

STERLING FINANCIAL CORP /PA/

Form 425

November 08, 2007

The PNC Financial Services Group, Inc.

BancAnalysts Association of Boston

26

th

Annual Conference

November 8, 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: Sterling Financial Corporation

Commission File No. 000-16276

William S. Demchak, Vice Chairman of The PNC Financial Services Group, Inc. ( PNC ), gave a presentation to investors on the PNC Association of Boston conference in Boston. This presentation was accompanied by a series of electronic slides that included information on the financial performance and business strategies of PNC. The following slides and related material were posted on PNC 's website on Thursday, November 8, 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 version of the presentation materials

posted on our corporate website at [www.pnc.com/investorevents](http://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 current quarter 2007 Form 10-Q and other reports (accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and on or through our corporate website).

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

In this presentation, we will sometimes refer to adjusted results to help illustrate the impact of the deconsolidation of BlackRock near the end of third quarter 2006 and the impact of certain types of items. Adjusted results reflect, as applicable, the following types of adjustments:

(1)  
2006

periods  
reflect  
the  
impact  
of  
the  
deconsolidation

of  
BlackRock

by  
adjusting

as

if

we

had

recorded

our BlackRock investment on the equity method prior to its deconsolidation; (2) adjusting the 2006 periods to exclude the impact

of

the

third

quarter

2006

gain

on

the

BlackRock/MLIM

transaction

and

losses

on

the

repositioning

of

PNC's

securities

and

mortgage

loan portfolios; (3) adjusting fourth quarter 2006 and the 2007 periods to exclude the net mark-to-market adjustments on PNC

remaining BlackRock LTIP shares obligation and, as applicable, the gain PNC recognized in first quarter 2007 in connection with

company's transfer of BlackRock shares to satisfy a portion of its BlackRock LTIP shares obligation; (4) adjusting all 2007 and

2006 periods to exclude, as applicable, integration costs related to acquisitions and to the BlackRock/MLIM transaction; and (5)

adjusting, as appropriate, for the tax impact of these adjustments. 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  
and  
balance  
sheet.

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 may 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 through the Appendix, is qualified by GAAP reconciliation information available on our corporate website at [www.pnc.com](http://www.pnc.com) under

About PNC  
Investor Relations.

Cautionary Statement Regarding Forward-Looking  
Information and Adjusted Information

State of the markets  
PNC is well-positioned for this environment  
Leveraging our position to capture opportunities  
Key Take-aways

Media Outlets Paint a Gloomy Picture  
Another Subprime Lender Files for Bankruptcy  
February  
2007,  
MoneyNews  
Cash Sources Dry Up for Subprime Mortgage Lenders  
March



2007,

USAToday

Those Who Profited from Subprimes Now Suffer Too

August

2007,

MotherJones

Bond Funds Could Get Hit by Mortgage Mess

September

2007,

MSNBC.com

The Real Credit Crunch Has Only Just Begun

September

2007,

Money

Week

Backlog of Leveraged Loans Still Unnerves Credit Markets

October

2007,

Wall

Street

Journal

Estimated credit

Estimated credit

and liquidity

and liquidity

related charges

related charges

in 3Q07

in 3Q07

\$35 Billion

\$35 Billion

PIK-Toggle Notes Risky Debt Issuances Stage Revival

October

2007,

Wall

Street

Journal

Assessing One's Current Position  
Credit Factors  
Liquidity Factors  
Liquidity Profile  
Subprime/Alt-A  
Commercial real  
estate

Leveraged lending  
Warehouse/  
syndications  
Structures  
SIVs  
Loans to deposits  
Contingent  
funding exposure  
Securities book  
profile  
Capital generation  
ability  
Access to the  
discount window  
Strategy and Business Mix Dictate Ability to Respond  
High  
Low  
Flexible  
Core funded  
Positive operating  
leverage  
Total return focus  
High fee mix  
Estimated 3Q07 Related Costs for the Industry  
>\$5B  
>\$5B  
>\$30B  
>\$30B  
Less flexible  
Focus on NIM  
High cost funding  
Negative operating  
leverage  
NII dependent

\$0  
\$5  
\$10  
\$15  
\$20  
\$25  
\$30

\$35  
\$40  
\$45  
\$50

J  
F  
M  
A  
M  
J  
J  
A  
S  
O  
N  
D  
J  
F  
M  
A  
M  
J  
J  
A  
S  
O  
N  
D  
J  
F

Average Default Rate of  
Adjustable-Rate Subprime RMBS  
Originated 2000-2006  
(% Unpaid Principal Balance)  
2009

Subprime Mortgage Resets  
Still Early  
in the Cycle

Estimated Subprime Loans with Higher Rate Resets

Sources: LoanPerformance, Deutsche Bank, BlackRock, Intex, FBR ABS Research

2007

2008

12 mos.

3.2 %

24 mos.

6.8

36 mos.

11.5

48 mos.

14.6

60 mos.

19.1

72 mos.

20.4

Seasoning

and a Sense of Foreboding

0  
2  
4  
6  
8  
10  
12

14

Default Rates are Still at a Low Point

U.S. Speculative-Grade Bond Default Rate

1983

1985

1989

1991

1993

1999

1995

1997

2001

2003

1987

2005

2007

Long-term

average

4.54%

Source: Standard & Poor's Global Fixed Income Research

Recession

U.S. Speculative-grade default rate (%)



0  
200  
400  
600  
800  
1,000  
1,200

1,400  
1,600  
1,800  
2,000

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

10 Year BBB

10 Year B

10 Year CCC

Pricing

No Bargains Yet

Spread Between Corporate Debt and 10-Year Treasury, bps

Source: RiskMetrics Group

2003

2004

2005

2006

2007

4.50%  
4.75%  
5.00%  
5.25%  
5.50%  
5.75%  
6.00%

Fed Funds

Ongoing Liquidity Pressures

1 Month LIBOR

Source: SNL DataSource

\$0

\$500

\$1,000

\$1,500

\$2,000

\$2,500

\$3,000

Diverging Yields

Liquidity Needs

Weekly average

primary credit

borrowings from the

Fed

millions

Source: Federal Reserve

June 4

July

August

September

October 22

2007

June

July

August

September

October

2007

State of the markets  
PNC is well-positioned for this environment  
Leveraging our position to capture opportunities  
Key Take-aways  
PNC

WFC  
7.92 %  
NCC  
7.33  
BBT  
7.11  
RF

6.95

KEY

6.92

CMA

6.91

USB

6.90

WB

6.88

FITB

6.74

STI

6.62

PNC

6.37

Moderate Risk Profile Reflected in

Absolute Yields

Focus on Total Risk-adjusted Returns

PNC

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

3Q07

Focus on Risk-adjusted Lending

3Q07

Yield on Total Loans

Yield on Interest Earning Assets

WFC

8.35 %

BBT

7.70

NCC

7.50

RF

7.39

WB

7.38

USB

7.33

KEY

7.28

CMA

7.13

FITB

6.99

PNC

6.89

STI

6.79

Maintaining a Moderate Credit Risk

Profile

A Closer Look

PNC

53%

28%

14%



45%

28%

22%

Composition of Loans for Third Quarter 2007

Source: Company reports, peer average reflects average of super-regional banks as defined in Appendix excluding PNC, except as noted below.

(1) RF and FITB excluded due to unavailability of information. (2) KEY and FITB excluded due to unavailability of information.

Major Loan Category Comparison<sup>1</sup>

% of Total Average Loans

Peer Average

PNC

Securities<sup>2</sup>

5.42%

5.42%

Loans<sup>1</sup>:

Commercial

7.42%

7.40%

(includes commercial real estate)

Consumer

6.66%

8.01%

Residential Mortgage

6.07%

7.00%

PNC

Peer

Average

Average Yields

Commercial

(includes commercial

real estate)

Consumer

Residential

Mortgage

High Quality Consumer Loan Portfolio

Auto

5%

Residential

Mortgage

35%

Composition of Consumer Loan and Residential Mortgage Portfolio

As of September 30, 2007

Home Equity Portfolio

Credit Statistics

First lien positions

39%

In-footprint exposure

93%

Weighted average:

Loan to value

72%

FICO scores

726

Net charge-offs<sup>1</sup>

0.18%

90 days past due

0.30%

Other

8%

Home

Equity

52%

Residential Mortgage Portfolio

Credit Statistics

Weighted average:

Loan to value

67%

FICO scores

747

Net charge-offs<sup>1</sup>

0.01%

90 days past due

1.20%

(1) For the three months ended September 30, 2007.

WB  
0.19 %  
RF  
0.27  
PNC  
0.30  
CMA

0.32  
STI  
0.35  
KEY  
0.35  
BBT  
0.41  
USB  
0.54  
NCC  
0.54  
FITB  
0.60  
WFC  
1.02  
USB  
318 %  
PNC  
251  
RF  
182  
CMA  
176  
BBT  
171  
KEY  
168  
WFC  
142  
WB  
117  
FITB  
117  
NCC  
113  
STI  
93  
Credit Discipline Reflected in  
Reserves and Losses  
Proactively Assessing Credits  
PNC  
For the three months ended September 30, 2007. Source: SNL DataSource, PNC as reported  
3Q07  
Managing the Risk  
3Q07  
Net Charge-offs to Average Loans  
Reserves to Nonperforming Assets

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

\$7

2004

2005

2006

Revenue

9%

Creating Positive Operating Leverage

Generating Capital by Growing Revenues Faster Than Expenses

billions

Compound Annual

Growth Rate

(2004

2006)

Adjusted Revenue

(as reported

\$5.5 billion, \$6.3 billion, \$8.6 billion for 2004, 2005, 2006, respectively)

Adjusted Noninterest

Expense

(as reported \$3.7 billion, \$4.3 billion, \$4.4 billion for 2004, 2005, 2006, respectively)

Adjusted Net Income

(as reported \$1.2 billion, \$1.3 billion, \$2.6 billion for 2004, 2005, 2006, respectively)

Net Income

12%

\$1.2

\$1.3

\$1.5

Expense

7%

Revenue +20%

Expense +15%

Net Income +19%

Trend Continues<sup>1</sup>

(1)

As

reported:

revenue

(28%),

expense

(11%),

net

income

(42%).

Adjusted

amounts

are

reconciled

to

GAAP

in

the

Appendix.

Nine months ended September 30, as adjusted

2007 vs 2006

PNC



RF  
3.90 %  
PNC  
3.99  
USB  
4.01  
FITB

4.04  
STI  
4.08  
WFC  
4.14  
BBT  
4.20  
CMA  
4.29  
WB  
4.34  
KEY  
4.40  
NCC  
4.46

Cost of Interest Bearing Liabilities<sup>2</sup>

3Q07

PNC

58 %

USB

52

FITB

48

WFC

46

WB

42

STI

42

BBT

42

KEY

41

RF

39

NCC

37

CMA

30

Building a Diversified Business Mix

PNC

High Fee Income Contribution

YTD07

(1) For the nine months ended September 30, 2007. (2) For the three months ended September 30, 2007. (3) Reconciled to GAAP in the Appendix. Source: SNL DataSource, PNC as reported

Low Cost Funding Mix

Noninterest Income to Total Revenue<sup>1</sup>

50%

without

PFPC and

BlackRock<sup>3</sup>

(3)  
(2)  
(1)  
0  
1  
2  
3

4

0.0%

1.0%

2.0%

3.0%

4.0%

5.0%

6.0%

Proactively Managing the

Balance Sheet

Aligning the Balance Sheet with Expectations

PNC Duration

of Equity

(At Quarter End)

Fed Fund

Effective Rate

(At Quarter End)

2004

PNC

2005

2006

2007

Source: SNL DataSource, PNC as reported

State of the markets  
PNC is well-positioned for this environment  
Leveraging our position to capture opportunities  
Key Take-aways

Opportunities to Capture Value  
Remaining focused on client-related business  
Affinity toward asset-based lending  
Leveraging Midland Loan Services  
Exercising patience and finding pockets of value

Summary

We've executed on  
our strategies

We're well-positioned  
for the current  
environment

Liquidity Profile



High  
Low  
PNC  
PNC

Cautionary Statement Regarding  
Forward-Looking Information

Appendix

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 Securities

Litigation

Reform

Act.

Forward-looking

statements

are

typically

identified

by

words

such

as

believe,

expect,

anticipate,

intend,

outlook,

estimate,

forecast,

will ,

project

and

other

similar

words

and

expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements.

Forward-looking statements are subject to assumptions and uncertainties, and 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 these risks and uncertainties in our Form 10-K for the year ended December 31, 2006, including in the Risk Factors and Risk Management sections.

Our forward-looking statements are also 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

and on or through our corporate website at [www.pnc.com](http://www.pnc.com) under "About PNC".

Investor Relations

Financial Information.

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

Changes in interest rates and valuations in the debt, equity and

other financial markets.

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

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

Changes in our customers', suppliers'

and other counterparties'

performance in general and their creditworthiness in particular.

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

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

Our operating results are affected by our liability to provide shares of BlackRock common stock to help fund certain BlackRock plan ( LTIP ) programs, as our LTIP liability is adjusted quarterly ( marked-to-market ) based on changes in BlackRock's stock price, the number of remaining committed shares, and we recognize gain or loss on such shares at such times as shares are transferred 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 our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention 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

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 business appropriate, through the effective use of third-party insurance, derivatives, 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 competitive demands.

The adequacy of our intellectual property protection, and the extent of any costs associated with obtaining rights in intellectual property, and 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 that result

of

the

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

Also, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical performance of our equity interest in BlackRock, Inc. are discussed in more detail in BlackRock's 2006 Form 10-K, including in the Risk Factors section of BlackRock's other filings with the SEC, accessible on the SEC's website and on or through BlackRock's website at [www.blackrock.com](http://www.blackrock.com).

We  
grow  
our  
business  
from  
time  
to  
time  
by  
acquiring  
other  
financial  
services  
companies,  
including  
our  
pending  
Sterling  
Financial  
Corporation  
( Sterling )  
acquisition.  
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 acquisition 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 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 the pre-acquisition operations of an acquired business may cause reputational harm to PNC following the acquisition and integration of the business into ours and may result in additional future costs arising as a result of those issues.

Any annualized, proforma, estimated, third party or consensus numbers in this presentation are used for illustrative or comparative purposes and may not reflect actual results. Any consensus earnings estimates are calculated based on the earnings projections made by the analysts of 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, Sterling's or other company's actual or anticipated results.

Cautionary Statement Regarding

Forward-Looking Information (continued)

Appendix

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 at <http://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  
Appendix

Non-GAAP to GAAP  
Reconciliation  
Income Statement Summary  
For the Nine Months Ended September 30  
Appendix  
NINE MONTHS ENDED  
In millions

As Reported  
 Adjustments  
 As Adjusted (a)  
 As Reported  
 Adjustments  
 As Adjusted (b)  
 Net interest income  
 \$2,122  
 \$2,122  
 \$1,679  
 (\$10)  
 \$1,669  
 Net interest income:  
 % Change As  
 Reported  
 % Change As  
 Adjusted  
     Loans  
 806  
  
 806  
  
 682  
  
 (10)  
  
 672  
  
 18%  
 20%  
     Deposits  
 1,316  
  
 1,316  
  
 997  
  
 997  
  
 32%  
 32%  
 Noninterest Income  
 2,956  
  
 \$4  
 2,960  
  
 5,358  
  
 (2,777)

2,581

(45%)

15%

Total revenue

5,078

4

5,082

7,037

(2,787)

4,250

(28%)

20%

Loan net interest income as a % of total revenue

15.9%

15.9%

9.7%

15.8%

Deposit net interest income as a % of total revenue

25.9%

25.9%

14.2%

23.5%

Noninterest income as a % of total revenue

58.2%

58.2%

76.1%

60.7%

Provision for credit losses

127

127

82

82

Noninterest income

2,956

4

2,960

5,358

(2,777)

2,581

Noninterest expense

3,083

(67)

3,016

3,474

(856)

2,618

(11%)

15%

Income before minority interest  
and income taxes

1,868

71

1,939

3,481

(1,931)

1,550

Minority interest in income  
of BlackRock

47

(47)

Income taxes

579

23

602

1,215

(788)

427

Net income

\$1,289

\$48

\$1,337

\$2,219

(\$1,096)

\$1,123

(42%)

19%

OPERATING LEVERAGE - NINE MONTHS ENDED

As Reported

As Adjusted

Total revenue

(28%)

20%

Noninterest expense

(11%)

15%

Operating leverage

(17%)

5%

(a)

Amounts  
adjusted  
to  
exclude  
the  
impact  
of  
the  
following  
pretax  
items:  
(1)  
the  
gain  
of  
\$83  
million  
recognized  
in  
connection  
with  
PNC's  
transfer  
of  
BlackRock  
shares  
to  
satisfy  
a  
portion  
of  
our  
BlackRock  
LTIP  
shares  
obligation,  
(2)  
the  
net  
mark-to-market  
adjustment  
totaling  
\$82  
million  
on  
our  
remaining  
BlackRock  
LTIP  
shares



obligation,  
and

(3)  
acquisition  
and

BlackRock/MLIM

transaction integration costs totaling \$72 million. The net tax impact of these items is reflected in the adjustment to income tax

(b)  
Amounts  
adjusted  
to  
exclude

the  
the  
impact  
of  
the  
following  
pretax  
items:

(1)  
the  
gain  
of  
\$2.078  
billion

on  
the  
BlackRock/MLIM  
transaction,

(2)  
the  
loss  
of  
\$196  
million  
on  
the  
securities  
portfolio  
rebalancing,

(3)  
BlackRock/MLIM  
transaction  
integration  
costs  
of  
\$91  
million  
for  
the

first  
nine  
months  
of  
2006,  
and  
(4)  
the  
mortgage  
loan  
portfolio  
repositioning  
loss  
of  
\$48  
million.

The  
net  
tax  
impact  
of  
these  
items  
is  
reflected  
in  
the  
adjustment  
to  
income  
taxes.

We  
believe  
that  
information  
as  
adjusted  
for  
the  
impact  
of  
these  
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.  
Additionally,  
the  
amounts  
are  
also  
adjusted  
as  
if  
we  
had  
recorded  
our  
investment  
in  
BlackRock  
on  
the  
equity  
method.  
We  
believe  
that  
providing  
amounts  
adjusted  
as  
if  
we  
had  
recorded  
our  
investment

in  
BlackRock  
on  
the  
equity  
method  
for  
all  
periods  
presented  
helps  
provide

a basis of comparability for the impact of the BlackRock deconsolidation given the magnitude of the impact on various compo

2006 to 2007 Change

September 30, 2007

September 30, 2006

Non-GAAP to GAAP  
Reconciliation  
Income Statement Summary  
2004 to 2006  
Appendix  
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,  
and  
adjustment  
for  
the  
tax  
impact  
thereof:  
\$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  
Income Statement Summary  
2004 to 2006 (continued)  
Appendix  
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  
 Adjusted total revenue  
 4,883  
 5,264  
 5,807  
 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  
 Total revenue, as reported  
 5,541  
 6,327  
 8,572  
 24%  
 Noninterest expense, as reported  
 3,712  
 4,306  
 4,443  
 9%  
 Net income, as reported  
 \$1,197  
 \$1,325  
 \$2,595  
 47%

Non-GAAP to GAAP  
Reconcilement  
Noninterest Income/Total Revenue  
Appendix  
Nine Months Ending September 30, 2007  
Dollars in millions  
Retail

Banking  
 Corporate &  
 Institutional  
 Banking  
 Other  
 Banking and  
 Other  
 BlackRock  
 PFPC  
 Total  
 Net interest income (expense)  
 \$1,517  
 \$571  
 \$48  
 \$2,136  
 (\$14)  
 \$2,122  
 Noninterest income  
 1,280  
  
 558  
  
 260  
  
 2,098  
  
 \$227  
 631  
  
 2,956  
  
 Total Revenue  
 \$2,797  
 \$1,129  
 \$308  
 \$4,234  
 \$227  
 \$617  
 \$5,078  
 Noninterest income as a % of  
 total revenue  
 46%  
 49%  
 84%  
 50%  
 100%  
 102%  
 58%

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