
| $82.00 | $37.97 | | 0.4630 | $37.97 |
| $83.00 | $38.26 | | 0.4610 | $38.26 |
| $84.00 | $38.55 | | 0.4590 | $38.56 |

* Market value based on hypothetical five-day average closing price on the NYSE of PNC common stock. Any difference in the cash consideration per share and the market value is due to rounding.

The examples above are illustrative only. The value of the merger consideration that you actually receive will be based on the actual average closing price of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger, as described below. The actual average closing price may be outside the range of the amounts set forth above, and as a result, the actual value of the merger consideration per share of PNC common stock may not be shown in the above table.

**Regardless of Whether You Make a Cash Election or a Stock Election, You May Nevertheless Receive a Mix of Cash and Stock (page 52)**

The aggregate number of shares of PNC common stock that will be issued in the merger is approximately 3,356,441 million, based on the number of shares of Yardville common stock outstanding on August 24, 2007, and the aggregate amount of cash that will be paid in the merger is fixed at $156.46 million. As a result, if more Yardville shareholders make valid elections to receive either PNC common stock or cash than is available as merger consideration under the merger agreement, those Yardville shareholders electing the over-subscribed form of consideration will have the over-subscribed consideration proportionately reduced and substituted with consideration in the other form, despite their election.

If shares of Yardville common stock are issued upon the exercise of outstanding Yardville stock options or warrants or as otherwise permitted by the merger agreement, the aggregate number of shares of PNC common stock to be issued as consideration in the merger will be increased accordingly. The aggregate amount of cash consideration payable as merger consideration will always remain fixed at $156.46 million.

**What Holders of Yardville Stock Options Will Receive (page 55)**

When we complete the merger, each outstanding option to purchase shares of Yardville common stock, whether vested or not, will be cancelled in exchange for the right to receive a lump sum cash payment equal to the product of (i) the number of shares of Yardville common stock subject to the outstanding portion of the option and (ii) the excess, if any, of the per share cash merger consideration over the exercise price per share of the option. The lump sum cash payment will be subject to applicable tax withholding.

**In Order To Make a Valid Election, You Must Properly Complete and Deliver the Form of Election (page 55)**

If you wish to elect the type of merger consideration you prefer to receive in the merger, you should carefully review and follow the instructions set forth in the form of election, which is being mailed to Yardville shareholders separately following the mailing of this document. You will need to sign, date and complete the election form and transmittal materials and return them to the exchange agent at the address given in the materials, together with the certificates representing shares of Yardville common stock (or a properly completed notice of guaranteed delivery) prior to the election deadline. The form of election also includes delivery instructions for shares held in book-entry form. You should *NOT* send your stock certificates with your proxy card.

The election deadline will be October 18, 2007 or such other date as the parties agree. If you do not submit a properly completed and signed form of election to the exchange agent by the election deadline, you will have no control over the type of merger consideration you may receive, and, consequently, may receive only cash, only PNC common stock or a combination of cash and PNC common stock in the merger. If you hold shares in street name, you will have to follow your broker s instructions to make an election.

Once you have tendered your Yardville stock certificates to the exchange agent, you may not transfer your shares of Yardville common stock represented by those stock certificates until the merger is completed, unless you revoke your election by written notice to the exchange agent that is received prior to the election deadline. If the merger is not completed and the merger agreement is terminated, stock certificates will be returned by the exchange agent.

If you are a registered Yardville shareholder and fail to submit a properly completed form of election, together with your Yardville stock certificates (or a properly completed notice of guaranteed delivery), prior to the election deadline, you will be deemed not to have made an election. As a non-electing holder, you will be paid merger consideration in an amount per share that is equivalent in value to the amount paid per share to holders making elections, but you may be paid all in cash, all in PNC common stock, or in part cash and in part PNC common stock, depending on the remaining pool of cash and PNC common stock available for paying merger consideration after honoring the cash elections and stock elections that other shareholders have made, and without regard to your preference.

**The Merger Has Been Structured to Be Tax-Free to Yardville Shareholders to the Extent They Receive PNC Common Stock (page 67)**

The exchange by U.S. holders of Yardville common stock for PNC common stock has been structured to be generally tax free for U.S. federal income tax purposes, except that:

- U.S. holders of Yardville common stock that receive both cash and PNC common stock generally will recognize gain, but not loss, to the extent of the cash received;
- U.S. holders of Yardville common stock that receive only cash generally will recognize gain or loss; and
- U.S. holders of Yardville common stock generally will recognize gain or loss with respect to cash received instead of fractional shares of PNC common stock that such holders would otherwise be entitled to receive.

For further information, please refer to Material United States Federal Income Tax Consequences of the Merger.

*The United States federal income tax consequences described above may not apply to all holders of Yardville common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.*

**Comparative Market Prices and Share Information (pages 13 and 80)**

PNC common stock is quoted on the NYSE under the symbol PNC. Yardville common stock is quoted on The Nasdaq Global Select Market under the symbol YANB. The following table shows the closing sale prices of PNC common stock and Yardville common stock as reported on the NYSE and Nasdaq on June 6, 2007, the last trading day before we announced the merger, and on August 30, 2007, the last practicable trading day prior to mailing this document. The table also presents the equivalent value of the merger consideration per share of Yardville common stock on June 6, 2007 and August 30, 2007, calculated by multiplying the closing price of PNC common stock on those dates by 0.4872 and 0.4934, respectively, each representing the fraction of a share of PNC common stock that Yardville shareholders electing to receive PNC common stock would receive in the merger for each share of Yardville common stock, assuming that the average of the closing prices of PNC common stock on the NYSE for the five trading days ending the day before the completion of the merger was the closing price of PNC common stock on June 6, 2007 and August 30, 2007, respectively, and assuming no proration.

| | PNC Common Stock | Yardville Common Stock | Equivalent per Share Value |
|---|---|---|---|
| At June 6, 2007 | $ 71.84 | $ 35.77 | $ 35.00 |
| At August 30, 2007 | $ 69.61 | $ 33.74 | $ 34.35 |

The market price of PNC common stock and Yardville common stock will fluctuate prior to the merger. You should obtain current stock price quotations for the shares.

**Hovde Financial, Inc. and Boenning & Scattergood, Inc. Have Each Provided an Opinion to the Yardville Board of Directors Regarding the Merger Consideration (page 26)**

**Yardville s financial advisors, Hovde Financial Inc. and Boenning & Scattergood, Inc., have each conducted financial analyses and delivered an opinion to Yardville s board of directors that, as of the date of the merger agreement, the consideration to be received by Yardville shareholders was fair from a financial point of view to Yardville shareholders.**

**The Yardville Board of Directors Recommends that Yardville Shareholders Vote FOR Approval of the Plan of Merger (page 26)**

The Yardville board of directors believes that the merger is in the best interests of Yardville and its shareholders and has unanimously approved the merger and the merger agreement. The Yardville board of directors recommends that Yardville shareholders vote FOR approval of the plan of merger.

**Yardville s Directors and Officers Have Financial Interests in the Merger That May Differ From Your Interests (page 46)**

In considering the information contained in this document, you should be aware that Yardville s executive officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of Yardville shareholders. These additional interests of Yardville s executive officers and directors may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a shareholder.

Yardville s board of directors was aware of these interests and took them into account in its decision to approve and adopt the merger agreement. For information concerning these interests, please see the discussion under the caption Yardville s Directors and Officers Have Financial Interests in the Merger.

**Holders of Yardville Common Stock Do Not Have Appraisal Rights (page 45)**

Yardville is incorporated under New Jersey law. Under New Jersey law, the shareholders of Yardville do not have any statutory right to dissent from the merger or seek an appraisal of the value of their shares in connection with the merger.

**Conditions That Must Be Satisfied or Waived for the Merger to Occur (page 63)**

Currently, we expect to complete the merger in the fourth quarter of 2007. As more fully described in this document and in the merger agreement, the completion of the merger depends on a number of conditions being satisfied or, where legally permissible, waived. These conditions include, among others, approval by Yardville shareholders, the receipt of all required regulatory approvals (such as receipt of approval (or a waiver from the application requirement) from the Board of Governors of the Federal Reserve System, which we refer to as the Federal Reserve Board, and the Office of the Comptroller of the Currency, which we refer to as the OCC) without a condition or a restriction that would have a material adverse effect on Yardville or PNC, with materiality being measured on a scale relative to Yardville, and the receipt of legal opinions by each company regarding the tax treatment of the merger.

We cannot be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

**Termination of the Merger Agreement (page 64)**

We may mutually agree to terminate the merger agreement before completing the merger, even after shareholder approval. In addition, either of us may decide to terminate the merger agreement, even after shareholder approval, if a governmental entity issues a non-appealable final order prohibiting the merger, if a bank regulator which must grant a regulatory approval as a condition to the merger denies such approval of the merger and such denial has become final and non-appealable, or if the other party breaches the merger agreement in a way that would entitle the party seeking to terminate the agreement not to consummate the merger, subject to the right of the breaching party to cure the breach within 30 days following written notice (unless it is not possible due to the nature or timing of the breach for the breaching party to cure the breach). Either of us may terminate the merger agreement if the merger has not been completed by March 31, 2008, unless the reason the merger has not been completed by that date is a breach of the merger agreement by the company seeking to terminate the merger agreement. Either of us may terminate the merger agreement if the Yardville shareholders fail to approve the plan of merger at the special meeting, provided that Yardville cannot terminate the merger agreement for this reason if it has failed to comply with its obligation to hold the special meeting.

PNC may terminate the merger agreement if the Yardville board of directors (1) fails to recommend that Yardville shareholders approve the merger, (2) withdraws, qualifies, or modifies its recommendation (or proposes to do so) in a manner adverse to PNC, (3) recommends an alternative business combination proposal in a manner adverse to PNC, or (4) resolves to do any of the foregoing. PNC may also terminate the merger agreement if Yardville breaches its obligation to call and hold a shareholder meeting to consider the merger or its obligation to not solicit competing acquisition proposals.

Table of Contents

In addition, Yardville may terminate the merger agreement if (1) the value of the aggregate merger consideration to be paid by PNC declines by more than 15% and (2) the five-day average closing price of PNC common stock price underperforms a peer-group index by more than 15%, unless PNC exercises its option to increase the number of PNC common shares to be received by Yardville shareholders such that the implied value of the merger would be equivalent to the minimum implied value that would have had to exist for the above price-based termination right to have not been triggered. These calculations are made as of the later of (1) the date on which the last required regulatory approval is obtained (without regard to any waiting period) and (2) the business day immediately preceding the date of the special shareholder meeting, except that if the later of those two dates occurs more than fifteen days prior to the date of completion of the merger, the calculations are made as of the third business day prior to the date of completion.

**Termination Fee (page 64)**

In the event that PNC terminates the merger agreement because

- the Yardville board of directors (1) fails to recommend that Yardville shareholders approve the merger, (2) withdraws, qualifies, or modifies its recommendation (or proposes to do so) in a manner adverse to PNC, (3) recommends an alternative business combination proposal, or (4) resolves to do any of the foregoing,
- Yardville breaches its obligation to call and hold a shareholder meeting to consider the merger or its obligation to not solicit competing acquisition proposals,
- of a willful breach by Yardville and Yardville then enters into a definitive agreement relating to a competing takeover proposal before the twelve month anniversary of the termination, or
- prior to termination a competing takeover proposal is made to Yardville or its shareholders or has been publicly announced, the agreement is then terminated by PNC because the Yardville shareholders do not approve the merger at the shareholder meeting, and Yardville then enters into a definitive agreement relating to a competing takeover proposal before the twelve month anniversary of the termination,

Yardville will pay PNC a $14 million termination fee.

**Regulatory Approvals Required for the Merger (page 45)**

Yardville and PNC have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement, including the receipt of approval (or a waiver from the application requirement) from the Federal Reserve Board and the OCC. PNC and Yardville have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals. In obtaining the required regulatory approvals, PNC is not required to agree to any restriction or condition that would have a material adverse effect on Yardville or PNC, measured on a scale relative to Yardville.

Although we do not know of any reason why we cannot obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

**The Rights of Yardville Shareholders who Receive the Stock Consideration will be Governed by Pennsylvania Law and the PNC Articles of Incorporation and Bylaws after the Merger (page 72)**

The rights of Yardville shareholders will change as a result of the merger due to differences in PNC s and Yardville s governing documents and due to the fact that the companies are incorporated in different states (Yardville in New Jersey and PNC in Pennsylvania). Page 72 of this document contains a description of shareholder rights under each of the PNC and Yardville governing documents and applicable state law, and describes the material difference between them.

**Yardville will Hold its Special Meeting on October 19, 2007 (page 19)**

The special meeting will be held on October 19, 2007, at 10:00 a.m., local time, at the La Villa Ristorante, 2275 Kuser Road, Hamilton Square, New Jersey 08690. At the special meeting, Yardville shareholders will be asked to:

approve the plan of merger; and

approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the merger.

*Record Date*. Only holders of record of Yardville common stock at the close of business on August 24, 2007 will be entitled to vote at the special meeting. Each share of Yardville common stock is entitled to one vote. As of the record date of August 24, 2007, there were approximately 11,358,802 shares of Yardville common stock entitled to vote at the special meeting.

*Required Vote*. A majority of the votes cast at the Yardville special meeting is required to approve the merger agreement, and a majority of the outstanding Yardville common stock entitled to vote is necessary to constitute a quorum in order to transact business at the special meeting.

As of the record date, directors and executive officers of Yardville and their affiliates had the right to vote approximately 1,460,993 shares of Yardville common stock, or 12.86% of the outstanding Yardville common stock entitled to be voted at the special meeting. The directors and certain executive officers of Yardville, who in the aggregate have the power to vote approximately 12.85% of the outstanding shares of Yardville common stock, have each executed a voting agreement with PNC pursuant to which they have agreed to vote their shares of Yardville common stock in favor of the merger and against any competing business combination transaction.

**Information about the Companies (page 71)**

***The PNC Financial Services Group, Inc.***

The PNC Financial Services Group, Inc. is a Pennsylvania corporation, a bank holding company and a financial holding company under U.S. federal law. PNC is one of the largest diversified financial services companies in the United States based on assets, with businesses engaged in retail banking, corporate and institutional banking, asset management and global fund processing services. PNC provides many of its products and services nationally and others in PNC s primary geographic markets located in Pennsylvania; New Jersey; Washington, DC; Maryland; Virginia; Ohio; Kentucky; and Delaware. PNC also provides certain global fund processing services internationally. PNC stock (NYSE: PNC) is listed on the New York Stock Exchange. As of June 30, 2007 PNC had total consolidated assets of approximately $125.7 billion, total consolidated deposits of approximately $77.2 billion and total consolidated stockholders equity of approximately $14.5 billion. The principal executive offices of PNC are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is (412) 762-2000.

***Yardville National Bancorp***

Yardville National Bancorp is a New Jersey corporation and a registered bank holding company under U.S. federal law. Yardville conducts a general commercial and retail banking business through its principal operating subsidiary, The Yardville National Bank, which commenced operations as a commercial bank in 1925. Yardville provides a broad range of lending, deposit and other financial products and services with an emphasis on commercial real estate and commercial and industrial lending to small to mid-sized businesses and individuals. Yardville s existing and target markets are located in the corridor between New York City and Philadelphia. Yardville stock (NASDAQ: YANB) is listed on The Nasdaq Global Select Market. As of June 30, 2007, Yardville had total consolidated assets of approximately $2.6 billion, total consolidated deposits of approximately $2.0 billion, and total consolidated stockholders equity of approximately $189 million. The principal executive offices of Yardville are located at 2465 Kuser Road, Hamilton, New Jersey 08690 and its telephone number is (609) 585-5100.

Table of Contents

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PNC

Set forth below are highlights from PNC s consolidated financial data as of and for the years ended December 31, 2002 through 2006 and as of and for the six months ended June 30, 2006 and 2007. The results of operations for the six months ended June 30, 2006 and 2007 are not necessarily indicative of the results of operations for the full year or any other interim period. PNC management prepared the unaudited information on the same basis as it prepared PNC s audited consolidated financial statements. In the opinion of PNC management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with PNC s consolidated financial statements and related notes included in PNC s Annual Report on Form 10-K for the year ended December 31, 2006, and PNC s Quarterly Reports on Form 10-Q for the quarters ended June 30, 2007 and March 31, 2007, which are incorporated by reference in this document and from which this information is derived. See Where You Can Find More Information on page 83.

### PNC Summary of Consolidated Financial Data

| | Six months ended June 30, | | Year ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2007(a) | 2006 | 2006(b) | 2005 | 2004 | 2003 | 2002 |
| **Earnings (in millions)** | | | | | | | |
| Net interest income | $ 1,361 | $ 1,112 | $ 2,245 | $ 2,154 | $ 1,969 | $ 1,996 | $ 2,197 |
| Provision for credit losses | 62 | 66 | 124 | 21 | 52 | 177 | 309 |
| Noninterest income | 1,966 | 2,415 | 6,327 | 4,173 | 3,572 | 3,263 | 3,197 |
| Noninterest expense | 1,984 | 2,307 | 4,443 | 4,306 | 3,712 | 3,467 | 3,223 |
| Income before minority interest and income taxes | 1,281 | 1,154 | 4,005 | 2,000 | 1,777 | 1,615 | 1,862 |
| Minority interest in income of BlackRock | | 41 | 47 | 71 | 42 | 47 | 41 |
| Income taxes | 399 | 378 | 1,363 | 604 | 538 | 539 | 621 |
| Income from continuing operations | 882 | 735 | 2,595 | 1,325 | 1,197 | 1,029 | 1,200 |
| (Loss) Income from discontinued operations, net of tax | | | | | | | (16) |
| Income before cumulative effect of accounting change | 882 | 735 | 2,595 | 1,325 | 1,197 | 1,029 | 1,184 |
| Cumulative effect of accounting change, net of tax | | | | | | (28) | |
| Net income | $ 882 | $ 735 | $ 2,595 | $ 1,325 | $ 1,197 | $ 1,001 | $ 1,184 |
| **Per common share data** | | | | | | | |
| *Basic earnings (loss)* | | | | | | | |
| Continuing operations | $ 2.71 | $ 2.51 | $ 8.89 | $ 4.63 | $ 4.25 | $ 3.68 | $ 4.23 |
| Discontinued operations | | | | | | | (0.05) |
| Before cumulative effect of accounting change | 2.71 | 2.51 | 8.89 | 4.63 | 4.25 | 3.68 | 4.18 |
| Cumulative effect of accounting change | | | | | | (0.10) | |
| Net income | $ 2.71 | $ 2.51 | $ 8.89 | $ 4.63 | $ 4.25 | $ 3.58 | $ 4.18 |
| *Diluted earnings (loss)* | | | | | | | |
| Continuing operations | $ 2.67 | $ 2.47 | $ 8.73 | $ 4.55 | $ 4.21 | $ 3.65 | $ 4.20 |
| Discontinued operations | | | | | | | (0.05) |
| Before cumulative effect of accounting change | 2.67 | 2.47 | 8.73 | 4.55 | 4.21 | 3.65 | 4.15 |
| Cumulative effect of accounting change | | | | | | (0.10) | |
| Net income | $ 2.67 | $ 2.47 | $ 8.73 | $ 4.55 | $ 4.21 | $ 3.55 | $ 4.15 |
| **Period end balances (in millions)** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total assets | $ 125,651 | $ 94,914 | $ 101,820 | $ 91,954 | $ 79,723 | $ 68,168 | $ 66,377 |
| Total deposits | 77,221 | 63,493 | 66,301 | 60,275 | 53,269 | 45,241 | 44,982 |
| Total borrowed funds | 24,516 | 15,651 | 15,028 | 16,897 | 11,964 | 11,453 | 9,116 |
| Total shareholders equity | 14,504 | 8,827 | 10,788 | 8,563 | 7,473 | 6,645 | 6,859 |

(a) Amounts for 2007 reflect the impact of PNC s March 2, 2007 acquisition of Mercantile Bankshares Corporation.

(b) Noninterest income for 2006 included the pretax impact of the following: gain on the BlackRock/Merrill Lynch Investment Managers ( MLIM ) transaction of $2.1 billion; securities portfolio rebalancing loss of $196 million; and mortgage loan portfolio repositioning loss of $48 million. Noninterest expense for 2006 included the pretax impact of BlackRock/MLIM transaction integration costs of $91 million. An additional $10 million of integration costs, recognized in the fourth quarter of 2006, were included in noninterest income as a negative component of the asset management line. The after-tax impact of these items was as follows: BlackRock/MLIM transaction gain $1.3 billion; securities portfolio rebalancing loss $127 million; mortgage loan portfolio repositioning loss $31 million; and BlackRock/MLIM transaction integration costs $47 million.

The aggregate after-tax impact of these items increased net income for the year ended December 31, 2006 by $1.1 billion. On a per share basis, the aggregate after-tax impact of these items increased net income by $3.72 per basic common share or $3.67 per diluted common share.

Table of Contents

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF YARDVILLE

Set forth below are highlights from Yardville s audited consolidated financial data as of and for the years ended December 31, 2002 through 2006 and Yardville s unaudited consolidated financial data as of and for the six months ended June 30, 2006 and 2007. The results of operations for the six months ended June 30, 2006 and 2007 are not necessarily indicative of the results of operations for the full year or any other interim period. The unaudited information was prepared on the same basis as Yardville s audited consolidated financial statements. In the opinion of Yardville management, this information reflects all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of this data for those dates. You should read this information in conjunction with Yardville s consolidated financial statements and related notes included in Yardville s Annual Report on Form 10-K, as amended by Form 10-K/A, for the year ended December 31, 2006, and Yardville s Quarterly Report on Form 10-Q, as amended by Form 10-Q/A, for the quarter ended June 30, 2007 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, which are incorporated by reference in this document and from which this information is derived. See Where You Can Find More Information on page 83.

### Yardville Summary of Consolidated Financial Data

| | Six months ended June 30, | | Year ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2006(a)** | **2005** | **2004** | **2003** | **2002** |
| **Earnings (in millions)** | | | | | | | |
| Net interest income | $ 40 | $ 42 | $ 84 | $ 83 | $ 71 | $ 53 | $ 46 |
| Provision for credit losses | 2 | 4 | 11 | 10 | 10 | 9 | 4 |
| Noninterest income | 3 | 3 | 1 | 8 | 8 | 8 | 8 |
| Noninterest expense | 30 | 27 | 71 | 50 | 43 | 38 | 31 |
| Income before minority interest and income taxes (benefit) | 11 | 14 | 3 | 31 | 26 | 14 | 19 |
| Income taxes (benefit) | 3 | 4 | (2) | 10 | 8 | 4 | 5 |
| Net income | $ 8 | $ 10 | $ 5 | $ 21 | $ 18 | $ 10 | $ 14 |
| **Per common share data** | | | | | | | |
| *Basic earnings* | | | | | | | |
| Net income | $ 0.75 | $ 0.94 | $ 0.48 | $ 1.97 | $ 1.77 | $ 0.99 | $ 1.72 |
| *Diluted earnings* | | | | | | | |
| Net income | $ 0.72 | $ 0.90 | $ 0.46 | $ 1.89 | $ 1.71 | $ 0.97 | $ 1.68 |
| **Period end balances (in millions)** | | | | | | | |
| Total assets | $ 2,562 | $ 3,024 | $ 2,621 | $ 2,957 | $ 2,806 | $ 2,431 | $ 2,232 |
| Total deposits | 2,000 | 2,047 | 2,003 | 1,973 | 1,810 | 1,484 | 1,272 |
| Total borrowed funds | 339 | 770 | 400 | 781 | 816 | 786 | 791 |
| Total shareholders equity | 189 | 178 | 186 | 177 | 160 | 144 | 146 |

(a) In the fourth quarter of 2006 a portion of the balance sheet was restructured. Securities and Federal Home Loan Bank ( FHLB ) advances of $320.0 million were sold as part of the restructuring. Noninterest income included the impact of securities losses of $6.5 million pretax associated with the balance sheet restructuring. Noninterest expense included the impact of losses incurred with the retirement and refinancing of FHLB advances of $15.3 million pretax. The restructuring resulted in a charge to fourth quarter 2006 earnings of approximately $12.9 million after tax, or $1.13 diluted share.

## COMPARATIVE PER SHARE DATA

The following table sets forth for PNC common stock and Yardville common stock certain historical, pro forma and pro forma-equivalent per share financial information. The pro forma and pro forma-equivalent per share information gives effect to the merger as if the merger had been effective on the dates presented, in the case of the book value data, and as if the merger had become effective on January 1, 2006, in the case of the net income and dividends declared data. The pro forma data in the tables assume that the merger is accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company s results of operations. The pro forma financial adjustments record the assets and liabilities of Yardville at their estimated fair values and are subject to adjustment as additional information becomes available and as additional analyses are performed. See Accounting Treatment on page 66. The information in the following table is based on, and should be read together with, the historical financial information that we have presented in our prior filings with the Securities and Exchange Commission, which we refer to as the SEC. See Where You Can Find More Information on page 83.

We anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and revenue enhancement opportunities. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors, that may result as a consequence of the merger and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during these periods. The Comparative Per Share Data Table for the six months ended June 30, 2007 and the year ended December 31, 2006 combines the historical income per share data of PNC and its subsidiaries and Yardville and its subsidiaries giving effect to the merger as if the merger had become effective on January 1, 2006, using the purchase method of accounting. Upon completion of the merger, the operating results of Yardville will be reflected in the consolidated financial statements of PNC on a prospective basis.

| | PNC Historical (a), (d) | Yardville Historical (b) | Pro Forma Combined (c) | Pro Forma Equivalent Yardville Share |
|---|---|---|---|---|
| **Net income for the twelve months ended December 31, 2006:** | | | | |
| Basic | $ 8.89 | $ 0.48 | $ 8.78 | $ 4.28 |
| Diluted | 8.73 | 0.46 | 8.62 | 4.20 |
| **Net income for the six months ended June 30, 2007:** | | | | |
| Basic | 2.71 | 0.75 | 2.70 | 1.32 |
| Diluted | 2.67 | 0.72 | 2.65 | 1.29 |
| **Dividends Declared:** | | | | |
| For the year ended December 31, 2006 | 2.15 | 0.46 | 2.15 | 1.05 |
| For the six months ended June 30, 2007 | 1.18 | 0.23 | 1.18 | 0.57 |
| **Book Value:** | | | | |
| As of December 31, 2006 | 36.80 | 16.88 | 37.19 | 18.12 |
| As of June 30, 2007 | 42.36 | 16.94 | 42.64 | 20.78 |

(a) Noninterest income for 2006 included the pretax impact of the following: gain on the BlackRock/MLIM transaction of $2.1 billion; securities portfolio rebalancing loss of $196 million; and mortgage loan portfolio repositioning loss of $48 million. Noninterest expense for 2006 included the pretax impact of BlackRock/MLIM transaction integration costs of $91 million. An additional $10 million of integration costs, recognized in the fourth quarter of 2006, were included in noninterest income as a negative component of

**Table of Contents**

the asset management line. The after-tax impact of these items was as follows: BlackRock/MLIM transaction gain $1.3 billion; securities portfolio rebalancing loss $127 million; mortgage loan portfolio repositioning loss $31 million; and BlackRock/MLIM transaction integration costs $47 million.

The aggregate after-tax impact of these items increased net income for the year ended December 31, 2006 by $1.1 billion. On a per share basis, the aggregate after-tax impact of these items increased net income by $3.72 per basic common share or $3.67 per diluted common share.

(b) In the fourth quarter of 2006 a portion of the balance sheet was restructured. Securities and FHLB advances of $320.0 million were sold as part of the restructuring. Noninterest income included the impact of securities losses of $6.5 million associated with the balance sheet restructuring. Noninterest expenses included the impact of losses incurred with the retirement and refinancing of FHLB advances of $15.3 million. The restructuring resulted in a charge to fourth quarter 2006 earnings of approximately $12.9 million after tax, or $1.13 per diluted share.

(c) Due to the significant one-time adjustments for both PNC and Yardville during 2006, the pro forma combined results for that year may not be typical. If the one-time adjustments are excluded, the difference between the historical results and the pro forma combined results would decrease significantly for both PNC and Yardville.

(d) Amounts for 2007 reflect the impact of PNC s March 2, 2007 acquisition of Mercantile Bankshares Corporation.

Table of Contents

## RISK FACTORS

**In addition to general investment risks and the other information contained in or incorporated by reference into this document, including the matters under the caption Cautionary Statement Regarding Forward-Looking Statements and the matters discussed under the caption Risk Factors included in the Annual Reports on Form 10-K filed by each of PNC and Yardville for the year ended December 31, 2006 as updated by subsequently filed Forms 10-Q and 10-K/A, you should carefully consider the following factors in deciding whether to vote for adoption of the merger agreement.**

### Because the Market Price of PNC Common Stock Will Fluctuate, Yardville Shareholders Cannot Be Sure of the Trading Price of the Merger Consideration They Will Receive.

Upon completion of the merger, each share of Yardville common stock will be converted into the right to receive merger consideration consisting of shares of PNC common stock and/or cash pursuant to the terms of the merger agreement. The value of the merger consideration to be received by Yardville shareholders will be based on the average closing price of PNC common stock on Nasdaq for the five trading days ending on the day before the completion of the merger. This average price may vary from the closing price of PNC common stock on the date we announced the merger, on the date this document was mailed to Yardville shareholders and on the date of the meeting of the Yardville shareholders. Any change in the market price of PNC common stock prior to completion of the merger will affect the value of the merger consideration that Yardville shareholders will receive upon completion of the merger. Accordingly, at the time of the Yardville special meeting and prior to the election deadline, Yardville shareholders will not necessarily know or be able to calculate the amount of the cash consideration they would receive or the exchange ratio used to determine the number of any shares of PNC common stock they would receive upon completion of the merger. Yardville is not permitted to resolicit the vote of Yardville shareholders solely because of changes in the market price of either company s stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in our respective businesses, operations and prospects, and regulatory considerations. Many of these factors are beyond our control. You should obtain current market quotations for shares of PNC common stock and for shares of Yardville common stock.

### We May Fail To Realize All of the Anticipated Benefits of the Merger.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses of PNC and Yardville. However, to realize these anticipated benefits and cost savings, we must successfully combine the businesses of PNC and Yardville. If we are not able to achieve these objectives, the anticipated benefits and cost savings of the merger may not be realized fully or at all or may take longer to realize than expected.

PNC and Yardville have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of each company s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of Yardville and PNC during the transition period.

### The Market Price of PNC Common Stock after the Merger May Be Affected by Factors Different from Those Affecting the Shares of Yardville or PNC Currently.

The businesses of PNC and Yardville differ and, accordingly, the results of operations of the combined company and the market price of the combined company s shares of common stock may be affected by factors different from those currently affecting the independent results of operations of Yardville. For a discussion of the

**Table of Contents**

businesses of PNC and Yardville and of certain factors to consider in connection with those businesses, see the documents incorporated by reference in this document and referred to under  Where You Can Find More Information.

**Yardville Shareholders Will Have a Reduced Ownership and Voting Interest After the Merger and Will Exercise Less Influence Over Management.**

Yardville s shareholders currently have the right to vote in the election of the board of directors of Yardville and on other matters affecting Yardville. When the merger occurs, each Yardville shareholder that receives shares of PNC common stock will become a shareholder of PNC with a percentage ownership of the combined organization that is much smaller than the shareholder s percentage ownership of Yardville. In fact, it is expected that the former shareholders of Yardville as a group will own less than 1% of the outstanding shares of PNC immediately after the merger. Because of this, Yardville s shareholders will have less influence on the management and policies of PNC than they now have on the management and policies of Yardville.

**The Merger Agreement Limits Yardville s Ability to Pursue Alternatives to the Merger.**

The merger agreement contains  no shop  provisions that, subject to specified exceptions, limit Yardville s ability to discuss, facilitate or commit to competing third-party proposals to acquire all or a significant part of Yardville, as well as a termination fee that is payable by Yardville under certain circumstances. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Yardville from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Yardville than it might otherwise have proposed to pay.

**Yardville Shareholders May Receive a Form of Consideration Different From What They Elect.**

While each Yardville shareholder may elect to receive all cash or all PNC common stock in the merger, the pools of cash and PNC common stock available for all Yardville shareholders will be fixed amounts (subject to increase in the available number of shares of PNC common stock as a result of exercise of outstanding Yardville stock options and stock warrants, or as otherwise permitted by the merger agreement prior to the completion of the merger). As a result, if either a cash or stock election proves to be more popular among Yardville shareholders, you are a Yardville shareholder and you choose the election that is more popular, you might receive a portion of your consideration in the form you did not elect.

**If You Are a Yardville Shareholder and You Tender Shares of Yardville Common Stock to Make an Election, You Will Not be Able to Sell Those Shares, Unless You Revoke Your Election Prior to the Election Deadline.**

If you are a registered Yardville shareholder and want to make a valid cash or stock election, you will have to deliver your stock certificates (or follow the procedures for guaranteed delivery), and a properly completed and signed form of election to the exchange agent. For further details on the determination of the election deadline, see  The Merger Agreement Conversion of Shares; Exchange of Certificates; Elections as to Form of Consideration Form of Election.  The election deadline may be significantly in advance of the closing of the merger. You will not be able to sell any shares of Yardville common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election, you will not be able to liquidate your investment in Yardville common stock for any reason until you receive cash and/or PNC common stock in the merger. In the time between the election deadline and the closing of the merger, the trading price of Yardville or PNC common stock may decrease, and you might otherwise want to sell your shares of Yardville common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion

Table of Contents

date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

**The Merger is Subject to the Receipt of Consents and Approvals from Government Entities that May Impose Conditions that Could Have an Adverse Effect on PNC.**

Before the merger may be completed, various waivers, approvals or consents must be obtained from the Federal Reserve Board, the OCC and other authorities in the United States. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger. Although PNC and Yardville do not currently expect that any such conditions or changes will be imposed, there can be no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of PNC following the merger, any of which might have an adverse effect on PNC following the merger. PNC is not obligated to complete the merger if the regulatory approvals received in connection with the completion of the merger include any condition or restrictions that, in the aggregate, would reasonably be expected to have a material adverse effect on Yardville or PNC, measured relative to Yardville, but PNC could choose to waive this condition.

**Yardville Executive Officers and Directors Have Financial Interests in the Merger that May be Different from, or in Addition to, the Interests of Yardville Shareholders.**

Yardville s officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of Yardville shareholders. For example, certain executive officers and employees of Yardville may receive tax gross up, bonus or retention payments, payments with respect to outstanding equity awards, or new equity awards with respect to PNC common stock.

Yardville s board of directors was aware of these interests and took them into account in its decision to approve and adopt the merger agreement. For information concerning these interests, please see the discussion under the caption Yardville s Directors and Officers Have Financial Interests in the Merger.

**The Shares of PNC Common Stock to be Received by Yardville Shareholders Receiving the Stock Consideration as a Result of the Merger Will Have Different Rights from the Shares of Yardville Common Stock.**

Upon completion of the merger, Yardville shareholders who receive the stock consideration will become PNC shareholders and their rights as shareholders will be governed by the articles incorporation and by-laws of PNC and Pennsylvania corporate law. The rights associated with Yardville common stock are different from the rights associated with PNC common stock. See the section of this proxy statement/prospectus titled Comparison of Shareholders Rights beginning on page 72 for a discussion of the different rights associated with PNC common stock.

Table of Contents

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains or incorporates by reference a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects of PNC, Yardville and the potential combined company and may include statements for the period following the completion of the merger. Forward-looking statements are typically identified by words such as plan, believe, expect, anticipate, intend, outlook, estimate, forecast, project and other similar words and expressions.

The forward-looking statements involve certain risks and uncertainties. The ability of either PNC or Yardville to predict results or the actual effects of its plans and strategies, or those of the combined company, is subject to inherent uncertainty. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth on page 15 under Risk Factors, as well as, among others, the following:

- those discussed and identified in public filings with the SEC made by PNC or Yardville;
- completion of the merger is dependent on, among other things, receipt of shareholder and regulatory approvals, the timing of which cannot be predicted with precision and which may not be received at all;
- the merger may be more expensive to complete than anticipated, including as a result of unexpected factors or events;
- the integration of Yardville s business and operations with those of PNC may take longer than anticipated, may be more costly than anticipated and may have unanticipated adverse results relating to Yardville s or PNC s existing businesses; and
- the anticipated cost savings and other synergies of the merger may take longer to be realized or may not be achieved in their entirety, and attrition in key client, partner and other relationships relating to the merger may be greater than expected.

Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document or the date of any document incorporated by reference in this document.

All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this document and attributable to PNC or Yardville or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this document. Except to the extent required by applicable law or regulation, PNC and Yardville undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events.

## THE YARDVILLE SPECIAL MEETING

This section contains information about the special meeting of Yardville shareholders that has been called to consider and approve the merger of Yardville with and into PNC, with PNC as the surviving corporation in the merger.

Together with this document, we are also sending you a notice of the special meeting and a form of proxy that is solicited by the Yardville board of directors. The special meeting will be held on October 19, 2007, at 10:00 a.m. local time, at the La Villa Ristorante, 2275 Kuser Road, Hamilton Square, New Jersey 08690, subject to any adjournments or postponements.

### Matters to Be Considered

The purpose of the special meeting is to vote on a proposal for approval of the plan of merger.

You also will be asked to vote upon a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the merger.

### Proxies

Each copy of this document mailed to holders of Yardville common stock is accompanied by a form of proxy with instructions for voting. If you hold stock in your name as a shareholder of record, you should complete and return the proxy card accompanying this document to ensure that your vote is counted at the special meeting, or at any adjournment or postponement of the special meeting, regardless of whether you plan to attend the special meeting. You may also authorize a proxy to vote your shares by telephone or through the Internet as instructed on the proxy card.

If you hold your stock in street name through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker.

If you hold stock in your name as a shareholder of record, you may revoke any proxy at any time before it is voted by (1) signing and returning a proxy card with a later date or submitting another proxy via the Internet or by telephone, (2) delivering a written revocation letter to Yardville s Secretary or (3) attending the special meeting in person, notifying the Secretary, and voting by ballot at the special meeting. If you hold your stock in street name through a bank or broker, you must follow your bank s or broker s instructions to revoke your proxy.

Any shareholder entitled to vote in person at the special meeting may vote in person regardless of whether a proxy has been previously given, and such vote will revoke any previous proxy but the mere presence (without notifying Yardville s Secretary) of a shareholder at the special meeting will not constitute revocation of a previously given proxy.

Written notices of revocation and other communications about revoking your proxy should be addressed to:

Yardville National Bancorp

2465 Kuser Road

Hamilton, New Jersey 08690

Attention: Secretary

Table of Contents

All shares represented by valid proxies that we receive through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you make no specification on your proxy card as to how you want your shares voted before signing and returning it, your proxy will be voted FOR approval of the plan of merger and FOR approval of the proposal to adjourn the special meeting, if necessary, to solicit additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the merger. According to the Yardville by-laws, business to be conducted at a special meeting of shareholders may only be brought before the meeting by means of Yardville s notice of the meeting. Accordingly, no matters other than the matters described in this document will be presented for action at the special meeting or at any adjournment or postponement of the special meeting.

**Solicitation of Proxies**

Yardville will bear the entire cost of soliciting proxies from you. In addition to solicitation of proxies by mail, Yardville will request that banks, brokers and other record holders send proxies and proxy material to the beneficial owners of Yardville common stock and secure their voting instructions. Yardville will reimburse the record holders for their reasonable expenses in taking those actions. Yardville has also made arrangements with Georgeson Shareholder to assist in soliciting proxies and has agreed to pay them $30,000 plus reasonable expenses for these services. If necessary, Yardville may use several of its regular employees, who will not be specially compensated, to solicit proxies from Yardville shareholders, either personally or by telephone, facsimile, letter or other electronic means.

PNC and Yardville will share equally the expenses incurred in connection with the printing and mailing of this document.

**Record Date**

The close of business on August 24, 2007 has been fixed as the record date for determining the Yardville shareholders entitled to receive notice of and to vote at the special meeting. At that time, approximately 11,358,802 shares of Yardville common stock were outstanding, held by approximately 659 holders of record.

**Voting Rights and Vote Required**

The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of Yardville common stock entitled to vote is necessary to constitute a quorum at the special meeting. Abstentions will be counted for the purpose of determining whether a quorum is present.

Under applicable New Jersey law, a majority of the votes cast at the Yardville special meeting is required to approve the merger agreement. For purposes of determining the number of votes cast with respect to a matter, only those votes cast for and against a proposal are counted. Abstentions and any broker non-votes will be treated as shares that are present for purposes of determining the presence of a quorum but will not be counted for or against a proposal.

As of the record date, directors and executive officers of Yardville and their affiliates, had the right to vote approximately 1,460,993 shares of Yardville common stock, or 12.86% of the outstanding Yardville common stock at that date. The directors and certain executive officers of Yardville, who in the aggregate have the power to vote approximately 12.85% of the outstanding shares of Yardville common stock, have each executed a voting agreement with PNC pursuant to which they have agreed to vote their shares of Yardville common stock in favor of the merger and against any competing business combination transaction.

Approval of any proposal to adjourn or postpone the meeting, if necessary, for the purpose of soliciting additional proxies may be obtained by approval of the holders of a majority of the shares of Yardville common stock present in person or represented by proxy at the special meeting, whether or not a quorum is present.

Table of Contents

**Recommendation of the Yardville Board of Directors**

The Yardville board of directors has unanimously approved the merger agreement and the transactions it contemplates, including the merger. The Yardville board of directors determined that the merger, merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Yardville and its shareholders and recommends that you vote FOR approval of the plan of merger. See The Merger Yardville s Reasons for the Merger; Recommendation of the Yardville Board of Directors for a more detailed discussion of the Yardville board of directors recommendation.

**Attending the Meeting**

All holders of Yardville common stock, including shareholders of record and shareholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a proxy executed in your favor from the record holder of your shares, such as a broker, bank or other nominee, to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring a form of personal photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without both proper proof of share ownership and proper photo identification.

Table of Contents

# THE MERGER

## Background of the Merger

PNC s board of directors and senior management regularly review the financial services industry environment, including the trend towards consolidation in the industry, and periodically discuss ways in which to enhance PNC s competitive position. Senior management of PNC has, over time, considered the possibility of acquisitions and strategic combinations with a variety of financial institutions and the potential strategic fit with such institutions based on their lines of businesses, their management and employee cultures and their geographic locations.

Similarly, the board of directors of Yardville has from time to time engaged with its senior management in reviews of Yardville s strategic direction. During such reviews, Yardville s board has considered various alternatives to enhance its company s performance and prospects in the context of developments in the financial services industry, the competitive landscape and the ongoing consolidation in financial services. As noted below, these discussions have, on occasion, included informal discussions with representatives of other financial institutions, including PNC, regarding industry trends and issues and exploratory discussions of the potential benefits and issues arising from possible business combinations.

In connection with the election of directors at Yardville s 2006 annual meeting of shareholders, the director candidates nominated by Yardville s board of directors were opposed by a shareholder committee led by Lawrence B. Seidman. Following Yardville s 2006 annual meeting of shareholders, the Yardville board of directors determined to augment its strategic planning process by engaging an experienced financial advisor. In July 2006, the board interviewed several investment banking firms and subsequently engaged Hovde Financial, Inc. to serve as its financial advisor in connection with the ongoing evaluation of Yardville s strategic direction. Together with its financial advisor, the board evaluated various strategic alternatives, including remaining as an independent institution, raising additional capital through debt or equity securities sales, acquiring other financial institutions, restructuring Yardville s balance sheet, or seeking a sale of Yardville to another financial institution. As part of its consideration of a possible sale of Yardville, the board directed the financial advisor to contact prospective strategic suitors in order to assess the level of interest, if any, in a business combination with Yardville.

In response to this directive, during the summer and fall of 2006, Yardville engaged in exploratory discussions with other financial institutions. In October 2006, three of these financial institutions expressed preliminary interest with respect to a possible transaction with Yardville. The board appointed a special committee of independent directors to review the indications of interest with the assistance of the financial advisor. Two of the institutions, however, determined not to proceed further. In November 2006, the Yardville board of directors determined not to engage in a combination with a larger institution, and instead authorized a restructuring of Yardville s balance sheet.

Yardville completed its balance sheet restructuring in December 2006, which enhanced its net interest margin by selling lower yielding securities and using the proceeds to retire higher fixed rate Federal Home Loan Bank advances. At the same time, the board and its financial advisor initiated discussions with potential acquisition candidates.

In February 2007, one of the financial institutions with which Yardville had previously had discussions regarding a potential transaction, referred to as Company A, contacted senior management of Yardville to express a renewed interest in a potential transaction with Yardville. In response, Yardville s board of directors met on February 13 to discuss and determine whether a potential transaction with a larger financial institution should be given further consideration. During its deliberations, the board considered that circumstances facing Yardville had changed significantly since the board last determined not to proceed with such a transaction. In particular, the board noted the completion of the restructuring of its balance sheet, an increased likelihood that the formal agreement with the Office of the Comptroller of the Currency would be continued through 2007, ongoing challenges of operating as an independent financial institution in light of imposed regulatory constraints, a persistent unfavorable interest rate environment and the level of competition for deposits and loans, and Yardville s operating results and prospects relative to management s and the board s expectations in 2006, as reasons for revisiting the possible sale of Yardville.

Table of Contents

In light of these developments, Yardville s board of directors authorized management to engage in discussions with Company A regarding the parameters of a potential transaction. In addition, the board directed its financial advisor to ascertain whether other financial institutions might have an interest in a potential transaction and authorized a special committee to work with management and Yardville s advisors to explore such a potential transaction.

On March 15, 2007, Company A provided an indication of interest to engage in a transaction with Yardville. In the succeeding weeks, the institution had its financial, legal and other advisors conduct due diligence reviews of Yardville. In addition senior management of both institutions and their advisors held discussions relating to the key terms of a potential transaction. On March 26, 2007, the special committee engaged Boenning & Scattergood, Inc. as its own financial advisor. In early April, 2007, however, Company A informed Yardville senior management that it had determined it was not interested in pursuing a transaction with Yardville.

During this time, two other financial institutions with which Yardville had held discussions in 2006, referred to as Company B and Company C each expressed renewed interest in a potential transaction with Yardville. On April 4, 2007, Yardville s board of directors met and authorized management to explore discussions with both companies. Shortly thereafter, following preliminary due diligence, Company C determined to discontinue discussions, but discussions continued with Company B into May and Company B began to engage in due diligence.

During the week of May 13, 2007, Patrick M. Ryan, Yardville s Chief Executive Officer scheduled a meeting with Jim Rohr, Chairman and Chief Executive Officer of PNC to discuss the possibility of a strategic combination of PNC and Yardville. On May 18, 2007, Messrs. Ryan and Rohr, together with members of their management teams, met to discuss the possibility of a potential merger of Yardville with PNC. At this meeting, Mr. Rohr indicated that, subject to due diligence and PNC board approval, PNC would be prepared to undertake a transaction that could be mutually beneficial to both Yardville and PNC.

On May 19, 2007, the special committee met to discuss management s contacts with PNC. On May 21, 2007, the Yardville board of directors met and re-affirmed its belief that a business combination with another financial institution was in the best interests of Yardville s shareholders, and that shareholder value was likely to be maximized by a combination with a larger and stronger financial institution than Company B. The board determined that, based on the interest previously exhibited by PNC, as well as PNC s then-recent acquisition activities, Yardville s management should focus its efforts on exploring PNC s possible interest in an acquisition of Yardville.

PNC and Yardville executed mutual confidentiality agreements and during the week of May 21, exchanged information as part of PNC s due diligence investigation. Over the course of the next week, PNC, together with its financial, legal and other advisors, conducted its diligence investigation while the parties and their advisors held discussions relating to the key terms of a transaction. Also during this period, counsel to PNC and Yardville, working with the companies, began to draft and negotiate definitive transaction documentation. In late May, Company B notified Yardville that it had determined to discontinue discussions regarding a transaction.

On May 30, PNC proposed that, subject to the finalization of due diligence and definitive deal documentation, and further subject to the Yardville board and senior management members willingness to enter into voting agreements to support the transaction, PNC would be willing to pay a purchase price of $35.00 per Yardville share in a combination of cash and a number of shares of PNC common stock reflected in the exchange ratio described below under The Merger Agreement Consideration to be Received in the Merger. That same day the special committee of the Yardville board of directors met to discuss the PNC proposal. Following discussions among the special committee members, financial advisors and legal counsel, the special committee determined to recommend to the Yardville board of directors that the board authorize and direct management, with the assistance of members of the Committee and financial advisors and legal counsel, to continue to negotiate definitive transaction documents. Following the meeting of the special committee, the Yardville board

Table of Contents

met to discuss the PNC proposal with Yardville s senior management, financial advisors and legal counsel. At such meeting, the Yardville board determined that such a transaction was in the best interests of its shareholders and instructed management, certain directors and Yardville s advisors to continue to negotiate definitive transaction documentation, including the proposed voting support agreements.

The parties continued to negotiate the final terms of the transaction and prepare the definitive documentation. In addition, Yardville conducted a due diligence investigation of PNC and PNC completed its due diligence investigation of Yardville. During this time, PNC also negotiated the terms of a non-interference agreement with Lawrence B. Seidman, who proposed the competing slate of director-nominees at Yardville s 2006 annual meeting of shareholders and was expected to solicit proxies for a competing slate of director-nominees at Yardville s 2007 annual meeting of shareholders. Under that agreement, Mr. Seidman agreed not to seek to interfere with the proposed transaction with PNC, through litigation or otherwise.

On June 6, 2007, the special committee of Yardville s board of directors met to discuss the proposed merger of Yardville and PNC. After discussion with the financial advisors and legal counsel, the special committee resolved to recommend the merger to Yardville s board of directors. Following the special committee meeting, Yardville s board of directors met to discuss the proposed merger of Yardville and PNC. Mr. Ryan updated the board on the progress of negotiations with PNC, described the key elements of the proposed merger and discussed with the board the strategic reasons for the proposed merger. Senior management described their due diligence results regarding PNC along with its advisors. Representatives of Hovde Financial, Inc. and Boenning & Scattergood, Inc. each presented a summary of their respective financial analyses of the proposed transaction, focusing in particular on the calculation of the merger consideration, and delivered their respective opinions that, as of that date, the consideration to be received by Yardville s shareholders in the merger was fair from a financial point of view to the shareholders. Representatives from Pepper Hamilton LLP as counsel to Yardville made a detailed presentation describing the key terms of the merger and the merger agreement, and led a discussion of the directors fiduciary duties in evaluating and approving the merger.

Following these discussions, and review and discussion among the members of the Yardville board, the Yardville board of directors determined that the proposed transaction was in the best interests of Yardville and its shareholders, and the directors voted unanimously to approve the merger with PNC and to submit the proposed merger agreement and the merger to Yardville shareholders for their consideration and approval.

Also on June 6, the PNC board of directors held a special meeting at which members of PNC s senior management and PNC s outside legal and financial advisors made various presentations about, and the board discussed, the potential strategic combination with Yardville and the proposed terms of the merger. At this meeting, the PNC board unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The merger agreement was subsequently executed and delivered and PNC issued a press release prior to the opening of the financial markets in New York City on June 7, 2007 announcing the transaction.

**Yardville s Reasons for the Merger; Recommendation of the Yardville Board of Directors**

In reaching its conclusion that the merger agreement and the merger are advisable and in the best interests of Yardville and its shareholders, and in approving the merger agreement and the transactions contemplated thereby, Yardville s board of directors considered and reviewed the transaction and its terms with Yardville s senior management, as well as its financial and legal advisors, and considered a number of factors, including:

- Its knowledge of Yardville s business, operations, financial condition, earnings and prospects and of PNC s business, operations, financial condition, earnings and prospects, taking into account the results of Yardville s due diligence review of PNC;

- Its knowledge of the current environment in the financial services industry, including national and regional economic conditions, continued consolidation, evolving trends in technology and

Table of Contents

increasing nationwide and global competition, and the likely effect of these factors on Yardville in light of, and in the absence of, the proposed transaction;

The value to Yardville s shareholders of the proposal to allow each shareholder to elect to receive his, her or its consideration in cash or PNC common stock;

The greater liquidity of PNC common stock relative to Yardville common stock;

The dividend yield and payment history of PNC common stock relative to Yardville common stock;

The ability of Yardville shareholders, through the PNC common stock component of the merger consideration, to participate in the potential growth of the combined PNC and Yardville institutions following consummation of the transaction;

The financial analyses conducted by Hovde Financial, Inc. and Boenning & Scattergood, Inc. and their opinions to the board of directors that, as of the date of the merger agreement, the consideration to be received by Yardville shareholders was fair from a financial point of view to Yardville shareholders;

The expectation that the receipt of PNC common stock by Yardville shareholders would generally be tax-free for U.S. federal income tax purposes;

The potential alternatives available to Yardville, including other potential extraordinary transactions and the alternative of remaining independent, and the risks and challenges inherent in successfully implementing Yardville s business plans, including regulatory compliance, potential changes in management, the ongoing costs of the Company s retail strategy, the continued unfavorable yield curve, weakness in commercial real estate in the Company s markets, the Company s dependence on large borrower relationships and the potential of downsizing larger borrower relationships. The board also considered the value to the shareholders of these alternatives, the timing and likelihood of achieving value from these alternatives;

The competitive environment facing regional banks like Yardville, and management s belief that Yardville s customers and employees would benefit from a combination with PNC due to the combined entity s enhanced ability to serve its customers more broadly and effectively because of the combined entity s greater scale, broader product portfolio and more comprehensive technology;

The ability to complete the merger, including, in particular, the likelihood of obtaining regulatory approval and the provisions of the merger agreement regarding Yardville s and PNC s obligations to pursue the regulatory approvals;

The historical and current market prices of Yardville common stock and PNC common stock;

The terms and conditions of the merger agreement, including:

the termination fee of $14 million that Yardville would be required to pay if the merger agreement is terminated under certain circumstances;

the restrictions imposed on Yardville from soliciting alternative transactions and the inability of Yardville to terminate the merger agreement in order to accept an alternative proposal;

the fact that Yardville s board of directors may withdraw, modify or condition its recommendation that Yardville s shareholders approve the merger only if the board determines, after consultation with its outside financial and legal advisors, that the failure to take such action would be inconsistent with its fiduciary obligations under applicable law; and the requirement that Yardville must submit the merger agreement to a vote of Yardville s shareholders notwithstanding any withdrawal or modification of the board of director s recommendation that Yardville s shareholders approve the merger.

The existence and nature of the voting agreements.

The complexity and risks involved in successfully integrating Yardville and PNC in a timely manner, and the potential impact of integration on various constituencies.

The taxable nature for U.S. federal income tax purposes of the cash portion of the merger consideration received by Yardville shareholders.

The fact that the interests of certain of Yardville s officers and directors may be said to be different from, or in addition to, the interests of shareholders generally.

The possible effects of the merger on Yardville s employees, customers, suppliers and creditors and on the communities in which Yardville s facilities are located.

The above discussion of the information and factors considered by Yardville s board of directors is not intended to be exhaustive, but indicates the material matters considered by the board of directors. In reaching its determination to approve the merger agreement and the transactions which it contemplates, the board did not quantify, rank or assign any relative or specific weight to, the foregoing factors, and individual directors may have considered various factors differently and may have given differing weights to different factors. Yardville s board of directors did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination. Yardville s board of directors based its determination on the totality of the information presented.

**Yardville s board of directors determined, by unanimous vote of all directors present at the meeting of the board of directors, that the merger on the terms and conditions set forth in the merger agreement is advisable and in the best interests of Yardville and its shareholders. Accordingly, Yardville s board of directors unanimously approved and adopted the merger agreement and the transactions contemplated thereby, and recommends that Yardville shareholders vote FOR the proposal to approve the merger agreement.**

**Opinions of Yardville s Financial Advisors**

**Hovde Financial, Inc.**

On August 28, 2006, Yardville retained Hovde Financial, Inc. to provide its financial services to Yardville, including in connection with a potential sale of Yardville. Hovde has delivered to the board of directors of Yardville its opinion that, based upon and subject to the various considerations set forth in its written opinion dated June 6, 2007, the merger consideration to be paid to the shareholders of Yardville is fair from a financial point of view as of such date. In requesting Hovde s advice and opinion, no limitations were imposed by Yardville upon Hovde with respect to the investigations made or procedures followed by it in rendering its opinion. ***The full text of the opinion of Hovde, dated June 6, 2007, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto as Annex B. Yardville s shareholders should read the opinion in its entirety.***

Hovde is a nationally recognized investment banking firm and, as part of its investment banking business, is continually engaged in the valuation of financial institutions in connection with mergers and acquisitions, private placements and valuations for other purposes. As a specialist in securities of financial institutions, Hovde has experience in, and knowledge of, banks, thrifts and bank and thrift holding companies. The board of directors of Yardville selected Hovde to act as its financial advisor in connection with the merger on the basis of the firm s reputation and expertise in transactions such as the merger.

26

Pursuant to the terms of its engagement with Yardville, beginning with the third quarter of 2006, Hovde received a cash retainer fee in the amount of $15,000 per quarter. In addition, Hovde received a cash fee in the amount of $250,000 from Yardville for performing a financial analysis of the merger and rendering a written opinion to the board of directors of Yardville as to the fairness, from a financial point of view, of the merger to the shareholders of Yardville. Yardville has also agreed to pay Hovde completion fees, which are contingent upon the consummation of the merger, for its services as financial advisor in connection with the merger. The completion fee will be an amount equal to one percent (1%) of the value of the merger consideration, calculated in accordance with Hovde s engagement letter, or approximately $4.3 million. In addition to its fees and regardless of whether the merger is consummated, Yardville has agreed to reimburse Hovde for its reasonable out-of-pocket expenses. Yardville has also agreed to indemnify Hovde against any claims, losses and expenses arising out of the merger or Hovde s engagement that did not arise from Hovde s gross negligence or willful misconduct.

***Hovde s opinion is directed only to the fairness, from a financial point of view, of the merger consideration, and, as such, does not constitute a recommendation to any shareholder of Yardville as to how the shareholder should vote at the Special Meeting. The summary of the opinion of Hovde set forth in this proxy statement is qualified in its entirety by reference to the full text of the opinion.***

The following is a summary of the analyses performed by Hovde in connection with its fairness opinion. Certain of these analyses were discussed in a presentation to the board of directors of Yardville by Hovde. The summary set forth below does not purport to be a complete description of either the analyses performed by Hovde in rendering its opinion or the presentation delivered by Hovde to the board of directors of Yardville, but it does summarize all of the material analyses performed and presented by Hovde.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. In arriving at its opinion, Hovde did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Hovde believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, without considering all factors and analyses, could create an incomplete view of the process underlying the analyses set forth in its report to the board of directors of Yardville and its fairness opinion.

In performing its analyses, Hovde made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Yardville and PNC. The analyses performed by Hovde are not necessarily indicative of actual value or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Hovde s analysis of the fairness of the merger consideration, from a financial point of view, to the shareholders of Yardville. The analyses do not purport to be an appraisal or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or at any time in the future. Hovde s opinion does not address the relative merits of the merger as compared to any other business combination in which Yardville might engage. In addition, as described above, Hovde s opinion to the board of directors of Yardville was one of many factors taken into consideration by the board of directors of Yardville in making its determination to approve the merger agreement.

The opinion expressed by Hovde was based on market, economic and other relevant considerations as they existed and could be evaluated as of the date of the opinion. Events occurring after the date of issuance of the opinion, including changes affecting the securities markets, the results of operations or material changes in the financial condition of either Yardville or PNC could materially affect the assumptions used in preparing the opinion.

Table of Contents

During the course of its engagement, and as a basis for arriving at its opinion, Hovde reviewed and analyzed material bearing upon the financial and operating conditions of Yardville and PNC and material prepared in connection with the merger, including, among other things, the following:

- the merger agreement and all attachments thereto;
- certain historical publicly available information concerning the Yardville and PNC;
- certain internal financial statements and other financial and operating data concerning Yardville and PNC;
- certain financial projections prepared by the management team of Yardville;
- discussions with members of the senior management teams of Yardville and PNC for the purpose of reviewing the future prospects of Yardville and PNC;
- the historical market prices and trading volumes of Yardville and PNC;
- the nature and terms of recent merger and acquisition transactions to the extent publicly available, involving banks and bank holding companies that Hovde considered relevant; and
- the pro forma ownership of PNC Common Stock by the holders of Yardville Common Stock relative to the pro forma contribution of the Yardville s assets, liabilities, equity and earnings.

In addition, Hovde:

- analyzed the pro forma impact of the merger on the combined company s earnings, consolidated equity capitalization and financial ratios;
- took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its knowledge of the banking industry and its general experience in securities valuations; and
- performed such other analyses and considered other factors as it deemed appropriate.

In rendering its opinion, Hovde assumed, without independent verification, the accuracy and completeness of the financial and other information provided to it and relied upon the accuracy of the representations of the parties contained in the merger agreement. Hovde also assumed the financial forecasts furnished to or discussed with Hovde by Yardville and PNC were reasonably prepared and reflected the best currently available estimates and judgments of senior management of Yardville and PNC as to the future financial performance of Yardville, PNC or the combined company, as the case may be. Hovde has not made any independent evaluation or appraisal of any properties, assets or liabilities of Yardville.

***Contribution Analysis.*** Hovde prepared a contribution analysis showing percentages of assets, net loans, deposits and equity at March 31, 2006 for Yardville and PNC, and the trailing twelve months and estimated calendar-year 2007 net income that would be contributed to the combined company on a pro-forma basis.

| | Yardville (%) | PNC (%) |
|---|---|---|
| Assets | 2.1 | 97.9 |
| Net Loans | 3.0 | 97.0 |
| Deposits | 2.6 | 97.4 |
| Equity | 1.3 | 98.7 |
| LTM Net Income | 0.7 | 99.3 |
| 2007 Estimated Net Income | 1.1 | 98.9 |

Table of Contents

***Trading Price Analysis.*** Hovde reviewed the average trading prices for PNC at different intervals during the period commencing June 4, 2007, using the 5-day, 10-day, 20-day, 30-day, 45-day, 60-day and 90-day average closing price of PNC common stock during such period.

| | PNC average closing price |
|---|---|
| Last trading day | $ 73.83 |
| Last 5 Trading Days | $ 73.80 |
| Last 10 Trading Days | $ 73.90 |
| Last 20 Trading Days | $ 74.33 |
| Last 30 Trading Days | $ 74.43 |
| Last 45 Trading Days | $ 73.96 |
| Last 60 Trading Days | $ 73.33 |
| Last 90 Trading Days | $ 73.59 |

***Stock Trading History Analysis.*** Hovde reviewed the relationship between the movements in the prices of PNC s common stock to movements in the SNL Bank Index for one year and three year period. Hovde noted that during the one year period ended June 4, 2007, PNC s common stock outperformed the index.

| | Beginning Index Value on June 4, 2006 | Ending Index Value on June 4, 2007 |
|---|---|---|
| PNC | 100.00% | 106.74% |
| SNL Bank Index | 100.00% | 105.14% |

Hovde also noted that during the three year period ended June 4, 2007, PNC s common stock outperformed the SNL Bank Index.

| | Beginning Index Value on June 4, 2004 | Ending Index Value on June 4, 2007 |
|---|---|---|
| PNC | 100.00% | 134.95% |
| SNL Bank Index | 100.00% | 119.06% |

***Comparable Company Analysis.*** Using publicly available information, Hovde compared the stock market valuation and operating characteristics of PNC on standalone basis with other Nationwide banks with assets greater than $50.0 billion (the Comparable Group ). The Comparable Group consisted of the following 12 publicly traded institutions:

| Company Name | Headquarters | Ticker |
|---|---|---|
| BB&T Corporation | North Carolina | BBT |
| Comerica Incorporated | Michigan | CMA |
| Fifth Third Bancorp | Ohio | FITB |
| KeyCorp | Ohio | KEY |
| M&T Bank Corporation | New York | MTB |
| National City Corporation | Ohio | NCC |
| Regions Financial Corporation | Alabama | RF |
| State Street Corporation | Massachusetts | STT |
| SunTrust Banks, Inc. | Georgia | STI |

| | | |
|---|---|---|
| U.S. Bancorp | Minnesota | USB |
| Wachovia Corporation | North Carolina | WB |
| Wells Fargo & Company | California | WFC |

**Table of Contents**

Indications of such financial performance and stock market valuation included the calculation of price-to-last twelve months trailing core earnings, price-to-2007 estimated GAAP earnings, price to 2008 estimated GAAP earnings, price-to-book value and price-to-tangible book value.

| | Price to: LTM Earnings (x) | 2007 Estimated Earnings (x) | 2008 Estimated Earnings (x) | Book Value (x) | Tangible Book Value (x) |
|---|---|---|---|---|---|
| PNC[1] | 8.2 | 13.2 | 12.0 | 1.73 | 3.89 |
| Comparable Group median | 14.1 | 13.2 | 12.0 | 1.93 | 3.53 |

*(1) Based on PNC closing price of $73.83 on June 4, 2007.*

***Premium to Market Analysis.*** Hovde reviewed the merger consideration premium to Yardville common stock price on June 4, 2007 and noted that the offer represented a 2.2% discount to Yardville s market price of $35.79. Hovde also reviewed the merger consideration over different intervals during the period commencing June 4, 2007, using the 5-day, 10-day, 20-day, 30-day, 45-day, 60-day and 90-day average closing price of PNC common stock during such period. Using such average closing prices, Hovde observed that the premium to the current offer of $35.00 was as follows:

| | PNC average closing price | Implied deal value to Yardville | Implied premium to Offer |
|---|---|---|---|
| Last trading day | $ 73.83 | $ 35.01 | 0.0% |
| Last 5 Trading Days | $ 73.80 | $ 35.00 | 0.0% |
| Last 10 Trading Days | $ 73.90 | $ 35.03 | 0.1% |
| Last 20 Trading Days | $ 74.33 | $ 35.15 | 0.4% |
| Last 30 Trading Days | $ 74.43 | $ 35.18 | 0.5% |
| Last 45 Trading Days | $ 73.96 | $ 35.05 | 0.1% |
| Last 60 Trading Days | $ 73.33 | $ 34.87 | -0.4% |
| Last 90 Trading Days | $ 73.59 | $ 34.94 | -0.2% |

Table of Contents

***Analysis of Selected Transactions.*** As part of its analysis, Hovde reviewed three groups of comparable transactions. The first peer group included transactions, which have occurred since January 1, 2000, that involved target banks headquartered in Mid-Atlantic region (MD, NJ, NY and PA), in which the total assets of the seller were between $1.0 billion and $40.0 billion (the Mid Atlantic Merger Group ). This Mid-Atlantic Merger Group consisted of the following 17 transactions:

| Buyer | Seller |
|---|---|
| Susquehanna Bancshares Inc. | Community Banks Inc. |
| TD Banknorth Inc. | Interchange Financial Services |
| New York Community Bancorp | Atlantic Bank of New York |
| TD Banknorth Inc. | Hudson United Bancorp |
| Omega Financial Corp. | Sun Bancorp Inc. |
| Partners Trust Financial (MHC) | BSB Bancorp Inc. |
| North Fork Bancorp. | Trust Co. of New Jersey |
| Susquehanna Bancshares Inc. | Patriot Bank Corp. |
| PNC Financial Services Group | United National Bancorp |
| M&T Bank Corp. | Allfirst Financial Inc. |
| Sky Financial Group Inc. | Three Rivers Bancorp Inc. |
| Sovereign Bancorp Inc. | Main Street Bancorp Inc. |
| F.N.B. Corp | Promistar Financial Corp. |
| North Fork Bancorp. | Commercial Bank NY |
| Citigroup Inc. | European American Bank |
| FleetBoston Financial Corp. | Summit Bancorp |
| BB&T Corp. | FCNB Corp. |

Hovde then reviewed comparable transactions involving banks headquartered in the Mid-Atlantic region (MD, NJ, NY and PA) announced since January 1, 2000, in which the total assets of the seller were between $200 million and $8.0 billion in which the nonperforming assets of the seller were greater than one-half of one percent of total assets (the Second Mid-Atlantic Merger Group ). This Mid-Atlantic Merger Group consisted of the following 18 transactions:

| Buyer | Seller |
|---|---|
| Northwest Bancorp Inc. (MHC) | Penn Laurel Financial Corp |
| Alliance Financial Corp. | Bridge Street Financial |
| Willow Grove Bncp. Inc. | Chester Valley Bancorp Inc. |
| F.N.B. Corp | NSD Bancorp Inc. |
| F.N.B. Corp | Slippery Rock Financial Corp. |
| Partners Trust Financial (MHC) | BSB Bancorp Inc. |
| Fulton Financial Corp. | Premier Bancorp Inc. |
| Partners Trust Financial (MHC) | Herkimer Trust Corp. Inc. |
| United National Bancorp | Vista Bancorp Inc. |
| Sovereign Bancorp Inc. | Main Street Bancorp Inc. |
| NBT Bancorp Inc. | CNB Financial Corp. |
| F.N.B. Corp. | Promistar Financial Corp. |
| Financial Institutions Inc. | Bath National Corp. |
| BB&T Corp. | FCNB Corp. |
| M&T Bank Corp. | Premier National Bancorp Inc. |
| M&T Bank Corp. | Keystone Financial Inc. |
| Niagara Bancorp Inc. (MHC) | Iroquois Bancorp Inc. |
| Fulton Financial Corp. | Skylands Financial Corp. |

Table of Contents

Hovde then reviewed comparable transactions involving banks headquartered throughout the United States in which the nonperforming assets of the seller were greater than one-half of one percent of total assets announced since January 1, 2001, in which the total assets of the seller were between $500 million and $3.0 billion (the Nationwide Merger Group ). This Nationwide Merger Group consisted of the following 17 transactions:

| Buyer | Seller |
|---|---|
| Wells Fargo & Co. | Placer Sierra Bancshares |
| Cullen/Frost Bankers Inc. | Summit Bancshares Inc. |
| Banc Corp. | Community Bancshares Inc. |
| Prosperity Bancshares Inc. | SNB Bancshares Inc. |
| FNB Corp. | Integrity Financial Corp |
| Associated Banc-Corp | State Financial Services Corp |
| Willow Grove Bncp Inc. | Chester Valley Bancorp Inc. |
| Huntington Bancshares Inc. | Unizan Financial Corp. |
| South Financial Group Inc. | CNB Florida Bancshares Inc. |
| Partners Trust Financial (MHC) | BSB Bancorp Inc. |
| National City Corp. | Allegiant Bancorp Inc. |
| City National Corp. | Civic BanCorp |
| Sovereign Bancorp Inc. | Main Street Bancorp Inc. |
| NBT Bancorp Inc. | CNB Financial Corp. |
| FNB Corp. | Promistar Financial Corp. |
| Financial Federal MHC, Inc. | Success Bancshares Inc. |
| Allegiant Bancorp Inc. | Southside Bancshares Corp. |

Hovde calculated the medians of the following relevant transaction ratios in the Mid-Atlantic Merger Group, the Second Mid-Atlantic Merger Group and the Nationwide Merger Group: the multiple of the offer value to the acquired company s book value; the multiple of the offer value to the acquired company s tangible book value; the multiple of the offer value to the acquired company s earnings for the twelve months preceding the announcement date of the transaction; the multiple of the offer value to the acquired company s estimated earnings for 2007; and the tangible book value premium to core deposits. Hovde compared these multiples with the corresponding multiples for the merger, valuing the per share consideration that would be received pursuant to the merger agreement at $35.00 per diluted share of Yardville. In calculating the multiples for the merger, Hovde used Yardville s earnings for the twelve months ended March 31, 2007 and estimated earnings for the current year published by I/B/E/S and Yardville s book value, tangible book value and core deposits as of March 31, 2007. The results of this analysis are as follows:

| | Offer Value to: | | | | |
|---|---|---|---|---|---|
| | Book Value (x) | Tangible Book Value (x) | 12 months Preceding Earnings[(1)] (x) | Estimated Earnings (x) | Ratio of Tangible Book Value Premium to Core Deposits[(2)] (%) |
| PNC | 2.11 | 2.12 | 22.4 | 20.0 | 12.1 |
| Mid-Atlantic Merger Group median | 2.30 | 2.76 | 19.9 | 19.1 | 16.6 |
| Second Mid-Atlantic Merger Group median | 2.28 | 2.33 | 21.2 | 15.9 | 15.4 |
| Nationwide Merger Group median | 2.08 | 2.63 | 23.0 | 19.5 | 19.5 |

*(1) 12 months preceding earnings excludes one time costs associated with balance sheet restructuring in fourth quarter of 2006.*

*(2) Core deposits defined as total deposits less CD s greater than $100,000 and Express Data CD s for Yardville.*

This analysis produced an implied value of approximately $28 to $46 per share of Yardville common stock.

**Table of Contents**

***Discounted Cash Flow Analysis.*** Hovde estimated the present value of all shares of the Yardville s common stock by utilizing Yardville s estimated future earnings stream. Reflecting published analyst estimates, Yardville s internal projections and historical averages, Hovde assumed a 2007-2011 net income of $20.1 million, $20.7 million, $22.8 million, $25.1 million, and $27.6 million, respectively. The dividends were projected to be $5.1 million, $5.1 million, $5.4 million, $5.6 million and $5.9 million in 2007-2011, respectively. In all cases, the present value of these cash flows was calculated based on a range of discount rates of 12.0%, 13.0%, and 14.0%. These rates and values were chosen to reflect different assumptions regarding the required rates of return of holders or prospective buyers of Yardville s common stock.

Hovde derived the take-out value of Yardville s common stock using both the terminal value earnings multiple and book value approaches. In arriving at the terminal value of Yardville s earnings stream in 2011, Hovde assumed a terminal earnings value multiple at a range of 17.0x, 18.0x and 19.0x. Similarly, in arriving at the terminal value of Yardville s book value in 2011, Hovde assumed a terminal book value multiple at a range of 2.5x, 2.6x and 2.7x. The terminal values were then discounted, along with annual cash flows, to arrive at the present value for Yardville s common stock. These analyses and its underlying assumptions yielded a per share range of value for Yardville s common stock of approximately $23.17 to $27.77 with a midpoint of $25.64 based on the earnings approach and $32.26 to $37.68 with a midpoint of $34.88 based on the book value approach.

***Financial Implications to Yardville Shareholders***. Hovde prepared an analysis of the financial implications of PNC s offer to a holder of Yardville common stock. This analysis indicated that on a pro forma equivalent basis, assuming both a 60% stock/40% cash consideration and that the respective exchange ratio that a stock electing Yardville shareholder would receive would be approximately 0.47 shares for Yardville shareholders electing and receiving stock consideration for their shares and exclude any potential revenue enhancement opportunities a shareholder of Yardville would receive. The 60% stock/40% cash consideration would achieve approximately 66.5% accretion in cash earnings per share, approximately 62.9% accretion in GAAP earnings per share, an increase in book value per share of approximately 36.8%, a decrease in tangible book value per share of approximately 34.2%, and an increase in dividends per share of approximately 160.8% as a result of the consummation of the merger for Yardville shareholders receiving stock. The table below summarizes the results discussed above:

| | | | Per Share: | | |
|---|---|---|---|---|---|
| | **2008E Cash Earnings** | **2008E GAAP Earnings** | **Book Value** | **Tangible Book Value[(1)]** | **Dividends** |
| Yardville standalone | $ 1.82 | $ 1.80 | $ 17.77 | $ 17.65 | $ 0.46 |
| Yardville Pro Forma Equivalent[(2)] | $ 3.03 | $ 2.93 | $ 24.30 | $ 11.61 | $ 1.20 |
| % Accretion (Dilution) | 66.5% | 62.9% | 36.8% | (34.2)% | 160.8% |

*(1) Assumptions based on March 31, 2007.*

*(2) Based on a 60% stock/ 40% cash consideration with an exchange ratio of 0.4743 for stock electing shareholders.*

Table of Contents

***Comparable Company Analysis.*** Using publicly available information, Hovde compared the stock market valuation and operating characteristics of Yardville on a standalone basis with other Mid-Atlantic banks with assets between $1.0 billion and $6.0 billion (the Comparable Group ). The Comparable Group consisted of the following 13 publicly traded institutions:

| Company Name | Headquarters | Ticker |
|---|---|---|
| Center Bancorp, Inc. | New Jersey | CNBC |
| Community Banks, Inc. | Pennsylvania | CMTY |
| First Mariner Bancorp | Maryland | FMAR |
| First United Corporation | Maryland | FUNC |
| Harleysville National Corporation | Pennsylvania | HNBC |
| Lakeland Bancorp, Inc. | New Jersey | LBAI |
| National Penn Bancshares, Inc. | Pennsylvania | NPBC |
| Peapack-Gladstone Financial | New Jersey | PGC |
| S&T Bancorp, Inc. | Pennsylvania | STBA |
| Sandy Spring Bancorp, Inc. | Maryland | SASR |
| Sterling Financial Corporation | Pennsylvania | SLFI |
| Sun Bancorp, Inc. | New Jersey | SNBC |
| Univest Corporation of PA | Pennsylvania | UVSP |

Indications of such financial performance and stock market valuation included the calculation of price-to-last twelve months trailing core earnings, price-to-2007 estimated GAAP earnings, price-to-2008 estimated GAAP earnings, price-to-book value, price-to-tangible book value and price to-ratio of tangible book premium to core deposits.

| | Price to: | | | | | |
|---|---|---|---|---|---|---|
| | LTM Earnings[(1)] (x) | 2007 Estimated Earnings (x) | 2008 Estimated Earnings (x) | Book Value (x) | Tangible Book Value (x) | Ratio of Tangible Book Premium to Core Deposits[(2)] (%) |
| YNB[(3)] | 22.7 | 20.5 | 19.9 | 2.07 | 2.09 | 11.5 |
| Comparable Group median | 16.3 | 16.2 | 14.5 | 1.59 | 2.22 | 12.1 |

*(1) 12 months preceding earnings excludes one time costs associated with balance sheet restructuring in fourth quarter of 2006.*
*(2) Core deposits defined as total deposits less CD s greater than $100,000 and Express Data CD s for Yardville.*
*(3) Based on YNB closing price of $35.79 on June 4, 2007.*

This analysis produced a range of implied trading values for Yardville of $25.75 to $36.59 with a median value of $27.63 or an approximately 29.5% discount to Yardville s closing price of $35.79 on June 4, 2007.

**Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, Hovde determined that the merger consideration was fair from a financial point of view to the shareholders of Yardville.**

Table of Contents

**Boenning & Scattergood, Inc.**

Pursuant to an engagement letter dated as of March 27, 2007, the special committee of the board of directors of Yardville retained Boenning to render a fairness opinion as to the merger consideration to the holders of Yardville common stock from a financial point of view in connection with Yardville s consideration of a possible business combination. In connection with the merger with PNC, Yardville s special committee of the board of directors requested Boenning to render its opinion as to the fairness of the merger consideration to the holders of Yardville common stock from a financial point of view. At the June 6, 2007 meeting at which Yardville s board considered the merger agreement, Boenning rendered its opinion to the board that, based upon and subject to the various considerations set forth therein, as of June 6, 2007, the merger consideration was fair to the holders of Yardville common stock from a financial point of view.

**The full text of Boenning s opinion, which sets forth the assumptions made, matters considered and limitations of the review undertaken, is attached as Annex C to this proxy statement/prospectus, is incorporated herein by reference, and should be read in its entirety in connection with this document. The summary of the opinion of Boenning set forth below is qualified in its entirety by reference to the full text of the opinion attached as Annex C to this document. Boenning s opinion speaks only as of the date of the opinion.**

Boenning was selected to act as Yardville s financial advisor in connection with the merger with PNC based upon its qualifications, expertise, reputation and experience. Boenning has knowledge of, and experience with the New Jersey, Pennsylvania, and surrounding banking markets, as well as banking organizations operating in those markets, and was selected by Yardville because of its knowledge of, experience with, and reputation in the financial services industry. Boenning, as part of its investment banking business, is engaged regularly in the valuation of assets, securities and companies in connection with various types of asset and securities transactions, including mergers, acquisitions, public offerings, private placements, and valuations for various other purposes and in the determination of adequate consideration in such transactions. In the ordinary course of its business as a broker-dealer, Boenning may, from time to time, purchase securities from, and sell securities to, Yardville and PNC. In the ordinary course of business, Boenning may actively trade the securities of Yardville and PNC for its own account and for the accounts of customers and accordingly may at any time hold a long or short position in such securities. Boenning is a market maker in Yardville s common stock.

On June 6, 2007, Yardville s board of directors approved and executed the merger agreement. Prior to the approval, Boenning delivered its opinion to Yardville s board stating that, as of such date, the merger consideration pursuant to the merger agreement was fair to the shareholders of Yardville from a financial point of view. The full text of the opinion which sets forth assumptions made, matters considered and limits on the review undertaken is attached as Annex C to this document.

No limitations were imposed by Yardville s board of directors upon Boenning with respect to the investigations made or procedures followed by Boenning in rendering the opinion.

In arriving at its opinion, Boenning, among other things:

- Reviewed the merger agreement;

- Reviewed historical financial performance, current financial position and general prospects of Yardville and certain historical publicly available business and financial information concerning PNC;

- Reviewed certain internal financial analyses and forecasts prepared by the management of Yardville and certain publicly available research analyst reports with respect to the future financial performance of PNC;

- Reviewed and analyzed historical market prices and trading volumes of both the Yardville common stock and the PNC common stock;

Reviewed consensus earnings per share estimates for Yardville for the years ending December 31, 2007 and 2008 published by I/B/E/S and reviewed with management of Yardville;

Reviewed consensus earnings per share estimates for PNC for the years ending December 31, 2007 and 2008 published by I/B/E/S and reviewed with management of PNC;

Studied and analyzed the consolidated financial and operating data of Yardville;

Reviewed the pro forma financial impact of the merger on PNC, based on assumptions relating to transaction expenses, purchase accounting adjustments, cost savings and other synergies determined by senior management of Yardville and PNC;

Considered the financial terms and conditions of the merger between Yardville and PNC as compared with the financial terms and conditions of comparable bank, bank holding company and financial holding company mergers and acquisitions;

Met and/or communicated with certain members of Yardville s senior management and PNC s senior management to discuss their respective operations, historical financial statements and future prospects; and

Conducted such other financial analyses, studies and investigations as it deemed appropriate.

In connection with rendering its opinion, Boenning assumed that in the course of obtaining the necessary regulatory and governmental approvals for the merger, no restriction will be imposed on PNC or Yardville that would have a material adverse effect on the contemplated benefits of the merger. Boenning also assumed that all of the representations and warranties contained in the merger agreement and all related agreements are true and correct, that each party under the agreements will perform all of the covenants required to be performed by such party, that the conditions precedent in the agreements are not waived, that the merger will qualify as a tax-free reorganization for federal income tax purposes and that no change in applicable law or regulation will occur that would cause a material adverse change in the prospects or operations of PNC after the merger.

Boenning relied, without independent verification, upon the accuracy and completeness of all of the financial and other information reviewed by and discussed with it for purposes of its opinions. With respect to Yardville s and PNC s financial forecasts and other information reviewed by Boenning in rendering its opinions, Boenning assumed that such information was reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of Yardville and PNC as to their most likely future performance and the cost savings and other potential synergies (including the amount, timing and achievability thereof) anticipated to result from the merger. Boenning did not make an independent evaluation or appraisal of the assets (including loans) or liabilities of Yardville or PNC nor was it furnished with any such appraisal. Boenning also did not independently verify, and has relied on and assumed, that all allowances for loan and lease losses set forth in the balance sheets of Yardville and PNC were adequate and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements. In addition, Boenning did not review credit files of either Yardville or PNC.

The following is a summary of the material analyses prepared by Boenning and presented to Yardville s board in connection with the opinion and analyzed by Boenning in connection with the opinion. None of the analyses prepared by Boenning in connection with the issuance of the opinion failed to support Boenning s conclusion that the merger consideration was fair to the holders of Yardville common stock from a financial point of view.

*Summary of Transaction.* Boenning calculated the implied pricing and valuation multiples based upon the implied per share consideration to Yardville common stock of $35.00 as of June 6, 2007, consisting of on the date of the opinion (i) $14.00 in cash and (ii) $21.00 in PNC common stock. The offer price in stock was derived by multiplying the fixed exchange ratio of ..2923 by the last reported per share sale price of PNC s common stock of $71.84 as of June 6, 2007. In addition, Boenning calculated the value of the difference between the implied consideration offered to Yardville common stock per share of $35.00 and the respective strike prices of

**Table of Contents**

outstanding warrants and stock options to purchase Yardville common stock. A summary of the implied pricing is provided below.

| | | | |
|---|---|---|---|
| Fixed Exchange Ratio Offered for Stock | | .2923 | |
| PNC Stock Price on June 6, 2007 | $ | 71.84 | |
| Implied Price Offered for Stock | $ | 21.00 | *60%* |
| Price Per Share Offered in Cash | $ | 14.00 | *40%* |
| Implied Price Per Share for Yardville Shareholders | $ | 35.00 | 100% |
| Implied Total Consideration to Yardville Common Shareholders[1] | $ | 387,936,000 | |
| Total Economic Value Offered to Warrant Holders[2] | $ | 1,495,000 | |
| Total Economic Value Offered to Option Holders[3] | $ | 12,545,000 | |
| Aggregate Consideration to Yardville | $ | 401,976,000 | |

1 Based on 11,083,891 common shares outstanding.
2 Based on 65,000 outstanding warrants with a weighted average strike price of $12.00.
3 Based on 743,810 outstanding options with a weighted average strike price of $18.13.

Boenning calculated certain standard industry valuation statistics applicable to the transaction based on certain financial results for Yardville. The financial results utilized were based on the twelve month period ended March 31, 2007, unless otherwise indicated, and included:

- net income of $5.2 million;
- net income adjusted to reflect performance absent certain non-recurring events of $17.9 million (referred to throughout as adjusted net income);
- I/B/E/S consensus EPS estimate for 2007;
- common shareholders equity of $190.8 million;
- common shareholders tangible equity of $189.4 million;
- June 6th closing market price per share; and
- June 6th 30 day average closing market price per share.

The valuation statistics were calculated as follows:

| | |
|---|---|
| Aggregate Consideration / Net Income | 76.9x |

| | |
|---|---|
| Aggregate Consideration / Adjusted Net Income | 22.5x |
| Aggregate Consideration / I/B/E/S consensus EPS estimate for 2007 | 20.7x |
| Aggregate Consideration / Common Shareholders Equity | 210.7% |
| Aggregate Consideration / Tangible Common Shareholders Equity | 212.3% |
| June 6th Closing Market Price | (2.2)% |
| June 6th 30 Day Average Closing Market Price | (2.9) |

*Comparable Companies Analysis.* Boenning compared selected publicly available financial, operating and stock market data for Yardville with those of a peer group in order to compare Yardville s historical financial and operating performance with the peers and examine the merger consideration offered by PNC relative to the market valuations of the peers. The financial and operating data is as of March 31, 2007 and the stock market data is as of June 6, 2007. The peers consisted of SEC reporting bank and financial holding companies with assets between $2 billion and $5 billion headquartered in New Jersey, New York and Pennsylvania.

The companies in the peer group were:

S&T Bancorp, Inc., Indiana, PA;

Sun Bancorp, Inc., Vineland, NJ;

37

Table of Contents

Harleysville National Corporation, Harleysville, PA;

U.S.B. Holding Co., Inc., Orangeburg, NY;

Hudson Valley Holding Corp., Yonkers, NY;

Lakeland Bancorp, Inc., Oak Ridge, NJ;

Tompkins Trust co, Inc., Ithaca, NY: and

Interest Bancshares Corporation, New York, NY.

The results of these comparisons, based on March 31, 2007 financial information and stock price data as of June 6, 2007, are set forth in the following table.

| | Yardville | Median |
|---|---|---|
| | ($s in millions) | |
| Assets | $ 2,676.9 | $ 2,667.3 |
| Common Equity Capital / Assets | 7.1% | 8.8% |
| Loans / Deposits | 96.9% | 86.0% |
| Nonperforming Assets[1] / Assets | 0.98% | 0.52% |
| Return on Average Assets | 0.18% | 1.15% |
| Return on Average Common Equity | 2.81% | 14.11% |
| Non-Interest Income / Average Assets | 0.26% | 0.70% |
| Non-Interest Expense / Average Assets | 2.52% | 2.33% |
| Efficiency Ratio[2] | 76.8% | 55.1% |
| Net Interest Margin | 3.11% | 3.41% |
| Four Year Average Results: | | |
| Return on Average Assets | 0.63% | 1.26% |
| Return on Average Common Equity | 11.37% | 15.66% |
| Efficiency Ratio[2] | 56.8% | 51.8% |
| Net Interest Margin | 2.67% | 3.74% |
| Compound Annual Growth Rate[3] | | |
| Assets | 3.9% | 4.9% |
| Loans | 11.4% | 7.5% |
| Deposits | 10.7% | 5.6% |
| Common Equity Market Capitalization | $ 397.3 | $ 411.3 |
| Price / 52 Week High Price | 89.4% | 82.7% |
| Price to: | | |
| Book Value Per Common Share | 207.4% | 171.7% |
| Tangible Book Value Per Common Share | 208.8% | 204.1% |
| LTM[4] Earnings Per Common Share | 83.2x | 15.0x |
| LTM[4,5] Adjusted Earnings Per Common Share | 25.4x | 15.0x |
| I/B/E/S Consensus EPS Est. for 2007 | 20.5x | 14.7x |
| I/B/E/S Consensus EPS Est. for 2008 | 19.9x | 13.5x |
| Dividend Yield | 1.29% | 3.11% |
| LTM[4] Dividend Payout Ratio | 107.0% | 47.1% |
| LTM[4,5] Adjusted Dividend Payout Ratio | 31.3% | 47.1% |
| Avg. Weekly Volume / Common Shares Outstanding | 1.40% | 0.85% |

[1] Defined as total nonaccrual loans plus other real estate owned plus accruing loans that are 90 days past due.
[2] Defined as non-interest expense less intangible amortization divided by the sum of net interest income plus non-interest income.
[3] Reflects the compound annual growth rate from fiscal year 2002 to most recent quarter.
[4] LTM stands for the latest twelve months.
[5] Reflects adjusted net income.

Boenning also compared selected publicly available financial, operating and stock market data for PNC with a peer group of SEC reporting financial and bank holding companies with assets between $75 billion and $200 billion headquartered in the United States. This analysis was performed in order to compare PNC s historical financial and operating performance with comparable institutions and to examine its market valuation relative to its peer group. The financial and operating data is as of March 31, 2007 and the stock market data is as of June 6, 2007.

The companies in the peer group were:

SunTrust Banks, Inc., Atlanta, GA;

Capital One Financial Corporation, Mclean, VA;

National City Corporation, Cleveland, OH;

Regions Financial Corporation, Birmingham, AL;

BB&T Corporation, Winston-Salem, NC;

State Street Corporation, Boston, MA;

Bank of New York Company, Inc., New York, NY;

Fifth Third Bancorp, Cincinnati, OH; and

KeyCorp, Cleveland, OH.

**Table of Contents**

The results of these comparisons, based on March 31, 2007, financial information and stock price data as of June 6, 2007, are set forth in the following table.

| | PNC | Median |
|---|---|---|
| | ($s in millions) | |
| Assets | $ 122,563.0 | $ 121,694.0 |
| Common Equity Capital / Assets | 12.0% | 9.6% |
| Loans / Deposits | 81.3% | 103.7% |
| Nonperforming Assets[1] / Assets | 0.20% | 0.45% |
| Return on Average Assets[2] | 2.73% | 1.39% |
| Return on Average Common Equity[2] | 26.71% | 13.15% |
| Non-Interest Income / Average Assets | 4.19% | 2.32% |
| Non-Interest Expense / Average Assets | 4.29% | 3.43% |
| Efficiency Ratio[3] | 64.9% | 59.3% |
| Net Interest Margin[2] | 2.92% | 3.62% |
| Four Year Average Results: | | |
| Return on Average Assets | 1.16% | 1.30% |
| Return on Average Common Equity | 16.98% | 14.63% |
| Efficiency Ratio[3] | 64.9% | 58.9% |
| Net Interest Margin | 3.46% | 3.71% |
| Compound Annual Growth Rate[4]: | | |
| Assets | 13.8% | 2.7% |
| Loans | 12.7% | 5.8% |
| Deposits | 12.1% | 5.1% |
| Common Equity Market Capitalization | $ 25,465.4 | $ 23,466.3 |
| Price / 52 Week High Price | 96.6% | 92.7% |
| Price to: | | |
| Book Value Per Common Share | 173.2% | 184.4% |
| Tangible Book Value Per Common Share | 388.8% | 313.9% |
| LTM[5] Earnings Per Common Share | 8.2x | 14.1x |
| LTM[5,6] Adjusted Earnings Per Common Share | 16.1x | 14.1x |
| I/B/E/S Consensus EPS Est. for 2007 | 12.9x | 13.6x |
| I/B/E/S Consensus EPS Est. for 2008 | 11.6x | 12.9x |
| Dividend Yield | 3.41% | 3.94% |
| LTM[5] Dividend Payout Ratio | 25.3% | 46.3% |
| LTM[5,6] Dividend Payout Ratio | 49.3% | 46.3% |
| Avg. Weekly Volume / Common Shares Outstanding | 2.19% | 2.35% |

1 Defined as total nonaccrual loans plus other real estate owned, plus accruing loans that are 90 days past due.

2 These ratios differ from those reported in PNC s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 due to differences in the periods used to calculate average assets, average common equity, and average interest-earning assets as those amounts are used in the determination of these ratios.

3 Defined as non-interest expense less intangible amortization divided by the sum of net interest income, plus non-interest income.

4 Reflects the compound annual growth rate from fiscal year 2002 to most recent quarter.

5 LTM stands for latest twelve months.

6 Reflects results exclusive of pre-tax income from PNC s Black Rock/Merrill Lynch Investment Managers transaction of $2.1 billion.

**Table of Contents**

No company, however, used in this analysis is identical to Yardville or PNC. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

*Discounted Dividend Analysis.* Using a discounted dividend analysis, Boenning estimated the present value of the future cash flows that would accrue to a holder of a share of Yardville common stock over a five-year period. This analysis was performed in order to compare the merger consideration offered by PNC to a range of estimated implied values for Yardville common stock based on projected future cash flows. This stand-alone analysis was based on several assumptions, including a range of price to earnings multiples of 13.0x to 17.0x to Yardville s terminal year common earnings per share, a range of EPS growth rates based upon Yardville management s five year projected earnings per share growth rate of 13.9% to 17.9%, and Yardville s current adjusted common stock cash dividend payout ratio of 31.3%. The range of multiples applied to Yardville s estimated five-year earnings per share value reflected a variety of scenarios regarding the growth and profitability prospects of Yardville and valuation for banking securities in general. The terminal values and projected annual cash dividends were then discounted to present value using a discount rate of 14%. This discount rate was used in order to reflect an expected rate of return required by holders or prospective buyers of Yardville s common stock. The analysis indicated that, based upon the aforementioned assumptions, the per common share value of the present value of Yardville s common stock, on a stand-alone basis, ranged from $24.32 $35.39 with a median value of $29.56. The table below summarizes the results under different assumption scenarios.

| | Terminal Multiple | | | | |
|---|---|---|---|---|---|
| | **13.0x** | **14.0x** | **15.0x** | **16.0x** | **17.0x** |
| EPS Growth Rate (%) | | | | | |
| 13.9 | $ 24.32 | $ 25.99 | $ 27.66 | $ 29.33 | $ 31.00 |
| 14.9 | 25.14 | 26.87 | 28.60 | 30.33 | 32.06 |
| 15.9 | 25.98 | 27.77 | 29.56 | 31.35 | 33.14 |
| 16.9 | 26.84 | 28.69 | 30.55 | 32.40 | 34.25 |
| 17.9 | 27.73 | 29.64 | 31.56 | 33.48 | 35.39 |

In connection with the discounted dividend analysis performed, Boenning considered and discussed with Yardville s board how the present value analysis would be affected by changes in the underlying assumptions, including variations with respect to the growth rate of assets, net interest spread, non-interest income, non-interest expenses and dividend payout ratio. Boenning noted that the discounted dividend stream and terminal value analysis is a widely used valuation methodology, but the assumptions that must be made, and the results of this analysis, are not necessarily indicative of actual values or future results.

*Comparable Transactions Analysis.* Boenning also compared the per share values to Yardville common shareholders in the transaction with PNC to those implied per share prices to Yardville derived by applying the median multiples of latest twelve months earnings, book value, tangible book value, and core deposits in recent acquisitions of banks, bank holding companies, and financial holding companies that Boenning deemed comparable to Yardville. The transactions deemed comparable by Boenning included both interstate and intrastate bank, bank holding company, and financial holding company acquisitions announced after January 1, 2005, in which the selling institution s assets were between $1.5 billion and $9 billion as of the most recent period publicly available prior to announcement. Boenning compared this national group as a whole as well as certain of its subgroups, including a regional group, a performance group, and a recent group, with the Yardville/PNC transaction. The regional group included transactions involving banks, bank holding companies, and financial holding companies in which the acquired company was located in the Mid-Atlantic region. The performance group included transactions involving banks, bank holding companies, and financial holding companies which had equity to assets ratio between 5% and 9% and a NPAs/Assets ratio greater than 0.30%. In addition to the national, regional, and performance groups, Boenning also compared transactions involving recent banking companies that were announced after January 1, 2007. Lastly, Boenning compared the Yardville/PNC transaction to a market area group which included transactions involving banks, bank holding

**Table of Contents**

company, and financial holding companies located in New Jersey and Pennsylvania with assets greater than $250 million which had announced their intention to sell since January 1, 2005. The results of these comparisons are set forth in the following table.

| | National | Regional | Performance | Recent | Market Area |
|---|---|---|---|---|---|
| Number of Transactions | 20 | 44 | 3 | 5 | 10 |
| Seller Information: | | | | | |
| Assets (000s) | $ 2,836,762 | $ 3,314,653 | $ 6,243,670 | $ 3,441,261 | $ 634,064 |
| Common Equity Capital / Assets | 10.2% | 10.0% | 6.5% | 12.9% | 9.0% |
| LTM[1] Return on Average Assets | 1.13% | 1.22% | 1.32% | 0.97% | 1.02% |
| LTM[1] Return on Average Common Equity | 11.09% | 13.16% | 17.78% | 7.93% | 9.91% |
| NPAs[2] / Assets | 0.39% | 0.31% | 0.38% | 1.01% | 0.29% |
| Implied Per Share Value to Yardville Based on Application of Transaction Multiples: | | | | | |
| Book Value | $ 36.69 | $ 36.67 | $ 58.57 | $ 29.07 | $ 42.70 |
| Tangible Book Value | $ 62.49 | $ 71.77 | $ 64.40 | $ 43.27 | $ 49.33 |
| LTM[1,3] Net Income | $ 36.67 | $ 28.40 | $ 23.93 | $ 30.80 | $ 37.93 |
| Franchise Premium/ Core Deposits[4] | $ 45.72 | $ 44.02 | $ 44.02 | $ 37.52 | $ 35.56 |

1 LTM stands for latest twelve months.

2 Defined as total nonaccrual loans and other real estate owned.

3 In calculating the implied per share value to Yardville, Boenning utilized Yardville s adjusted net income.

4 Reflects the difference between total consideration and tangible book value by core deposits (i.e. total deposits minus all certificate of deposits with face values in excess of $100,000).

No company or transaction, however, used in this analysis is identical to Yardville, PNC or the transaction. Accordingly, an analysis of the result of the foregoing is not mathematical; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that would affect the public trading values of the companies or company to which they are being compared.

*Contribution Analysis.* Boenning analyzed the contribution that Yardville and PNC would have made to the combined company s assets, loans, deposits and equity as of March 31, 2007. In addition, Boenning analyzed the contribution Yardville and PNC would have made to the combined company s estimated net income on a historical full year basis. This analysis was conducted in order to compare the amount of these categories Yardville is contributing to the pro forma entity versus the proportionate amount of value its shareholders are receiving. Boenning has not expressed any opinion as to the actual value of PNC common stock when issued in the merger or the price at which PNC common stock will trade after the merger. The analysis indicated the following information as of and for the last twelve months ended March 31, 2007:

| | Yardville | PNC |
|---|---|---|
| Contribution of: | | |
| Assets | 2.1% | 97.9% |
| Common Equity | 1.3% | 98.7% |
| Loans | 3.1% | 69.9% |
| Deposits | 2.6% | 97.4% |
| LTM[1] Adjusted Net Income | 1.3% | 98.7% |
| Market Value[2] | 1.6% | 98.4% |

1 LTM stands for latest twelve months.

2 Market value consists of total cash consideration and the implied value of stock consideration to be received by Yardville based on PNC s closing price on June 6, 2007.

*Hurdle Rate Analysis.* Using a range of discount rates and a range of terminal price to earnings per common share multiples, Boenning estimated a range of compound annual earnings per common share growth rates required over a five year period for Yardville to obtain an implied per common share stand alone market price comparable to the value implied by the merger consideration offered by PNC on a present value basis. This analysis was performed in order to examine the earnings per common share growth rates that would be required to offer Yardville shareholders similar value to that implied by the merger consideration. Boenning calculated a range of future values of the per common share implied value of the PNC transaction over a five-year period based on a range of discount rates from 12.0% to 14.0%. The range of discount rates reflected the expected rate of return required by holders or prospective buyers of Yardville common stock. Utilizing the range of discount rates, Boenning calculated Yardville s five year required per share value to be indifferent on a nominal basis to the implied per share consideration offered to Yardville by PNC of $35.00. From these numbers, Boenning subtracted a five year projected cumulative value of Yardville s cash dividend assuming Yardville s current annual divided being increased by 5% per year. Using a range of price to earnings per common share multiples of 13.0x to 17.0x to reflect the growth and profitability prospects of Yardville as well as general market valuations for comparable banking companies, Boenning calculated Yardville s potential earnings per common share at the end of five years by dividing these net future values by the range of earnings per share multiples. The annual growth rate was then calculated based on the potential earnings per common share values at the end of five years and Yardville s fully diluted earnings per common share value of $.46 for the twelve months ended March 31, 2007. Boenning then compared the resulting earnings growth rates with Yardville s historical and estimated future earnings per common share growth rates. The table below summarizes the required five year earnings per share growth rate results under different assumption scenarios.

**Five Year Projected Annual EPS Growth Rates**

| | Discount Rate | | |
|---|---|---|---|
| **Terminal Multiple** | **12.0%** | **13.0%** | **14.0%** |
| 13.0x | 25.7% | 26.8% | 28.0% |
| 14.0x | 23.8% | 25.0% | 26.1% |
| 15.0x | 22.1% | 23.3% | 24.4% |
| 16.0x | 20.5% | 21.7% | 22.8% |
| 17.0x | 19.1% | 20.2% | 21.3% |

In connection with the hurdle rate analysis performed, Boenning considered and discussed with Yardville s board how the analysis would be affected by changes in the underlying assumptions, including variations with respect to the range of discount rates and price per common share earnings multiples used.

In connection with rendering its opinion, Boenning performed what it deemed were the material financial analyses. Although the evaluation of the fairness, from a financial point of view, of the merger consideration in the Merger was to some extent a subjective one based on the experience and judgment of Boenning and not merely the result of mathematical analysis of financial data, Boenning principally relied on the previously discussed financial valuation methodologies in its determinations. Boenning believes its analyses must be considered as a whole and that selecting portions of such analyses and factors considered by Boenning without considering all such analyses and factors could create an incomplete view of the process underlying Boenning s opinion. In its analyses, Boenning made numerous assumptions with respect to business, market, monetary and economic conditions, industry performance and other matters, many of which are beyond Yardville and PNC s control. Any estimates contained in Boenning s analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates.

In reaching its opinion as to fairness, none of the analyses or factors considered by Boenning was assigned any particular weighting by Boenning. As a result of its consideration of the aggregate of all factors present and analyses performed, Boenning reached the conclusion, and opined, that the merger consideration pursuant to the merger agreement was fair to the holders of Yardville common stock from a financial point of view. Boenning s opinion was based solely upon the information available to it and the economic, market, financial and other circumstances as they existed as of the date its opinion was delivered; events occurring after the date of its opinion could materially affect the assumptions used in preparing its Proxy Opinion. Boenning has not undertaken to reaffirm and revise its opinion or otherwise comment upon any events occurring after the date of the opinion.

**The full text of the Boenning opinion, dated as of June 6, 2007, which sets forth assumptions made and matters considered, is attached as Annex C to this document. Yardville s shareholders are urged to read the opinion in its entirety. Boenning s opinion expresses no opinion as to the value of the PNC common stock and the Yardville common stock when issued to holders of outstanding shares of Yardville s common stock pursuant to the merger agreement or the prices at which the PNC common stock or the Yardville common stock may trade at any time. Boenning s opinion is for the information of the board of directors of Yardville and addresses only the fairness, from a financial point of view, to the holders of Yardville common stock of the merger consideration pursuant to the merger agreement. Boenning s opinion does not address the underlying business decision of Yardville to engage in the merger, does not address any other aspect of the merger nor does it constitute a recommendation to any holder of Yardville common stock as to how such holder should vote at the Yardville special meeting.**

The foregoing provides only a summary of the analyses performed by Boenning in connection with its opinion, and is qualified in its entirety by reference to the full text of that opinion, which is set forth in Annex C to this document.

**Compensation of Boenning & Scattergood**

Yardville and Boenning entered into an agreement relating to the services to be provided by Boenning in connection with the merger. Yardville agreed to pay Boenning a cash fee of $25,000 upon execution of the engagement letter. In addition, concurrently with the execution of a definitive agreement, Yardville agreed to pay Boenning a cash fee equal to $225,000. Pursuant to the Boenning engagement letter, Yardville also agreed to reimburse Boenning for reasonable out-of-pocket expenses incurred in connection with its retention and to indemnify it against certain liabilities.

**Board of Directors and Management of PNC Following Completion of the Merger**

Upon completion of the merger, the current directors and officers of PNC are expected to continue in their current positions. Information about the current PNC directors and executive officers can be found in PNC s proxy statement dated March 23, 2007, which is incorporated by reference in this document. See Where You Can Find More Information on page 83.

**Public Trading Markets**

PNC common stock trades on the NYSE under the symbol PNC . Yardville common stock is quoted on The Nasdaq Global Select Market under the symbol YANB . Upon completion of the merger, Yardville common stock will be delisted from Nasdaq and deregistered under the Securities Exchange Act of 1934, as amended. The PNC common stock issuable in the merger will be listed on the NYSE.

The shares of PNC common stock to be issued in connection with the merger will be freely transferable under the Securities Act of 1933, as amended, which we refer to as the Securities Act, except for shares issued to any shareholder who is an affiliate of Yardville, as discussed in The Merger Agreement Resales of PNC Stock by Affiliates on page 65.

Table of Contents

**Yardville Shareholders Do Not Have Dissenters Appraisal Rights in the Merger**

Appraisal rights are statutory rights that allow shareholders to dissent from extraordinary transactions, such as a merger, and to demand that the corporation pay the fair value of their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Appraisal rights are not available in all circumstances, and exceptions to such rights are set forth in the laws of New Jersey, which is the state of incorporation of Yardville. These exceptions are applicable with respect to the rights of Yardville shareholders in the merger. Yardville shareholders are not entitled to appraisal rights under New Jersey law in connection with the merger because the shares of Yardville s class of common stock are listed on a national securities exchange.

**Regulatory Approvals Required for the Merger**

We have agreed to use our reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. These approvals include approval (or a waiver from the application requirement) from the Federal Reserve Board and the OCC, as well as various other federal and state regulatory authorities. PNC and Yardville have completed, or will complete, the filing of applications and notifications to obtain the required regulatory approvals. The Federal Reserve Board must approve, or waive the approval of, the merger of Yardville into PNC and the OCC must approve the merger of The Yardville National Bank into PNC Bank, National Association, which may occur simultaneously with or after the closing of the merger of Yardville into PNC.

*Federal Reserve Board.* The merger is subject to approval by the Federal Reserve Board pursuant to Section 3 of the Bank Holding Company Act of 1956. On August 23, 2007, PNC completed the filing of the required application with the Federal Reserve Board for approval of the merger.

The Federal Reserve Board is prohibited from approving any transaction under the applicable statutes that (1) would result in a monopoly, (2) would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or (3) may have the effect in any section of the United States of substantially lessening competition, tending to create a monopoly or resulting in a restraint of trade, unless the Federal Reserve Board finds that the anti-competitive effects of the transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the communities to be served. The Federal Reserve Board may not approve an interstate acquisition without regard to state law if the applicant controls, or after completion of the acquisition the combined entity would control, more than 10 percent of the total deposits of insured depository institutions in the United States. The Federal Reserve Board will also consider the financial and managerial resources of the companies and their subsidiary banks and the convenience and needs of the community to be served as well as the companies effectiveness in combating money-laundering activities. In connection with its review, the Federal Reserve Board (unless it were to waive the application requirement) will provide an opportunity for public comment on the application for the merger, and is authorized to hold a public meeting or other proceeding if it determines that would be appropriate.

Under the Community Reinvestment Act of 1977, which we refer to as the CRA, the Federal Reserve Board must take into account the record of performance of each of PNC and Yardville in meeting the credit needs of the entire communities, including low- and moderate-income neighborhoods, served by the company and its subsidiaries. Each of PNC s and Yardville s depository institutions has a satisfactory or better CRA rating and PNC Bank, National Association currently has an outstanding CRA rating.

*Office of the Comptroller of the Currency.* The merger of Yardville National Bank into PNC Bank, National Association is subject to the approval of the OCC under the Bank Merger Act. On July 6, 2007, PNC filed the required application with the OCC for approval of the bank merger. In reviewing the application, the OCC is required under the Bank Merger Act to consider factors that are similar to those considered by the Federal Reserve Board under the Bank Holding Company Act. Applications or notifications may also be required to be filed with various other federal and state regulatory authorities in connection with the merger.

Table of Contents

*Antitrust Considerations*. At any time before or after the acquisition is completed, the Antitrust Division of the United States Department of Justice or the United States Federal Trade Commission, which we refer to as the Antitrust Division and the FTC, respectively, could take action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of substantial assets of PNC or Yardville on their subsidiaries. Private parties also may seek to take legal action under the antitrust laws under some circumstances. Based upon an examination of information available relating to the businesses in which the companies are engaged, PNC and Yardville believe that the completion of the merger will not violate U.S. antitrust laws. However, PNC and Yardville can give no assurance that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made, that PNC and Yardville will prevail.

In addition, the merger may be reviewed by the state attorneys general in the various states in which PNC and Yardville operate. Although PNC and Yardville believe there are substantial arguments to the contrary, these agencies may claim the authority, under the applicable state and federal antitrust laws and regulations, to investigate and/or disapprove the merger. There can be no assurance that one or more state attorneys general will not attempt to file an antitrust action to challenge the merger.

*Timing*. We cannot assure you that all of the regulatory approvals described above will be obtained, and, if obtained, we cannot assure you as to the date of any approvals or the absence of any litigation challenging such approvals. Likewise, we cannot assure you that the Antitrust Division, the FTC or any state attorney general will not attempt to challenge the merger on antitrust grounds, and, if such a challenge is made, we cannot assure you as to its result.

The merger may not be completed until 30 days after the Federal Reserve Board has approved the merger (or the OCC, if the Federal Reserve Board were to grant a waiver to the application requirement), during which time the Antitrust Division may challenge the merger on antitrust grounds. The commencement of an antitrust action would stay that is, suspend the effectiveness of an approval unless a court specifically were to order otherwise. With the approval of the applicable bank regulator and the concurrence of the Antitrust Division, the waiting period may be reduced to no less than 15 days.

PNC and Yardville believe that the merger does not raise substantial antitrust or other significant regulatory concerns and that they will be able to obtain all requisite regulatory approvals on a timely basis without the imposition of any condition that would have a material adverse effect on PNC or Yardville. In connection with obtaining any required regulatory approvals, PNC is not required to agree to conditions or restrictions that would have a material adverse effect on either PNC or Yardville, measured on a scale relative to Yardville.

We are not aware of any material governmental approvals or actions that are required for completion of the merger other than those described above. It is presently contemplated that if any such additional governmental approvals or actions are required, those approvals or actions will be sought. There can be no assurance, however, that any additional approvals or actions will be obtained.

**Yardville s Directors and Officers Have Financial Interests in the Merger**

In considering the information contained in this document, you should be aware that Yardville s executive officers and directors have financial interests in the merger that may be different from, or in addition to, the interests of Yardville shareholders. These additional interests of Yardville s executive officers and directors may create potential conflicts of interest and cause some of these persons to view the proposed transaction differently than you may view it as a shareholder. Yardville s board of directors was aware of these interests and took them into account in its decision to approve and adopt the merger agreement.

***Yardville Stock Options***

Pursuant to the merger agreement, each outstanding option to purchase shares of Yardville common stock granted under any Yardville stock option plan, whether vested or not, will be cancelled in exchange for the right

Table of Contents

to receive a lump sum cash payment, without interest and less applicable withholding taxes, as soon as practicable following the completion of the merger, equal to the product of (i) the number of shares of Yardville common stock subject to the option and (ii) the excess, if any, of the all cash consideration over the exercise price per share of the option. The all-cash consideration will equal the sum of (a) $14.00 and (b) the product of 0.2923 multiplied by the average of the closing sale prices of PNC common stock for the five trading days immediately preceding the date of completion of the merger. None of Yardville s executive officers and directors have unvested options.

***Agreements with Executive Officers***

Yardville and Yardville Bank have previously entered into employment agreements with F. Kevin Tylus, Patrick M. Ryan, Jay G. Destribats, Stephen F. Carman, Timothy J. Losch, Stephen R. Walker and Daniel J. O Donnell. Upon certain termination of employment events within six months prior to, or within three years following, a change in control (such as the closing of the merger), the covered executives would receive a severance payment equal to three times the sum of his highest annual rate of base salary during the thirty-six month period preceding the effective date of the change in control and the highest annual bonus or similar incentive compensation paid to the executive or accrued on the executive s behalf during the three most recently completed calendar years preceding the effective date of the change in control. Each such executive officer would also continue to receive health and welfare benefit coverage, or the cash equivalent, for thirty-six months following termination of employment. In the event that any payment, benefit or distribution made or provided by Yardville to or for the benefit of the executive officer would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code or any interest or penalties would be incurred by the executive officer with respect to such excise tax, the executive officer would be entitled to receive an additional gross-up payment in an amount such that, after payment by the executive officer of all taxes, interest and penalties, including taxes imposed on the gross-up payment, the executive officer would retain an amount of the gross-up payment equal to the excise tax.

Messrs. Tylus and Ryan have agreed that at the effective time of the merger, their employment agreements with Yardville and Yardville Bank will be null and void, in exchange for other rights that are set forth in new agreements with Yardville and PNC Bank. These new agreements are dated as of June 6, 2007, and will become effective as of the effective time of the merger.

Mr. Tylus s new agreement is a three year employment and retention agreement, which provides that PNC Bank will employ Mr. Tylus as a regional president of Mercer and Hunterdon Counties in New Jersey at an annual base salary at a rate no less than $330,750. Under the terms of the agreement, Mr. Tylus will receive a grant of restricted PNC common stock on January 2, 2008 valued at $2,450,000, which will vest three years following the grant date, in settlement of any and all obligations and liabilities under Yardville s Second Amended and Restated Supplemental Executive Retirement Plan, and in consideration of services to PNC Bank and its affiliates and the restrictive covenants set forth in the agreement. Further, on January 2, 2008, Mr. Tylus will receive a cash payment of $1,600,000 in consideration of a covenant not to compete and a special payment of $166,667 in cash representing compensation payable under his current employment agreement with Yardville for certain benefits which he agreed to forego as a result of his decision to leave his former employer and join Yardville. In the event that Mr. Tylus employment was terminated without cause (as defined in the employment agreement) or if Mr. Tylus resigned because of a material breach of the employment agreement by PNC, Mr. Tylus would receive a payment equal to the value of his annual base salary from the date of termination through the end of the employment period (assuming no such termination had occurred) to the extent unpaid. In addition, Mr. Tylus would receive immediate vesting of his restricted shares (or to the extent such shares have not been granted as of such termination, an amount in cash equal to the value of the restricted stock grant) and, to the extent unpaid, payment of the special payment and the payment in consideration of the covenant not to compete. The agreement also contains standard severance provisions and non-competition, non-solicitation and no-hire covenants.

Mr. Ryan s new agreement provides for the engagement of Mr. Ryan as a consultant for a one year term following the effective time of the merger for a monthly consulting fee of $20,000. Under the terms of the

Table of Contents

agreement, Mr. Ryan will receive a cash payment of $2,260,000 in settlement of any and all obligations and liabilities under his current employment agreement with Yardville and in consideration of restrictive covenants set forth in the agreement and a cash payment of $4,026,000 in full settlement of any and all obligations and liabilities under any non-qualified deferred compensation plans, programs, or arrangements of PNC Bank, Yardville or their respective affiliates, including Yardville s Second Amended and Restated Supplemental Executive Retirement Plan. The foregoing cash payments are to be made January 2, 2008. In the event that Mr. Ryan s consulting services are terminated by PNC other than for cause (as defined in the consulting agreement) or by Mr. Ryan for good reason (as defined in the consulting agreement), then PNC will be obligated to pay all consulting fees for the full consulting period within 30 days of such termination. The agreement also contains standard non-competition, non-solicitation and no-hire covenants.

In addition to the agreements with the executive officers described above, Yardville Bank has previously entered into employment agreements with the six executive officers who are first senior vice presidents of Yardville Bank, namely Edward J. Dietzler, Brian K. Gray, Howard N. Hall, Joanne C. O Donnell, John P. Samborski and Patrick L. Ryan (son of Yardville chief executive officer, Patrick M. Ryan). Under the terms of the agreements, upon certain termination of employment events within six months prior to, or within two years following, a change in control (such as consummation of the merger), the covered executives would receive a severance payment equal to two times his or her highest annual rate of base salary during the two-year period preceding the effective date of the change in control.

If we were to complete the merger in October 2007, and each of the executive officer s employment was terminated without cause or each of the executive officers resigns for good reason immediately after completion of the merger, the lump-sum cash severance payments due to our executive officers under these agreements would be: for Mr. Tylus excluding the value of the payments described above with respect to the restricted stock, the non-compete and the special payment approximately $992,250; for Mr. Ryan approximately $240,000; and for the remaining eleven executive officers, as a group, approximately $5.8 million.

***Directors Deferred Fee Plan***

Under the existing terms of the Yardville Directors Deferred Fee Plan, upon any termination of service of a participant as a director, including termination of service in connection with a change in control (such as consummation of the merger), Yardville is to pay the participant a deferral benefit equal to the amount of his deferred benefit account in annual installments or a lump sum, as elected by the participant. As a result of the change in control, participants who have previously elected to receive annual installments may elect to receive a lump sum payment.

***Employee Stock Ownership Plan; Supplemental Executive Retirement Plan***