

Edgar Filing: YARDVILLE NATIONAL BANCORP - Form 425

YARDVILLE NATIONAL BANCORP

Form 425

September 11, 2007

Filed by The PNC Financial Services Group, Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and

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

Subject Company: Yardville National Bancorp

Commission File No. 000-26086

James E. Rohr, Chairman and Chief Executive Officer of The PNC Financial Services Group, Inc. (PNC), gave a presentation to investors on September 11, 2007 at the Lehman Brothers Financial Services Conference. This presentation was accompanied by a series of electronic slides that included information pertaining to the financial results and business strategies of PNC. The following slides and related material were posted on PNC s website on Tuesday, September 11, 2007:

The PNC Financial Services Group, Inc.
Lehman Brothers
2007 Financial Services Conference
New York
September 11, 2007

This
presentation
contains
forward-looking
statements
regarding
our

outlook
or
expectations
relating
to
PNC's
future
business,
operations,
financial
condition,
financial
performance
and
asset
quality.
Forward-looking
statements
are
necessarily
subject
to
numerous
assumptions,
risks
and
uncertainties,
which
change
over
time.
The
forward-looking
statements
in
this
presentation
are
qualified
by
the
factors
affecting
forward-looking
statements
identified
in
the
more
detailed

Cautionary
Statement
included
in
the
Appendix,
which
is
included
in
the
presentation
handouts
and
in
the
version
of
the
presentation
materials
posted
on
our
corporate
website
at
www.pnc.com/investorevents.
We
provide
greater
detail
regarding
these
factors
in
our
2006
Form
10-K,
including
in
the
Risk
Factors
and
Risk
Management
sections,
and

in
our
first
and
second
quarter
2007
Form
10-Qs
and
other
SEC
reports
(accessible
on
the
SEC's
website
at
www.sec.gov
and
on
or
through
our
corporate
website).
Future
events
or
circumstances
may
change
our
outlook
or
expectations
and
may
also
affect
the
nature
of
the
assumptions,
risks
and
uncertainties
to

which
our
forward-looking
statements
are
subject.
The
forward-looking
statements
in
this
presentation
speak
only
as
of
the
date
of
this
presentation.
We
do
not
assume
any
duty
and
do
not
undertake
to
update
those
statements.
In
this
presentation,
we
will
sometimes
refer
to
adjusted
results
to
help
illustrate
(1)
the

impact
of
BlackRock
deconsolidation
near
the
end
of
third
quarter
2006
and
the
application
of
the
equity
method
of
accounting
for
our
equity
investment
in
BlackRock
and
(2)
the
impact
of
certain
specified
items,
including
2006
BlackRock/MLIM
transaction
gain,
2006
cost
of
securities
and
mortgage
portfolio
repositionings,
2006
and
2007

BlackRock/MLIM
transaction
and
Mercantile
Bankshares
acquisition
integration
costs,
and
2006
and
2007
gains/losses
related
to
our
BlackRock
LTIP
shares
obligation.
We
have
provided
these
adjusted
amounts
and
reconciliations
so
that
investors,
analysts,
regulators
and
others
will
be
better
able
to
evaluate
the
impact
of
these
items
on
our
results
for

the
periods
presented,
in
addition
to
providing
a
basis
of
comparability
for
the
impact
of
the
BlackRock
deconsolidation
given
the
magnitude
of
the
impact
of
deconsolidation
on
various
components
of
our
income
statement.
We
believe
that
information
as
adjusted
for
the
impact
of
the
specified
items
may
be
useful
due

to
the
extent
to
which
these
items
are
not
indicative
of
our
ongoing
operations
as
the
result
of
our
management
activities
on
those
operations.
While
we
have
not
provided
other
adjustments
for
the
periods
discussed,
this
is
not
intended
to
imply
that
there
could
not
have
been
other
similar
types

of
adjustments,
but
any
such
adjustments
would
not
have
been
similar
in
magnitude
to
the
amount
of
the
adjustments
shown.
In
certain
discussions,
we
also
provide
revenue
information
on
a
taxable-
equivalent
basis
by
increasing
the
interest
income
earned
on
tax-exempt
assets
to
make
it
fully
equivalent
to
interest
income

earned
on
taxable
investments.
We
believe
this
adjustment
may
be
useful
when
comparing
yields
and
margins
for
all
earning
assets.
This
presentation
may
also
include
a
discussion
of
other
non-GAAP
financial
measures,
which,
to
the
extent
not
so
qualified
therein
or
in
the
Appendix,
is
qualified
by
GAAP
reconciliation
information

available
on
our
corporate
website
at
www.pnc.com
under
About
PNC

Investor
Relations.
Cautionary Statement Regarding Forward-Looking
Information and Adjusted Information

Industry Concerns
Mortgage and home equity loans
Leveraged lending and bridge commitments
Yield curve

A history of execution and strong performance
Clear strategies for growth
A strong risk management culture
PNC is differentiated by

Building an Enduring Company with a Solid Foundation

A History of Execution

A diversified business mix

An industry-leading technology platform

Expanded distribution capabilities

Expansion into higher growth markets

A disciplined economic capital allocation process

A strong risk management process
Deepened customer relationships
A continuous improvement culture
Improved customer experience
Enhanced PNC brand

1990s

2000s

Beyond

- +
- +
- +
- +
- +
- +
- +
- +
- +

Strong Performance in a Tough
Environment
Diluted
EPS
Net
Income
(\$millions)

Assets

(ending

\$billions)

Strong first half with solid revenue growth and momentum

Primary businesses met or exceeded expectations

Created positive operating leverage versus first half 2006¹

Maintained excellent asset quality

Total Shareholder Return²:

Year-to-date

2

nd

Three-year

1

st

Five-year

2

nd

(1) GAAP basis and adjusted basis operating leverage are set forth in the Appendix.

(2) As of September 7, 2007. Ranking versus super-regional banks identified in the Appendix. Source: SNL DataSource.

Peer Rank

1H06

1H07

1H06

1H07

1H06

1H07

\$2.47

\$2.67

\$735

\$882

\$95

\$126

Highlights

Our Diversified Business Mix

Business Leadership

First Half 2007 Business Earnings Contribution*

Retail Banking

-

A leading community bank in PNC major markets

-

One of the nation's largest bank wealth management firms

Corporate & Institutional Banking

-

Top 10 Treasury Management business

-

The nation's 4th largest lead arranger of asset-based loan syndications

-

Harris Williams

-

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

-

A global asset management company with over \$1.2 trillion in assets under management

PFPC

-

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

Winning in

the

Payments

Space

A Premier

Middle-

market

Franchise

A Leading

Global

Servicing

Platform

World Class

Asset

Manager

\$ millions

\$254

\$428

\$110

\$63

*Business earnings reconciled to GAAP net income of \$882 million

in the Appendix. BlackRock segment earnings are adjusted to exclude our pretax share of BlackRock/MLIM integration costs totaling \$3 million.

Contribution

50%

30%

13%

7%

A history of execution and strong performance
Clear strategies for growth
A strong risk management culture
PNC is differentiated by

Focus on fee-based drivers
Maintain and grow our deposit advantage
Create positive operating leverage
Capture new market opportunities
Enhance brand awareness
Strategies for Growth

0%
10%
20%
30%
40%
50%
60%

70%

USB

KEY

FITB

WB

WFC

STI

BBT

NCC

RF

CMA

Differentiated Fee-Based Businesses

Source: SNL DataSource, PNC as reported

For the six months ended June 30, 2007

PFPC &

BLK

Noninterest Income to Total Revenue

PNC

Consumer DDA HHs
using online banking
Executing on Growth Drivers
\$0
\$100
\$200
\$300

\$400

\$500

Retail

C&I

Key Drivers:

Key Drivers:

Payments Business

Wealth Management

Small Business

Brokerage

Key Drivers:

Key Drivers:

Fee based Businesses

Deposit Franchise

Disciplined Lending

(1) 1H07 vs. 1H06, business segment earnings reconciled to GAAP earnings in the Appendix, (2) Not including Mercantile, (3)

1H06

1H07

Treasury Management

Midland Loan Services

Capital Markets

1H06

1H07

2

Consumer DDA HHs

using online bill pay

51%

Earnings

Growth

+14%

1

Earnings

Growth

+17%

1

3

Focus on Deepening Relationships

Major Product Revenue

55%

17%

29%

1H06

1H07

2

\$0
\$100
\$200
\$300
\$400
\$500
\$0

\$300

\$600

\$900

\$1,200

\$1,500

Executing on Growth Drivers

PFPC

BlackRock

Key Drivers:

Key Drivers:

Productivity

Improvement

High Margin, High

Growth Products

Key Drivers:

Key Drivers:

Expanded Distribution

Broadened Product Set

Strengthened Platform

6/30/06

06/30/07

Assets Under Management

\$464M

\$1.23B

(1) 1H07 vs. 1H06, business segment earnings reconciled to GAAP earnings in the Appendix, (2) Reflects BlackRock entity A following deconsolidation of BlackRock in September 2006.

Emerging Product Revenue

Core Product Revenue

1H04

1H07

Earnings

Growth

+19%

1

Earnings

Growth

+16%

1

21%

29%

71%

79%

Emerging

product

revenue

3-yr CAGR

19%

2

Focus on High Growth Products

Focus on Gathering Assets

at period end

Interest-bearing deposits
24%
12%
Noninterest-bearing deposits
28%
3%
Total deposits

25%
10%
2Q07 vs. 2Q06
Executing on Our Strategy to Gather
Low Cost Deposits
Source:
SNL
DataSource,
PNC
as
reported.
Peers
reflects
average
of
the
super-regional
banks
identified
in
the
Appendix
other
than
PNC
24%
38%
21%
17%
Consumer
Corporate Banking,
Treasury Management
and Other
Midland
Small
Business
PNC Has Been Focused on Growing
Noninterest-Bearing Deposits
Average Balances
PNC
Peers
Contribution to Average
Noninterest-Bearing Deposits
As of 6/30/07
Through Multiple Channels

USB
2.23 %
WFC
2.44
PNC
2.72
CMA

2.73

RF

2.83

FITB

2.93

KEY

2.96

STI

3.06

BBT

3.12

WB

3.12

NCC

3.23

CMA

21 %

WFC

21

PNC

18

KEY

17

RF

16

FITB

15

USB

15

STI

14

NCC

14

BBT

12

WB

10

Differentiated Deposit Mix

Average Noninterest-Bearing

Deposits to Average Earning Assets

For the three months ended June 30, 2007. Source: SNL DataSource, PNC as reported

2Q07

Interest Cost of Average Total Deposits

2Q07

Providing a Funding Advantage

With Low Cost Deposits

\$0
\$1
\$2
\$3
\$4
\$5
\$6

\$7
 2004
 2005
 2006
 Revenue
 9%
 Creating Positive Operating Leverage
 Growing Revenues Faster Than Expenses
 \$ billions
 Compound Annual
 Growth Rate
 (2004
 2006)
 Adjusted Revenue
 (Taxable-equivalent) -
 \$5.6 billion, \$6.4 billion, \$8.6 billion as reported for 2004, 2005, 2006, respectively
 Adjusted Noninterest
 Expense -
 \$3.7 billion, \$4.3 billion, \$4.4 billion as reported for 2004, 2005, 2006, respectively
 Adjusted Net Income -
 \$1.2 billion, \$1.3 billion, \$2.6 billion as reported for 2004, 2005, 2006, respectively
 Net Income
 12%
 \$1.2
 \$1.3
 \$1.5
 Expense
 7%
 Revenue +15%
 Expense +12%
 Net Income +17%

Trend Continues*

*As reported: revenue (6%), expense (14%), net income 20%. Adjusted numbers and taxable-equivalent revenue are reconciled in the Appendix.

Six months ended June 30, as adjusted
 2007 vs 2006

Executing on Our Acquisition Strategy

76% of PNC Pro Forma Branches Located Between the Hudson and Potomac Rivers

PNC Branches prior to 2004

Sterling Financial Corp.

Pending

Yardville National Bancorp

Pending

Mercantile Bankshares Corp.

3/2/07

Riggs National Corp.

5/13/05

United National Bancorp

1/1/04

New York

New York

Delaware

Delaware

Virginia

Virginia

New Jersey

New Jersey

Pennsylvania

Pennsylvania

Maryland

Maryland

Kentucky

Kentucky

Indiana

Indiana

Ohio

Ohio

West

West

Virginia

Virginia

\$60,949
\$56,250
\$69,270
\$54,620
\$73,965
\$69,363
\$66,273

Improving Our Demographics

3.7%

6.0%

2.0%

3.4%

8.4%

10.0%

3.9%

2003

Proforma

Median Household Income

Projected 5-Year Population Growth

Acquisitions

2003

Proforma

Acquisitions

Amounts

based

on

data

at

time

of

acquisition

announcement.

United

Trust

data

reflects

demographics

of

footprint

counties

weighted

by

households.

Mercantile,

Yardville

and

Sterling

data

reflect

demographics

of

footprint

counties

of

that

company,

or

by
MSA
in
the
case
of
Riggs,
weighted
by
deposits.
PNC
2003
and
PNC
Proforma
amounts
reflect
demographics,
weighted
by
deposits,
of
PNC s
68
county
footprint
and
105
county
footprint,
respectively,
including
the
impact
of
PNC s
ongoing
branch
optimization
process.
PNC
and
Mercantile
headquarter
offices
excluded
for
purposes
of
deposit

weighting.

Source:

SNL

DataSource.

*Pending.

(1) United, Riggs, and Mercantile based on the most recent reporting quarter prior to closing. Yardville and Sterling based on reporting quarter, and in the case of Sterling, excludes its Equipment Finance, LLC unit and rental income on operating leases.

Source: SNL

DataSource and Company 10-Q.

Bringing the Power of PNC to New Clients

Expanding Distribution of Fee-based Products

51%

24%

40%

29%

9%

27%

Noninterest income to total revenue¹

Wealth Management

Brokerage

Credit Card

Payment Services

Treasury

Management

Small Business

M&A Advisory

Services

Capital Markets

Opportunities

(2) For the six months ended June 30, 2007, not including PFPC and BlackRock. Reconciled to noninterest income to total revenue on a

GAAP basis of 59% in the Appendix.

\$0
\$4
\$8
\$12
\$16
\$20
1Q06
2Q07
Asset Management

Service Charges
Brokerage
Corporate Services
Consumer and Other
Execution in the Greater Washington

Area (GWA)

40.5%

43.3%

0

25,000

50,000

75,000

100,000

125,000

GWA business checking relationships

GWA consumer checking relationships

Deepening Relationships and Growing Noninterest Income*

(2) For the three months ended March 31, 2006 compared to the six months ended June 30, 2007

GWA noninterest income

to total revenue

PNC -

GWA Retail Relationships

(1) Riggs transaction completed May 2005

PNC GWA Region

2

*Does not include Mercantile

June 30

2005¹

June 30

2007

PNC -

GWA Fee Growth

+19%

+42%

+16%

+114%

+7%

Key Initiatives
Redesigned and
simplified checking
product
Launched regional credit
card product
Redesigned PNC.com

Leveraging existing
relationships with
affluent clients
Partnering with the
Gallup Organization to
improve the customer
experience
Highest in
Customer
Satisfaction with
Small Business
Banking¹

(1) J.D. Power and Associates 2006 Small Business Banking Satisfaction Study. (2) Customer Experience Benchmarks and Best Practices, Change Sciences Research, March 2007

PNC.com personal banking website
ranked in the top 10 for leading banks²
Investing in Our Brand to Drive Growth

A history of execution and strong performance
Clear strategies for growth
A strong risk management culture
PNC is differentiated by

New Credit Risk
Rating System
Improved Credit
Training
PNC's Credit Culture Evolution
Adherence to
Target Zone

of
Losses
Organizational
Independence
Early Workout
Intervention
Credit Culture Evolution
(2000
Present)
Focus on Getting Paid
Per Unit of Risk
Help
Talk
Listen
Teamwork
Focus on the Front Door
Proactive Process Driven by Returns
Not overly concentrated
in any area
More granularity
Limited exposure to
leveraged lending
Strong origination and
distribution capabilities
Manage
the Back Door

High Quality Consumer Loan Portfolio

Auto

7%

Residential

Mortgage

34%

Composition of Consumer Loan and Residential Mortgage Portfolio

As of June 30, 2007

Home Equity Portfolio

Credit Statistics¹

First lien positions

42%

In-footprint exposure

92%

Weighted average:

Loan to value

70%

FICO scores

727

Net charge-offs

0.18%

90 days past due

0.26%

(1) Not including Mercantile

Other

7%

Home

Equity

52%

Residential Portfolio

Credit Statistics¹

Weighted average:

Loan to value

67%

FICO scores

746

Net charge-offs

0.02%

90 days past due

0.80%

(1) Not including Mercantile

Home Equity Credit Trends

% of outstandings

Delinquency Ratio 90+ Days

Net Charge-Offs

PNC₁

RMA

Source: The Risk Management Association (RMA) Consumer Loan Studies, Home Equity

% of average
outstandings

PNC₁

RMA

(1) Not including Mercantile

2005

2004

2006

1H07

2005

2004

2006

1H07

0.1%

0.2%

0.3%

0.4%

0.5%

0.6%

0.1%

0.2%

0.3%

0.4%

0.2%
0.5%
0.7%
1.0%
1.2%
1.5%
2Q02

2Q03

2Q04

2Q05

2Q06

2Q07

Disciplined Approach Leads to Excellent

Asset Quality

Asset Quality Compared to Peers

Net Charge-offs to Average Loans

PNC

Peer Group

Source: SNL DataSource, PNC as reported

PNC 2005 net charge-off ratio excludes \$53 million loan recovery. The ratio was 0.06% including the recovery.

Peer group reflects average of super-regional banks identified in the Appendix other than PNC

Nonperforming Assets to Loans, Loans

Held for Sale and Foreclosed Assets

PNC

Peer Group

*

*

0.10%

0.20%

0.30%

0.40%

0.50%

0.60%

0.70%

0.80%

2002

2003

2004

2005

2006

1H07

Well Positioned Based on Lehman
Research
Loans to deposits
Fee income to revenue
Demand deposits as % of total
deposits
One-year Gap rank

Linked quarter change in deposits
to average earning assets
MBS & mortgage loans as % of
average earning assets
EPS impact of gradual +100bps
parallel shift

Source: Large-/Mid-Cap Banks 1Q07 10-Q Review, Lehman Brothers, Global Equity Research, May 23, 2007 [Data as of 1Q

Peer Group Ranking

Lehman Brothers Criteria

1

STI

2

PNC

3

FITB

4

RF

5

NCC

6

WB

7

KEY

8

USB

9

BBT

10

WFC

11

CMA

Summary

A demonstrated history of execution and strong performance

Clear strategies to maintain growth

Sound risk management processes

Well Positioned to Create Value

We
make
statements
in
this
presentation,
and

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

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

forward-looking
statements.

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

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

uncertainties.
We
provide
greater
detail
regarding
some
of
these
factors
in
our
Form
10-K
for
the
year
ended
December
31,
2006,
including
in
the
Risk
Factors
and
Risk
Management
sections
of
that
report,
and
in
our
first
and
second
quarter
2007
Form
10-Qs
and
other
SEC
reports.
Our
forward-looking
statements

may
also
be
subject
to
other
risks
and
uncertainties,
including
those
that
we
may
discuss
elsewhere
in
this
presentation
or
in
our
filings
with
the
SEC,
accessible
on
the
SEC's
website
at
www.sec.gov
and
on
or
through
our
corporatewebsite
at
www.pnc.com
under
About
PNC

Investor
Relations

Financial
Information.

Our
business
and
operating
results
are
affected
by
business
and
economic
conditions
generally
or
specifically
in
the
principal
markets
in
which
we
do
business.
We
are
also
affected
by
changes
in
our
customers
and
counterparties
financial
performance,
as
well
as
changes
in
customer
preferences
and
behavior,
including
as
a

result
of
changing
business
and
economic
conditions.

The
value
of
our
assets
and
liabilities,
as
well
as
our
overall
financial
performance,
is
also
affected
by
changes
in
interest
rates
or
in
valuations
in
the
debt
and
equity
markets.
Actions
by
the
Federal
Reserve
and
other
government
agencies,
including
those

that
impact
money
supply
and
market
interest
rates,
can
affect
our
activities
and
financial
results.

Our
operating
results
are
affected
by
our
liability
to
provide
shares
of
BlackRock
common
stock
to
help
fund
BlackRock
long-term
incentive
plan
(LTIP)
programs,
as
our
LTIP
liability
is
adjusted
quarterly
(marked-to-market)
based
on

changes
in
BlackRock's
common
stock
price
and
the
number
of
remaining
committed
shares,
and
we
recognize
gain
or
loss
on
such
shares
at
such
times
as
shares
are
transferred
for
payouts
under
the
LTIP
programs.

Competition
can
have
an
impact
on
customer
acquisition,
growth
and
retention,
as
well
as

on
our
credit
spreads
and
product
pricing,
which
can
affect
market
share,
deposits
and
revenues.

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

Legal
and
regulatory
developments
could
have
an
impact
on
our
ability
to
operate
our

businesses
or
our
financial
condition
or
results
of
operations
or
our
competitive
position
or
reputation.
Reputational
impacts,
in
turn,
could
affect
matters
such
as
business
generation
and
retention,
our
ability
to
attract
and
retain
management,
liquidity
and
funding.
These
legal
and
regulatory
developments
could
include:
(a)
the
unfavorable
resolution
of

legal
proceedings
or
regulatory
and
other
governmental
inquiries;
(b)
increased
litigation
risk
from
recent
regulatory
and
other
governmental
developments;
(c)
the
results
of
the
regulatory
examination
process,
our
failure
to
satisfy
the
requirements
of
agreements
with
governmental
agencies,
and
regulators
future
use
of
supervisory
and
enforcement
tools;
(d)
legislative
and

regulatory
reforms,
including
changes
to
laws
and
regulations
involving
tax,
pension,
education
lending,
and
the
protection
of
confidential
customer
information;
and
(e)
changes
in
accounting
policies
and
principles.

Our
business
and
operating
results
are
affected
by
our
ability
to
identify
and
effectively
manage
risks
inherent
in
our
businesses,
including,

where appropriate, through the effective use of third-party insurance and capital management techniques.

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

Cautionary Statement Regarding Forward-Looking Information

The
adequacy
of
our
intellectual
property

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

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

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

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

more
detail
in
BlackRock's
2006
Form
10-K,
including
in
the
Risk
Factors
section,
and
in
BlackRock's
other
filings
with
the
SEC,
accessible
on
the
SEC's
website
and
on
or
through
BlackRock's
website
at
www.blackrock.com.
We
grow
our
business
from
time
to
time
by
acquiring
other
financial
services
companies,
including
the

pending
Sterling
Financial
Corporation
(Sterling)
and
Yardville
National
Bancorp
(Yardville)
acquisitions.
Acquisitions
in
general
present
us
with
risks
other
than
those
presented
by
the
nature
of
the
business
acquired.
In
particular,
acquisitions
may
be
substantially
more
expensive
to
complete
(including
as
a
result
of
costs
incurred
in
connection
with
the

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

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

the
acquisition
and
integration
of
the
acquired
business
into
ours
and
may
result
in
additional
future
costs
arising
as
a
result
of
those
issues.
Post-closing
acquisition
risk
continues
to
apply
to
Mercantile
Bankshares
Corporation
as
we
complete
the
integration.
Any
annualized,
proforma,
estimated,
third
party
or
consensus
numbers
in
this

presentation
are
used
for
illustrative
or
comparative
purposes
only
and
may
not
reflect
actual
results.
Any
consensus
earnings
estimates
are
calculated
based
on
the
earnings
projections
made
by
analysts
who
cover
that
company.
The
analysts
opinions,
estimates
or
forecasts
(and
therefore
the
consensus
earnings
estimates)
are
theirs
alone,
are
not

those
of
PNC
or
its
management,
and
may
not
reflect
PNC's,
Yardville's,
Sterling's
or
other
company's
actual
or
anticipated
results.

Cautionary Statement Regarding
Forward-Looking Information (continued)

The
PNC
Financial
Services
Group,
Inc.
and

Sterling
Financial
Corporation
will
be
filing
a
proxy
statement/prospectus
and
other
relevant
documents
concerning
the
merger
with
the
United
States
Securities
and
Exchange
Commission
(the
"SEC").

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

INCORPORATED
BY
REFERENCE
IN
THE
PROXY
STATEMENT/PROSPECTUS
BECAUSE
THEY
WILL
CONTAIN
IMPORTANT
INFORMATION.

Investors
will
be
able
to
obtain
these
documents
free
of
charge
at
the
SEC's
web
site
(www.sec.gov).

In
addition,
documents
filed
with
the
SEC
by
The
PNC
Financial
Services
Group,
Inc.
will
be
available
free
of
charge

from
Shareholder
Relations
at
(800)
843-2206.
Documents
filed
with
the
SEC
by
Sterling
Financial
Corporation
will
be
available
free
of
charge
from
Sterling
Financial
Corporation
by
contacting
Shareholder
Relations
at
(877)
248-6420.
The
directors,
executive
officers,
and
certain
other
members
of
management
and
employees
of
Sterling
Financial
Corporation
are
participants

in
the
solicitation
of
proxies
in
favor
of
the
merger
from
the
shareholders
of
Sterling
Financial
Corporation.
Information
about
the
directors
and
executive
officers
of
Sterling
Financial
Corporation
is
included
in
the
proxy
statement
for
its
May
8,
2007
annual
meeting
of
shareholders,
which
was
filed
with
the
SEC
on

April
2,
2007.

Additional
information
regarding
the
interests
of
such
participants
will
be
included
in
the
proxy
statement/prospectus
and
the
other
relevant
documents
filed
with
the
SEC
when
they
become
available.

Additional Information About The PNC/Sterling
Financial Corporation Transaction

The
PNC
Financial
Services
Group,
Inc.
(PNC)

and
Yardville
National
Bancorp
(Yardville)
have
filed
with
the
United
States
Securities
and
Exchange
Commission
(the
SEC)
a
proxy
statement/prospectus
and
other
relevant
documents
concerning
the
proposed
transaction.
WE
URGE
INVESTORS
TO
READ
THE
PROXY
STATEMENT/PROSPECTUS
AND
ANY
OTHER
DOCUMENTS
FILED
WITH
THE
SEC
IN
CONNECTION
WITH
THE
MERGER
OR

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

Investors
may
obtain
these
documents
free
of
charge
at
the
SEC's
web
site
(www.sec.gov).

In
addition,
documents
filed
with
the
SEC
by
PNC
will
be
available
free
of
charge
from
Shareholder
Relations
at
(800)
843-2206.
Documents
filed
with

the
SEC
by
Yardville
will
be
available
free
of
charge
from
Yardville
by
contacting
Howard
N.
Hall,
Assistant
Treasurer's
Office,
2465
Kuser
Road,
Hamilton,
NJ
08690
or
by
calling
(609)
631-6223.
The
directors,
executive
officers,
and
certain
other
members
of
management
and
employees
of
Yardville
are
participants
in
the
solicitation

of
proxies
in
favor
of
the
merger
from
the
shareholders
of
Yardville.
Information
about
the
directors
and
executive
officers
of
Yardville
is
set
forth
in
its
Annual
Report
on
Form
10-K
filed
on
March
30,
2007
for
the
year
ended
December
31,
2006,
as
amended
by
the
Form
10-K/A
filed

on
May
10,
2007.
Additional
information
regarding
the
interests
of
such
participants
is
included
in
the
proxy
statement/prospectus
and
the
other
relevant
documents
filed
with
the
SEC.

Additional Information About The
PNC/Yardville National Bancorp Transaction

Non-GAAP to GAAP
Reconcilement
Appendix
Earnings Summary
THREE MONTHS ENDED
Pretax
Net

Diluted
 Pretax
 Net
 Diluted
 Pretax
 Net
 Diluted
 In millions, except per share data
 Adjustments
 Income
 EPS Impact
 Adjustments
 Income
 EPS Impact
 Adjustments
 Income
 EPS Impact
 Net income, as reported
 \$423
 \$1.22
 \$459
 \$1.46
 \$381
 \$1.28
 Adjustments:
 BlackRock LTIP (a)
 \$1
 \$(52)
 (33)
 (.11)

 Integration costs (b)
 16

 11

 .03

 13

 8

 .03

 \$13
 5

 .02

 Net income, as adjusted

\$434
 \$1.25
 \$434
 \$1.38
 \$386
 \$1.30
SIX MONTHS ENDED
 Pretax
 Net
 Diluted
 Pretax
 Net
 Diluted
 In millions, except per share data
 Adjustments
 Income
 EPS Impact
 Adjustments
 Income
 EPS Impact
 Net income, as reported
 \$882
 \$2.67
 \$735
 \$2.47
 Adjustments:
 BlackRock LTIP (a)
 \$(51)
 (33)

 (.11)

 Integration costs (b)
 29

 19

 .07

 \$19
 8

 .03

 Net income, as adjusted
 \$868
 \$2.63
 \$743
 \$2.50
 (a)

Includes
the
impact
of
the
gain
recognized
in
connection
with
PNC's
transfer
of
BlackRock
shares
to
satisfy
a
portion
of
our
2002
BlackRock
LTIP
shares
obligation
and
the
net
mark-
to-market adjustment on our remaining BlackRock LTIP shares obligation, as applicable.

(b)
Amounts
for
2007
include
both
Mercantile
acquisition
and
BlackRock/MLIM
transaction
integration
costs.
BlackRock/MLIM
transaction
integration
costs
recognized
by

PNC
in
2007
were
included
in
noninterest
income
as
a
negative
component
of
the
"Asset
management"
line
item,
which
includes
the
impact
of
our
equity
earnings
from
our
investment
in
BlackRock.

The second quarter of 2006 BlackRock/MLIM transaction integration costs were included in noninterest expense.

June 30, 2007

March 31, 2007

June 30, 2006

June 30, 2007

June 30, 2006

Non-GAAP to GAAP
Reconcilement
Appendix
Income Statement Summary
For the Six Months Ended June 30
SIX MONTHS ENDED
In millions

As Reported	
Adjustments	
As Adjusted (a)	
As Reported	
Adjustments	
As Adjusted (b)	
Net interest income	
	\$1,361
	\$1,361
	\$1,112
	\$(7)
	\$1,105
Taxable-equivalent adjustment	
	14
	14
	13
	13
Net interest income, taxable-equivalent basis	
	1,375
	1,375
	1,125
	(7)
	1,118
Net interest income:	
% Change As	
Adjusted	
% Change As	
Reported	
Loans	
	526
	526
	472
	(7)
	465
	13%
	11%

Deposits
 849
 849
 653
 653
 30%
 30%
 Noninterest Income
 1,966
 (48)
 1,918
 2,415
 (666)
 1,749
 10%
 (19%)
 Total revenue, taxable equivalent basis
 3,341
 (48)
 3,293
 3,540
 (673)
 2,867
 15%
 (6%)
 Loan net interest income as a % of total revenue, TE
 16.0%
 16.2%
 Deposit net interest income as a % of total revenue, TE
 25.8%
 22.8%
 Noninterest income as a % of total revenue, TE
 58.2%
 61.0%

Provision for credit losses
 62
 62
 66
 66
 Noninterest income
 1,966
 \$(48)
 1,918
 2,415
 (666)

 1,749
 Noninterest expense
 1,984
 (26)
 1,958
 2,307
 (561)
 1,746
 12%
 (14%)
 Income before minority interest
 and income taxes
 1,281
 (22)

 1,259
 1,154
 (112)
 1,042
 Minority interest in income
 of BlackRock
 41
 (41)
 Income taxes
 399
 (8)
 391
 378
 (79)
 299
 Net income
 \$882
 (\$14)
 \$868
 \$735
 \$8
 \$743
 17%

20%

SIX MONTHS ENDED

As Reported

Adjustments

As Adjusted (a)

As Reported

Adjustments

As Adjusted (b)

% Change As

Adjusted

% Change As

Reported

Noninterest expense

1,984

(26)

1,958

2,307

(561)

1,746

12%

(14%)

Noninterest expense, excluding Mercantile expense of \$156 million

1,828

(26)

1,802

2,307

(561)

1,746

3%

June 30, 2007

June 30, 2006

June 30, 2007

June 30, 2006

(a)

Amounts

adjusted

to

exclude

the

impact

of

the

following

pretax

items:

(1)

the

net

mark-to-market

adjustment
charge
totaling
\$1
million
for
the
second
quarter
of
2007
and
a
net
effect
for
the
first
six
months
of
2007
of
\$51
million
(consisting
of
the
gain
recognized
in
connection
with
our
first
quarter
shares
transfer
net
of
the
mark-to-market
adjustment
charge
for
both
quarters)
on
our
BlackRock

LTIP

shares obligation, and (2) Mercantile acquisition and BlackRock/MLIM transaction integration costs totaling \$16 million for the

(b)

Amounts

adjusted

as

if

we

had

recorded

our

investment

in

BlackRock

on

the

equity

method

for

all

periods

presented

and

to

exclude

PNC's

portion

of

BlackRock/MLIM

transaction

integration

costs

of

\$13

million and \$19 million before taxes for the second quarter and first six months of 2006, respectively.

Non-GAAP to GAAP
Reconcilement
Appendix
Business Segment Earnings and Operating Leverage
OPERATING LEVERAGE
SIX MONTHS ENDED
Dollars in millions

As Reported	
As Adjusted	
(b)	
As Reported	
As Adjusted	
(c)	
As Reported	
As Adjusted	
Net interest income	
\$1,361	
\$1,361	
\$1,112	
\$1,105	
Noninterest income	
Asset management	
355	
358	
890	
257	
Other	
1,611	
1,560	
1,525	
1,492	
Total revenue	
\$3,327	
\$3,279	
\$3,527	
\$2,854	
(6%)	
15%	
Noninterest expense	
\$1,984	
\$1,958	
\$2,307	
\$1,746	
(14%)	
12%	
Operating leverage	
8%	
3%	
(c) See note (b) on previous slide.	
June 30, 2007	
June 30, 2006	
Change	
(b) See note (a) on previous slide.	
Dollars in millions	
2007	
% of Segments	

2006
% Change
Retail Banking
\$428
50%
\$375
14%
Corporate & Institutional Banking
254
30%
217
17%
BlackRock (a)
110
13%
95
16%
PFPC
63
7%
53
19%
Total business segment earnings
855
740
Other (a)
27
(5)
Total consolidated net income
\$882
\$735
Earnings (Loss)
Six Months Ending June 30
(a)
For
our
segment
reporting
presentation
in
management's
discussion
and
analysis,
our
after-tax
share
of
BlackRock/MLIM
transaction

integration
costs
totaling
\$2
million
and
\$8
million
for
the
six
months
ended
June
30,
2007
and
June
30,
2006
have
been
reclassified
from
BlackRock
to
"Other."
"Other"
for
the
first
six
months
of
2007
also
includes \$26 million of pretax Mercantile acquisition integration costs.

Non-GAAP to GAAP
Reconciliation
Appendix
Average Balance Sheet and Noninterest Income
Six Months Ending June 30, 2007
Dollars in millions
Retail

Banking
 Corporate &
 Institutional
 Banking
 Other
 Banking and
 Other
 BlackRock
 PFPC
 Total
 Net interest income (expense)
 \$984
 \$371
 \$15
 \$1,370
 (\$9)
 \$1,361
 Noninterest income
 830

 374

 205

 1,409

 \$140
 417

 1,966

 Total Revenue
 \$1,814
 \$745
 \$220
 \$2,779
 \$140
 \$408
 \$3,327
 Noninterest income as a % of
 total revenue
 46%
 50%
 93%
 51%
 100%
 102%
 59%
 Average Balance Sheet for the three months ended:
 June 30, 2007

June 30, 2006

\$ millions

PNC Excluding

Mercantile

Mercantile (a)

PNC As

Reported

PNC

% Change

Excluding

Mercantile

% Change

Including

Mercantile

Average loans, net of unearned income

Commercial

\$20,919

\$3,733

\$24,652

\$20,348

3%

21%

Commercial real estate

3,456

6,057

9,513

3,071

13%

210%

Consumer

16,257

1,629

17,886

16,049

1%

11%

Residential mortgages

7,437

1,090

8,527

7,353

1%

16%

Other, including total unearned income (b)

2,969

8

2,977

3,115

(5%)

(4%)

Total average loans, net of unearned income

\$51,038

\$12,517

\$63,555

\$49,936

2%

27%

Average deposits

Interest-bearing

\$51,111

\$9,293

\$60,404

\$48,710

5%

24%

Noninterest-bearing

14,707

3,117

17,824

13,926

6%

28%

Total average deposits

\$65,818

\$12,410

\$78,228

\$62,636

5%

25%

(a) Mercantile activity is from the closing on March 2, 2007 through March 31, 2007.

(b) Includes lease financing.

Non-GAAP to GAAP
Reconciliation
Appendix
Income Statement Summary
2004 to 2006
BlackRock
For the year ended December 31, 2006

PNC
 Deconsolidation and
 BlackRock
 PNC
 In millions
 As Reported
 Adjustments (a)
 Other Adjustments
 Equity Method
 As Adjusted
 Net interest income
 \$2,245
 \$(10)
 \$2,235
 Provision for credit losses
 124
 124
 Noninterest
 income
 6,327
 \$(1,812)
 (1,087)
 \$144
 3,572
 Noninterest
 expense
 4,443
 (91)
 (765)
 3,587
 Income before minority interest and income taxes
 4,005
 (1,721)
 (332)
 144
 2,096
 Minority interest in income of BlackRock
 47
 18
 (65)
 Income taxes
 1,363
 (658)
 (130)
 7
 582
 Net income
 \$2,595
 \$(1,081)
 \$(137)

\$137
 \$1,514
 For the year ended December 31, 2005
 BlackRock
 PNC
 Deconsolidation and
 BlackRock
 PNC
 In millions
 As Reported
 Other Adjustments
 Equity Method
 As Adjusted
 Net interest income
 \$2,154
 \$(12)
 \$2,142
 Provision for credit losses
 21
 21
 Noninterest
 income
 4,173
 (1,214)
 \$163
 3,122
 Noninterest
 expense
 4,306
 (853)
 3,453
 Income before minority interest and income taxes
 2,000
 (373)
 163
 1,790
 Minority interest in income of BlackRock
 71
 (71)
 Income taxes
 604
 (150)
 11
 465
 Net income
 \$1,325
 \$(152)
 \$152
 \$1,325
 (a)

Includes
the
impact
of
the
following
items,
all
on
a
pretax
basis:
\$2,078
million
gain
on
BlackRock/MLIM
transaction,
\$196
million
securities
portfolio
rebalancing
loss,
\$101
million
of
BlackRock/MLIM
transaction
integration
costs,
\$48
million
mortgage
loan
portfolio
repositioning
loss,
and
\$12
million
net
loss
related
to
our
BlackRock
LTIP shares obligation.

Non-GAAP to GAAP
Reconcilement
Appendix
Income Statement Summary
2004 to 2006 (continued)
For the year ended December 31, 2004
BlackRock

PNC
 Deconsolidation and
 BlackRock
 PNC
 In millions
 As Reported
 Other Adjustments
 Equity Method
 As Adjusted
 Net interest income
 \$1,969
 \$(14)
 \$1,955
 Provision for credit losses
 52
 52
 Noninterest
 income
 3,572
 (745)
 \$101
 2,928
 Noninterest
 expense
 3,712
 (564)
 3,148
 Income before minority interest and income taxes
 1,777
 (195)
 101
 1,683
 Minority interest in income of BlackRock
 42
 (42)
 Income taxes
 538
 (59)
 7
 486
 Net income
 \$1,197
 \$(94)
 \$94
 \$1,197
 In millions
 2004
 2005
 2006
 CAGR

Adjusted net interest income	
\$1,955	
\$2,142	
\$2,235	
Adjusted noninterest income	
2,928	
3,122	
3,572	
Taxable-equivalent adjustment	
20	
33	
25	
Adjusted total revenue	
4,903	
5,297	
5,832	
9%	
Adjusted noninterest expense	
3,148	
3,453	
3,587	
7%	
Adjusted net income	
\$1,197	
\$1,325	
\$1,514	
12%	
In millions	
2004	
2005	
2006	
CAGR	
Net interest income, as reported	
\$1,969	
\$2,154	
\$2,245	
Noninterest income, as reported	
3,572	
4,173	
6,327	
Taxable-equivalent adjustment	
20	
33	
25	
Total revenue, taxable equivalent basis	
5,561	
6,360	

8,597

24%

Noninterest

expense, as reported

3,712

4,306

4,443

9%

Net income, as reported

\$1,197

\$1,325

\$2,595

47%

The PNC Financial Services Group, Inc.

PNC

BB&T Corporation

BBT

Comerica

CMA

Fifth Third Bancorp

FITB
KeyCorp
KEY
National City Corporation
NCC
Regions Financial
RF
SunTrust Banks, Inc.
STI
U.S. Bancorp
USB
Wachovia Corporation
WB
Wells Fargo & Company
WFC
Ticker
Peer Group of
Super-Regional Banks
Appendix