

STERLING FINANCIAL CORP /PA/

Form 425

December 12, 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

James

E,

Rohr,

Chairman

and

Chief

Executive

Officer

of

The

PNC

Financial

Services

Group,

Inc.

(PNC),

gave

a

presentation

to investors on December

12, 2007 at the Goldman Sachs Financial

Services

CEO

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
Wednesday,
December
12,
2007.

The PNC Financial Services Group, Inc.
Goldman Sachs
Financial Services CEO Conference 2007
New York
December 12, 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.

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

Performance validates business model
Investing for the future
Differentiation to drive growth
PNC's Differentiation

Growing Our Balance Sheet

As of September 30

\$77B

\$93B

\$98B

\$131B

Peer

net
loan CAGR
14%

(1) Peer reflects CAGR of the average of the super-regional banks identified in the Appendix other than PNC.

\$51B
\$42B
\$60B
\$50B
\$65B
\$48B
\$78B
\$65B

Peer
deposit
CAGR
10%

Peer
asset
CAGR
11%

Net loans
Deposits
Assets

1
1
1

2004

2005

2006

2007

Delivering the Bottom Line

2004

2005

2006

2007

For the Nine Months
Ended September 30

\$890MM

\$970MM

\$1.12B

(as adjusted,

\$2.22B as reported)

\$1.34B

(as adjusted,

\$1.29B as reported)

(1)

As

adjusted.

As

reported

net

income

CAGR

13%;

diluted

earnings

per

share

CAGR

7%.

Adjusted

net

income

and

diluted

earnings

per

share

for

the

nine

months

ended

September

30,

2006

and

2007

are

reconciled

to

GAAP

figures

in
the
Appendix.
(2)
Peer
reflects
CAGR
of
the
average
of
the
super-regional
banks
identified
in
the
Appendix
other
than
PNC.
Peer
net
income CAGR
7%
For the Nine Months
Ended September 30
\$3.13
\$3.35
\$3.77
(as adjusted,
\$7.46 as reported)
\$4.00
(as adjusted,
\$3.85 as reported)
Peer
diluted
EPS CAGR
1%
Diluted Earnings Per Share
Net Income
2
2

\$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 Continues¹

(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

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

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

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
High Fee Income Contribution
YTD07

(1) For the nine months ended September 30, 2007. (2) As of September 30, 2007. (3) Reconciled to GAAP in the Appendix.
DataSource, PNC as reported
Less Net Interest Income Dependent
Noninterest Income to Total Revenue¹

50%
without
PFPC and
BlackRock³

PNC
84 %

RF
101

STI
104

BBT
104

WB
106

KEY
108

WFC
108

FITB
110

NCC
114

CMA
118

USB
121

Loans to Deposits²
3Q07

Performance validates business model
Investing for the future
Differentiation to drive growth
PNC's Differentiation

Projected 5-Year Population Growth

\$60,949

\$56,250

\$69,270

\$54,620

\$73,965

\$69,363

\$66,273

Median Household Income

Improving Our Demographics

3.7%

6.0%

2.0%

3.4%

8.4%

10.0%

3.9%

2003

Proforma

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.

\$0
\$4
\$8
\$12
\$16
\$20
1Q06

3Q07

Asset Management

Service Charges

Brokerage

Corporate Services

Consumer and Other

Executing in the Greater Washington

Area (**GWA**)

40.5%

43.6%

0

25

50

75

100

125

Deepening Relationships and Growing Noninterest Income*

GWA noninterest income

to total revenue

PNC -

GWA Retail Relationships

(1) Riggs transaction completed May 2005

PNC GWA Region

*Excludes the impact of Mercantile

June 30

2005¹

Sept 30

2007

PNC -

GWA Fee Growth

+14%

+48%

+45%

+96%

+38%

GWA business checking relationships

GWA consumer checking relationships

1Q06

3Q07

Transforming the Business Model
High Growth Product Focus
Albridge Solutions, Inc.
To
Integrated
Provider
Leveraging Our Global Fund Servicing

Platform
From
Processor
Unified client views
Performance reporting
\$0
\$100
\$200
\$300
\$400
\$500
\$600
\$700
Emerging Product
Revenue
Core Product
Revenue
Sept 04
Sept 07
21%
28%
72%
79%
Emerging product
revenue
3-yr CAGR 18%
For the nine months ended

Leveraging Corporate & Institutional
Relationships to Grow Noninterest Income

\$0
\$200
\$400
\$600
\$800

Major Product Revenue¹

(1) Represents consolidated PNC amounts

2006

2007

For the nine months ended

Capital Markets

Treasury Management

Midland Loan Services

Commercial Loan Servicing

CMBS Servicing Portfolio

Institutional Servicing Portfolio

Agency Servicing Portfolio

Construction Loan Administration

Government Services

Foreign exchange

Derivatives

Loan syndications

M&A advisory services

Securities underwriting

Securities sales and trading

Cash and investment management

Receivables management

Disbursement services

Funds transfer services

Information reporting

Global trade services

Deepening Relationships with Fee Based Products and Services

Leveraging Corporate & Institutional Banking
Channels to Grow Low Cost Deposits
3Q06
4Q06
3Q07
Corporate & Institutional Banking
Average Deposits

Total deposits

\$13.6 billion

Treasury

Management

74%

Midland

25%

Other

1%

Midland

40%

Treasury

Management

59%

For the three months ended

\$10.5B

\$11.8B

\$13.6B

Noninterest bearing

\$7.2 billion

\$0
\$10
\$20
\$30
\$40
\$50
Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov

2006

CMBS Originations

A Strategic Business with

Unprecedented Liquidity Issues and Spread Widening

Focused on risk adjusted returns,

supports our servicing activity

High quality HFS credit portfolio

consistent with moderate risk

profile

Unprecedented market volatility

across entire non-government and

non-agency markets

As of November 30, 2007,

commercial mortgages held for

sale were approximately \$1.5B

with \$55 million of losses

Committed to the business

0

25

50

75

100

125

Market Volatility Impact on CMBS

10 Year, AAA Spread

over swaps, bps

CMBS Spreads

Nov 07

+121

2001 2002 2003 2004 2005 2006 2007

US CMBS Securitizations

Context

Sept 07

+65

Source: Commercial Mortgage Alert

2007

Performance validates business model
Investing for the future
Differentiation to drive growth
PNC's Differentiation

Foster
Innovation
Strengthen
the brand
Engage
Employees
Create a

sense of
urgency
PNC's Differentiation
Focus on
Execution

Brand Equity Contribution to Market Cap
Home
Appliances
Motor
Vehicles
Restaurants
Toiletries/

Cosmetics

Retailers

Banks

16.1%

14.8%

13.3%

13.3%

11.5%

6.8%

Source: CoreBrand

Foster
Innovation
Strengthen
the brand
Engage
Employees
Create a

sense of
urgency
PNC's Differentiation
Focus on
Execution

Performance validates business model
Investing for the future
Differentiation to drive growth
Summary

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
the
Private
Securities
Litigation
Reform
Act.
Forward-looking
statements
are
typically
identified
by
words
such

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

undertake
to
update
our
forward-looking
statements.
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
current
quarter
2007
Form
10-Q
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
corporate
website
at
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
principal
markets
in
which
we
operate.

In
particular,
our
businesses
and
financial
results
may
be
impacted
by:

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

financial
markets.

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

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

Changes
in
our

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

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

A
continuation
of
recent
turbulence
in
significant
portions
of
the
global
financial
markets
could
impact
our
performance,
both

directly
by
affecting
our
revenues
and
the
value
of
our
assets
and
liabilities
and
indirectly
by
affecting
the
economy
generally.

Our
operating
results
are
affected
by
our
liability
to
provide
shares
of
BlackRock
common
stock
to
help
fund
certain
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,
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
to
meet
competitive
demands.

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

Also,
risks
and
uncertainties
that
could
affect
the

results
anticipated
in
forward-looking
statements
or
from
historical
performance
relating
to
our
equity
interest
in
BlackRock,
Inc.
are
discussed
in
more
detail
in
BlackRock's
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
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
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.
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,
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

CMBS Supplemental Information

Appendix

PNC CMBS Portfolio

Spread Volatility

0

2

4

6

8

10

12

14

10 Year, AAA CMBS vs swaps, bps

Weekly CMBS Spread Volatility

(03/29/05

12/04/07)

2005

2006 2007

Source: JPMorgan

08/01/07

11/19/07

High quality portfolio

-Internal assessment of 85%+

AAA equivalent

-Modest level of kick-outs

-Weighted average loan to

value of 72% with

conservative escrows

-Average debt service

coverage of 1.3x with 90%+

amortizing loans versus

common trend of extended

term interest-only financing

Non-GAAP to GAAP
Reconcilement
Earnings Summary
Nine Months Ended
Appendix
NINE MONTHS ENDED
In millions, except per share data

Adjustments,	
Net	
Diluted	
Adjustments,	
Net	
Diluted	
Pretax	
Income	
EPS	
Pretax	
Income	
EPS	
Net income, as reported	
\$1,289	
\$3.85	
\$2,219	
\$7.46	
Adjustments:	
BlackRock LTIP (a)	
\$(1)	
(1)	
Integration costs (b)	
72	
49	
.15	
\$91	
39	
.13	
Gain on BlackRock/MLIM transaction (c)	
(2,078)	
(1,293)	
(4.35)	
Securities portfolio rebalancing loss (c)	
196	
127	
.43	
Mortgage loan portfolio repositioning loss (c)	
48	
31	

.10

Net income, as adjusted

\$1,337

\$4.00

\$1,123

\$3.77

September 30

NINE MONTHS ENDED

2004

2005

2006

2007

CAGR

Net income, as reported

\$890

\$970

\$2,219

\$1,289

13%

Net income, as adjusted

890

970

1,123

1,337

15%

Diluted earnings per share, as reported

3.13

3.35

7.46

3.85

7%

Diluted earnings per share, as adjusted

\$3.13

\$3.35

\$3.77

\$4.00

9%

(c) Included in noninterest income on a pretax basis.

September 30, 2007

September 30, 2006

(a)

Includes

the

impact

of

the

gain

recognized

in

connection
with
PNC's
transfer
of
BlackRock
shares
to
satisfy
a
portion
of
PNC's
BlackRock
LTIP
shares
obligation
and
the
net mark-to-market adjustment on PNC's remaining BlackRock LTIP shares obligation.

(b)
In
addition
to
acquisition
integration
costs
related
to
recent
or
pending
PNC
acquisitions
reflected
in
the
2007
period
presented,
both
the
2007
and
the
2006
periods
presented
include
BlackRock/MLIM

transaction
integration
costs.

BlackRock/MLIM

transaction
integration
costs

recognized

by
PNC

for
the

first
nine
months

of
2007

were
included

in
noninterest
income

as
a

negative
component

of
the

"Asset
management"
line

item,
which

includes
the

impact
of

PNC's
equity

earnings
from

PNC's
investment

in

BlackRock. The first nine months of 2006 BlackRock/MLIM transaction integration costs were included in noninterest expenses.

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
For the Three Months Ended
Appendix
For the three months ended September 30, 2007
PNC

PNC

In millions

As Reported

Adjustments (a)

As Adjusted

Reported

Adjusted

Net interest income

\$761

\$761

Loan net interest income

294

294

5%

5%

Deposit net interest income

467

467

2%

2%

Provision for credit losses

65

65

Net interest income less provision for credit losses

696

696

Asset management

204

\$2

206

Other

786

50

836

Total noninterest income

990

52

1,042

2%

7%

Compensation and benefits

553

(16)

537

Other

546

(25)

521

Total noninterest expense

1,099

(41)
 1,058
 6%
 3%
 Income before income taxes
 587
 93
 680
 Income taxes
 180
 31
 211
 Net income
 \$407
 \$62
 \$469
 (4%)
 8%
 For the three months ended June 30, 2007
 PNC
 PNC
 In millions
 As Reported
 Adjustments (b)
 As Adjusted
 Net interest income
 \$738
 \$738
 Loan net interest income
 280
 280
 Deposit net interest income
 458
 458
 Provision for credit losses
 54
 54
 Net interest income less provision for credit losses
 684
 684
 Asset management
 190
 \$1
 191
 Other
 785
 1
 786
 Total noninterest income
 975

2
977
Compensation and benefits
544
(9)
535
Other
496
(6)
490
Total noninterest expense
1,040
(15)
1,025
Income before income taxes
619
17
636
Income taxes
196
6
202
Net income
\$423
\$11
\$434
% Change vs. June 30, 2007
(a)
Includes
the
impact
of
the
following
items
on
a
pretax
basis:
\$50
million
net
loss
related
to
our
BlackRock
LTIP
shares
obligation

and
\$43
million
of
acquisition
and

BlackRock/MLIM transaction integration costs. The net tax impact of these items is reflected in the adjustment to income tax

(b)
Includes
the
impact
of
the
following
items

on
a
pretax
basis:
\$16
million
of
acquisition
and

BlackRock/MLIM
transaction
integration
costs

and
\$1
million
net
loss

related to our BlackRock LTIP shares obligation. The net tax impact of these items is reflected in the adjustment to income tax

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
Reconciliation
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
 CAGR
 In millions
 2004
 2005
 2006
 As Adjusted
 Adjusted net interest income

\$1,955

\$2,142

\$2,235

Adjusted noninterest income

2,928

3,122