STERLING FINANCIAL CORP /PA/
Form 425
January 29, 2008

Filed by The PNC Financial Services Group, Inc.

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

Subject Company: Sterling Financial Corporation

Commission File No. 000-16276

On January 29, 2008, Richard J. Johnson, Chief Financial Officer of The PNC Financial Services Group, Inc. (the Corporation), gave a presentation to investors at the 2008 Citigroup Financial Services Conference in New York, New York. This presentation was accompanied by a series of electronic slides that included information pertaining to the financial results and business strategies of the Corporation. A copy of these slides and related material were posted on PNC s website on Tuesday, January 29, 2008 and are set forth below:

The PNC Financial Services Group, Inc.
Citigroup
Financial Services Conference 2008
New York
January 29, 2008

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 third 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 at www.pnc.com/secfilings). 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 2006 periods, as applicable, 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; (5) adjusting 2007 periods, as applicable, for the fourth quarter 2007 Visa litigation charge; and (6) 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

Delivered solid growth
Created positive operating leverage on an adjusted basis
Strong asset quality
Successful Mercantile integration; poised for

growth
Effective capital
deployment
Well-positioned for this
environment
2007 Highlights
Assets
$139 billion
Net income
$1.5 billion
Net income adjusted
1
$1.7 billion
Noninterest income
to total revenue
57%
NPAs
to total assets
.34%
Allowance to loans
1.21%
Tier 1 risk-based ratio
2
6.8%
2007 Financial Highlights
As of or for the year ended December 31, 2007.
(1) Adjusted net income reconciled to GAAP net income in the Appendix.
(2) Estimated.
Key Accomplishments

PNC s Differentiated Business Model
Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income
contribution
Positive adjusted operating leverage
Moderate risk profile
-Strategic choices

-Operating discipline

Disciplined capital management
Well-positioned for this environment
Key take-aways

Segment Earnings
1
Business Leadership
Our Focused and Diversified Business
Segments
Retail Banking
-

Focused on winning in the payments space
-
A leading community bank in PNC major
markets
-
One of the nation s largest bank wealth
management firms
Corporate & Institutional Banking
-
A premier middle-market franchise
-
Top 10 treasury management business
-
Harris Williams
one of the nations
largest
M&A advisory firms for the middle-market
-
The nation s 4th
largest lead arranger of asset-
based loan syndications, 2nd
largest in middle-
market
BlackRock
-
A global asset management company with $1.4
trillion in assets under management
PFPC
-
A leading full service provider of processing,
technology and business solutions for the global
investment industry; $2.5 trillion in serviced
assets domestically and internationally.
For the year ended December 31, 2007, millions
$432
$893
$253
$128
(1) Business earnings reconciled to GAAP net income of $1,467 million in the Appendix. BlackRock segment earnings are ad
our pretax share of BlackRock/MLIM integration costs totaling $4
million.
Contribution
52%
25%
15%
8%

CMA
21 %
WFC
20
PNC
18
KEY

16
RF
16
FITB
15
USB
14
STI
14
NCC
13
BBT
12
WB
10
Average Noninterest-Bearing Deposits
to Average Interest-Earning Assets[1]
2007
PNC
57 %
USB
52
FITB
46
WFC
45
BBT
42
WB
41
KEY
41
RF
39
STI
39
NCC
36
CMA
30
Building a Differentiated Business Mix
High Fee Income Contribution
2007
(1) As of or for the year ended December 31, 2007. (2) Reconciled to GAAP in the Appendix. Source: SNL DataSource, PNC
A Funding Advantage
Noninterest Income to Total Revenue[1]
47%
without
PFPC and
BlackRock[2]

A Unique Revenue Mix
A More Diverse and Valuable Revenue
Stream
Deposit
Net Interest
Income
Loan

Net Interest
Income
12%
26%
16%
Asset
Management
10%
Consumer
Services,
Brokerage
and Deposit
Charges
12%
Fund
Servicing
15%
Corporate
Services
9%
Equity
Mgmt.,
Trading
and Other
For the year ended December 31, 2007
1,2
Adjusted loan net
interest income
increased 25%
year over year[2]
Adjusted loan net
interest income
increased 25%
year over year*
Adjusted deposit
net interest income
increased 34%
year over year[2]
Adjusted
noninterest
income
increased 10%
year over year[2]
(1) As
adjusted.
(2)
Adjusted
noninterest
income,
deposit

net interest income, loan net interest income and growth percentages are reconciled to GAAP in the Appendix. Unadjusted change: noninterest income (40%), deposit net interest income 34%, and loan net interest income 24%.

PNC s Differentiated Business Model
Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income
contribution
Positive adjusted operating leverage
Moderate risk profile
-Strategic choices

-Operating discipline

Disciplined capital management
Well-positioned for this environment
Key take-aways

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

$7
Revenue
+9%
Creating Positive Operating Leverage
Growing Revenues Faster Than Expenses
Adjusted Revenue
(as reported
$5.5 billion, $6.3 billion, $8.6 billion, $6.7 billion for 2004, 2005, 2006, 2007, respectively)
Adjusted Noninterest
Expense
(as reported $3.7 billion, $4.3 billion, $4.4 billion, $4.3 billion for 2004, 2005, 2006, 2007, respectively)
Adjusted Net Income
(as reported $1.2 billion, $1.3 billion, $2.6 billion, $1.5 billion for 2004, 2005, 2006, 2007, respectively)
$1.2
$1.3
$1.5
(1)
As reported: revenue 24%, expense 9%, operating leverage 15%, net income 47%.
(2)
As reported: revenue (22%), expense (3%), operating leverage (19%), net income (43%).
(3)
Adjusted amounts are reconciled to GAAP amounts in the Appendix.
2004
2005
2006
Expense
+7%
Net Income
+12%
Compound Annual Growth
(2004-2006, as adjusted)
1,3
Revenue
+18%
Expense
+15%
Net Income
+12%
2006-2007
As adjusted
2,3
Operating
Leverage
+2%
Operating
Leverage
+3%
$1.7
2007

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Key take-aways

Nonperforming loans to total loans
.64%
.85%
Nonperforming assets to total assets
.34%

.65%
Net charge-offs to average
loans (three months ended)
.49%
.73%
Allowance for loan and lease
losses to loans
1.21%
1.23%
Allowance for loan and lease
losses to nonperforming loans
190%
144%
Disciplined Approach Leads to Strong
Credit Risk Profile
Source: SNL DataSource; Peer Group represents average of super-regional
banks identified in the Appendix other than PNC.
As of December 31, 2007
PNC
Peer
Group
Credit decisions driven by
risk-adjusted returns
Minimal exposure to subprime
mortgages, high-yield bridge and
leveraged finance loans
Relatively low commercial real
estate exposure
Highly granular portfolio
Credit quality migrating at a
manageable pace
Overview
Asset Quality

A High Quality Consumer Loan Portfolio
Auto
5%
Residential
Mortgage
34%
Composition of Consumer Loan and Residential Mortgage Portfolio

As of December 31, 2007
Home Equity Portfolio
Credit Statistics[1]
First lien positions
39%
In-footprint exposure
93%
Weighted average:
Loan to value
73%
FICO scores
727
Net charge-offs[2]
0.20%
90 days past due
0.37%
Other
9%
Home
Equity
52%
Residential Mortgage Portfolio
Credit Statistics[1]
Weighted average:
Loan to value
67%
FICO scores
747
Net charge-offs[2]
0.01%
90 days past due
0.77%
(1) Excludes the impact of Yardville, which PNC acquired effective October 26, 2007 and expects to convert during March 20
loans from acquired portfolios for which lien position and loan-to-value information was limited and represents most recent FI
have on file, where applicable.
(2) For the year ended December 31, 2007.
Total Portfolio $27.9 billion

$8.9 billion
A Well-balanced Commercial Portfolio
Composition of Commercial Lending Portfolio
As of December 31, 2007
Office
16%
Multi-family

9%
Land
5%
Single Family, Residential
Land, Condo
23%
Hotel
5%
Industrial
8%
Other
19%
Retail
15%
Commercial
Other
57%
Asset-
Based
12%
Commercial
Real Estate
22%
Equip.
Leasing
9%
Total Portfolio $41 billion

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Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income
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Key take-aways

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

Improving Our Retail 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 we
households. Data reflects demographics of footprint counties of that company in the case of Mercantile, Yardville and Sterling
the case of Riggs, weighted by deposits. PNC 2003 and PNC Proforma amounts reflect demographics, weighted by deposits, o
county footprint and 105 county footprint, respectively, including the impact of PNC s ongoing branch optimization process.
Mercantile headquarter offices excluded for purposes of deposit weighting. Source: SNL DataSource. *Pending.

$0
$4
$8
$12
$16
$20
$24

1Q06
4Q07
Corporate Services
Brokerage
Consumer, Service Charges and Other
Asset Management
Executing in the Greater Washington Area
40.5%
45.4%
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
2005[1]
Dec. 31
2007
PNC -
GWA Fee Growth
+25%
+17%
+61%
+191%
GWA business checking relationships
GWA consumer checking relationships
1Q06
4Q07

High Growth Product Focus
Albridge Solutions
Coates Analytics
To
Integrated
Provider
Transforming the PFPC Business Model

From
Processor
Unified client views
Performance reporting
Web-based analytics tools
$0
$100
$200
$300
$400
$500
$600
$700
$800
$900
Emerging Product
Revenue
Core Product
Revenue
22%
30%
70%
78%
Emerging product
revenue
3-yr CAGR 18%
Transforming the Business Model
2004
2007
Year ended

PNC s Differentiated Business Model
Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income
contribution
Positive adjusted operating leverage
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Well-positioned for this environment
Key take-aways

PNC Duration
of Equity
(At Quarter End)
(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
Fed Fund
Effective Rate
(At Quarter End)
2004
2005
2006
2007
Source: SNL DataSource, PNC as reported.

Enhancing Our Capital Flexibility in 2008
Tier 1 Approach Better Aligns Capital Management with Risk
Consistent with economic
capital methodologies
A better measure of risk
Access to broader capital
markets

PNC benchmark of 7.5% -
8.0%
Earnings growth
Capital markets
Return to shareholders
Investing in growth
Tier 1 Risk-based Ratio
Sources/Uses

Continuing to Build a Great Company
2008 Plan
Remain focused on our strategies
Execute, execute, execute
Disciplined investment in opportunities

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 third 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/secfilings. 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 filings with the SEC, including in the Risk Factors sections of BlackRock s reports. BlackRock s SEC filings are accessible on the SEC s website and on or through BlackRock s website at www.blackrock.com. 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 in addition to those presented by the nature of the business acquired. In particular, acquisitions may be substantially more expensive to complete (including as a result of costs incurred in connection with the integration of the acquired company) and the anticipated benefits (including anticipated cost savings and strategic gains) may be significantly harder or take longer to achieve than expected. In some cases, acquisitions involve our entry into new businesses or new geographic or other markets, and these situations also present risks resulting from our inexperience in these new areas. As a regulated financial institution, our pursuit of attractive acquisition opportunities could be negatively impacted due to regulatory delays or other regulatory issues. Regulatory and/or legal issues related to the pre-acquisition operations of an acquired business may cause reputational harm to PNC following the acquisition and integration of the acquired business into ours and may result in additional future costs arising as a result of those issues. 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 (Sterling) 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 will be available free of charge from Sterling by contacting Shareholder Relations at (877) 248-6420. The directors, executive officers, and certain other members of management and employees of Sterling are participants in the solicitation of proxies in favor of the merger from the shareholders of Sterling. Information about the directors and executive officers of Sterling 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
Reconcilement
Earnings Summary
Appendix
THREE MONTHS ENDED
In millions, except per share data
Adjustments,

Net
Diluted
Adjustments,
Net
Diluted
Adjustments,
Net
Diluted
Pretax
Income
EPS
Pretax
Income
EPS
Pretax
Income
EPS
Net income, as reported
$178
$0.52
$407
$1.19
$376
$1.27
Adjustments:
BlackRock LTIP (a)
$128
84
.24

$50
32

.09

$12
7

.02

Visa indemnification (b)
82
53
.16

Integration costs (c)
79

50

.15

43

30

.09

10
8

.03

Net income, as adjusted
$365
$1.07
$469
$1.37
$391
$1.32
YEAR ENDED
Adjustments,
Net
Diluted
Adjustments,
Net
Diluted
In millions, except per share data
Pretax
Income
EPS
Pretax
Income
EPS
Net income, as reported
$1,467
$4.35
$2,595
$8.73
Adjustments:
BlackRock LTIP (a)
$127
83

.24

$12
7

.02

Visa indemnification (b)
82
53

.16

Integration costs (c)
151

99

.30

101
47

.16

Gain on BlackRock/MLIM transaction (d)
(2,078)
(1,293)

(4.36)

Securities portfolio rebalancing loss (d)
196
127

.43

Mortgage loan portfolio repositioning loss (d)
48
31

.10

Net income, as adjusted
$1,702
$5.05
$1,514
$5.08
(d) Included in noninterest income on a pretax basis.
December 31, 2006
(b)
Our
payment
services
business
issues
and

acquires credit and debit card transactions through Visa U.S.A. Inc. card association or its affiliates (Visa). In October 2007, Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members in contemplation of its initial public offering (IPO) currently anticipated in the first quarter of 2008 (the Visa Reorganization). As part of the Visa Reorganization, we received our proportionate share of a class of Visa Inc. common stock allocated to the U.S. members. Visa expects that a portion of these shares will be redeemed for cash out of the proceeds of the IPO. The

U.S.
members
are
obligated
to
indemnify
Visa
for
judgments
and
settlements
related
to
specified
litigation.
Visa
will
set
aside
a
portion
of
the
proceeds
from
the
IPO
in
an
escrow
account
for the benefit of the U.S. member financial institutions to fund the expenses of the litigation as well as the members' proportio
December 31, 2007
September 30, 2007
December 31, 2006
December 31, 2007
(a)
Includes
the
impact
of
the
gain
recognized
in
connection
with
PNC's
transfer
of

BlackRock shares to satisfy a portion of our BlackRock LTIP shares obligation and the net mark-to-market adjustment on our remaining BlackRock LTIP shares obligation, as applicable.

In accordance with GAAP, we recorded a liability and operating expense totaling $82 million before taxes in the fourth quarter of 2007 representing our estimate of the fair value of our indemnification obligation for potential losses arising from this litigation. Our estimate is based on publicly available information and other information made available to all of the affected Visa members and does not reflect any direct knowledge of the relative strengths and weaknesses of the litigation still pending or the status of any on-going settlement discussions. We believe that the IPO will be completed and cash will be available through the escrow to satisfy litigation settlements. In addition, based on estimates provided by Visa regarding its planned IPO, we believe that our ownership interest in Visa has a value significantly

in excess of our indemnification liability. Our Visa shares will not generally be transferable until they can be converted into shares of the publicly traded class of stock, which cannot happen until the later of three years after the IPO or settlement of all of the specified litigation.
(c) In addition to integration costs related

to recent or pending PNC acquisitions reflected in the 2007 periods, the first three quarters of 2007 and all 2006 periods include BlackRock/MLIM integration costs. BlackRock/MLIM integration costs recognized by PNC in the first three quarters of 2007 and the fourth quarter of 2006 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. For the first nine months of 2006, B

Non-GAAP to GAAP
Reconcilement
Business Segment Summary and Noninterest Income
Appendix
Dollars in millions
2007
% of Segments

Retail Banking
$893
52%
Corporate & Institutional Banking
432
25%
BlackRock (a)
253
15%
PFPC
128
8%
Total business segment earnings
1,706
Other (a)
(239)
Total consolidated net income
$1,467
Year ended December 31
Earnings (Loss)
(a)
Pre-tax
BlackRock/MLIM
transaction
integration
costs
totaling
$4
million
for
the
year ended December 31, 2007 have been reclassified from BlackRock to "Other."
Year ended December 31, 2007
Dollars in millions
Retail
Banking
Corporate &
Institutional
Banking
Other
Banking and
Other
BlackRock
PFPC
Total
Net interest income (expense)
$2,059
$805
$83
$2,947

($32)
$2,915
Noninterest income
1,736

720

133

2,589

$338
863

3,790

Total Revenue
$3,795
$1,525
$216
$5,536
$338
$831
$6,705
Noninterest income as a % of
total revenue
46%
47%
62%
47%
100%
104%
57%

Non-GAAP to GAAP
Reconcilement
Income Statement Summary
For the year ended
Appendix
Year ended
In millions

As Reported
Adjustments
As Adjusted (a)
As Reported
Adjustments
As Adjusted (b)
Net interest income
$2,915
$2,915
$2,245
($10)
$2,235
Net interest income:
% Change As
Reported
% Change As
Adjusted
Loans
1,110
1,110
895
(10)
885
24%
25%
Deposits
1,805
1,805
1,350
1,350
34%
34%
Noninterest
Income
3,790
$131
3,921
6,327
(2,755)
3,572
(40%)
10%
Total revenue
6,705
131
6,836
8,572
(2,765)
5,807
(22%)

18%
Loan net interest income as a % of total revenue
16.6%
16.2%
10.4%
15.2%
Deposit net interest income as a % of total revenue
26.9%
26.4%
15.7%
23.2%
Noninterest
income as a % of total revenue
56.5%
57.4%
73.8%
61.5%
Provision for credit losses
315
(45)
270
124
124
Noninterest
income
3,790
131
3,921
6,327
(2,755)
3,572
Noninterest
expense
4,296
(184)
4,112
4,443
(856)
3,587
(3%)
15%
Income before minority interest
and income taxes
2,094
360
2,454
4,005
(1,909)
2,096
Minority interest in income

of BlackRock
47
(47)
Income taxes
627
125
752
1,363
(781)
582
Net income
$1,467
$235
$1,702
$2,595
($1,081)
$1,514
(43%)
12%
Noninterest
income:
Asset management
$784
$4
$788
$1,420
($882)
$538
(45%)
46%
Other
3,006
127
3,133
4,907
(1,873)
3,034
(39%)
3%
Total noninterest
income
$3,790
$131
$3,921
$6,327
($2,755)
$3,572
(40%)
10%
Operating Leverage -

Year Ended
As Reported
As Adjusted
Total revenue
(22%)
18%
Noninterest
expense
(3%)
15%
Operating leverage
(19%)
3%
2006 to 2007 Change
December 31, 2007
December 31, 2006

Non-GAAP to GAAP
Reconcilement
Income Statement Summary
For the three months ended
Appendix
For the three months ended December 31, 2007
PNC

PNC
In millions
As Reported
Adjustments (a)
As Adjusted
Reported
Adjusted
Net interest income
$793
$793
Loan net interest income
304
304
3%
3%
Deposit net interest income
489
489
5%
5%
Provision for credit losses
188
($45)
143
Net interest income less provision for credit losses
605
(45)
650
Asset management
225
(1)
224
Other
609
128
737
Total noninterest income
834
127
961
(16%)
(8%)
Compensation and benefits
553
(10)
543
Other
660
(107)
553

Total noninterest expense
1,213
(117)
1,096
10%
4%
Income before income taxes
226
289
515
Income taxes
48
102
150
Net income
$178
$187
$365
(56%)
(22%)
For the three months ended September 30, 2007
PNC
PNC
In millions
As Reported
Adjustments (b)
As Adjusted
Net interest income
$761
$761
Loan net interest income
294
294
Deposit net interest income
467
467
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
Compensation and benefits
553
(16)
537
Other
546
(25)
521
Total noninterest expense
1,099
(41)
1,058
Income before income taxes
587
93
680
Income taxes
180
31
211
Net income
$407
$62
$469
% Change vs. Sept 30, 2007
(a)
Amounts
adjusted
to
exclude
the
impact
of
the
following
items
on
a
pretax
basis:
$128
million
net
loss
related
to

our BlackRock/LTIP shares obligation, $82 million Visa indemnification charge, and $79 million of acquisition integration costs. The net tax impact of these items is reflected in

(b) Amounts adjusted to exclude 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 integration costs. The net tax impact of these items is reflected in the adjustment to income taxes.

Non-GAAP to GAAP
Reconcilement
Income Statement Summary
2004 to 2007
Appendix
For the year ended December 31, 2007
PNC

PNC
In millions
As Reported
Adjustments (a)
As Adjusted
Net interest income
$2,915
$2,915
Provision for credit losses
315
$(45)
270
Noninterest income
3,790
131
3,921
Noninterest expense
4,296
(184)
4,112
Income before income taxes
2,094
360
2,454
Income taxes
627
125
752
Net income
$1,467
$235
$1,702
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
(a)
Includes
the
impact
of
the
following
pretax
items:
$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. The net tax impact of these items is reflected in the adjustment to income taxes.

(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 $210 million on our remaining BlackRock LTIP shares obligation, (3) acquisition integration costs totaling $151 million, and (4) Visa indemnification charge of $82 million. The net tax impact of these items is reflected in the adjustment to income taxes.

Non-GAAP to GAAP
Reconcilement
Income Statement Summary
2004 to 2007 (continued)
Appendix
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
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

Non-GAAP to GAAP
Reconcilement
Income Statement Summary
2004 to 2007 (continued)
Appendix
Adjusted
% Change

In millions
2004
2005
2006
2007
2004-2006 CAGR
2006-2007
Adjusted net interest income
$1,955
$2,142
$2,235
$2,915
7%
30%
Adjusted noninterest income
2,928
3,122
3,572
3,921
10%
10%
Adjusted total revenue
4,883
5,264
5,807
6,836
9%
18%
Adjusted noninterest expense
3,148
3,453
3,587
4,112
7%
15%
Adjusted net income
1,197

1,325

1,514

1,702

12%
12%
Adjusted operating leverage
2%
3%
Reported

					% Change	
In millions	2004	2005	2006	2007	2004-2006 CAGR	2006-2007
Net interest income, as reported	$1,969	$2,154	$2,245	$2,915	7%	30%
Noninterest income, as reported	3,572	4,173	6,327	3,790	33%	(40%)
Total revenue, as reported	5,541	6,327	8,572	6,705	24%	(22%)
Noninterest expense, as reported	3,712	4,306	4,443	4,296	9%	(3%)
Net income, as reported	1,197	1,325	2,595	1,467	47%	(43%)
Operating leverage, as reported					15%	(19%)

For the year ended December 31, as adjusted
For the year ended December 31, as reported

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