

STERLING FINANCIAL CORP /PA/

Form 425

November 13, 2007

The PNC Financial Services Group, Inc.
Merrill Lynch
Banking & Financial Services Investor Conference
New York
November 13, 2007

Edgar Filing: STERLING FINANCIAL CORP /PA/ - Form 425

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 of The PNC Financial Services Group, Inc. (PNC), gave a presentation to investors on November 13, 2007 at the PNC Banking & Financial Services Conference in New York. This presentation was accompanied by a series of electronic slides that pertain to the financial results and business strategies of PNC. The following slides and related material were posted on PNC's website on November 13, 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 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 sp

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 thereto 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

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

Building an Enduring Company with a Solid Foundation

A History of Execution

A diversified business mix

An industry-leading technology platform

Expanded distribution capabilities

Expansion into higher growth markets

A disciplined economic capital allocation process

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

1990s

2000s

Beyond

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

Highlights

Strong Performance in a Tough Environment

Reported nine month earnings of \$3.85 per diluted share versus \$7.46 last year

Adjusted nine month earnings¹

of \$4.00 per diluted share versus \$3.77 last year

Primary businesses met or exceeded expectations

Diverse revenue streams delivering strong results despite market

volatility

Continued to create year-to-date positive operating leverage on an adjusted basis²

Maintaining a moderate risk profile and flexible balance sheet

Total Shareholder Return :

Year-to-date

1

One-year

1

Three-year

1

Five-year

1

(1)

Adjusted earnings are reconciled to GAAP earnings in the Appendix.

(2)

GAAP basis operating leverage for the year-to-date period was negative due to the impact of the third quarter 2006 gain from the BlackRock/MLIM transaction and is reconciled in the Appendix.

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

Peer Rank

3

st

st

st

st

Segment Earnings Contribution

*

Business Leadership

Our Diversified Business Mix

Retail Banking

-

A leading community bank in PNC major markets

-
One of the nation's largest bank wealth
management firms
Corporate & Institutional Banking
-
Top 10 Treasury Management business
-
The nation's 4 largest lead arranger of asset-
based loan syndications
-
Harris
Williams
-
one
of
the
nation's
largest
M&A
advisory firms for middle-market companies
BlackRock
-
A global asset management company with \$1.3
trillion in assets under management
PFPC
-
Among the largest providers of mutual fund
transfer agency and accounting and
administration services in the U.S.
Winning in
the
Payments
Space
A Premier
Middle-
market
Franchise
A Leading
Global
Servicing
Platform
World Class
Asset
Manager
For the nine months ended September 30, 2007
\$ millions
\$341
\$678
\$176
\$96

*Business earnings reconciled to GAAP net income of \$1,289 million in the Appendix. BlackRock segment earnings are adjusted for a pretax share of BlackRock/MLIM integration costs totaling \$4 million.

Contribution

53%

26%

14%

7%

th

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

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

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

70%

USB

FITB

WFC

WB

STI

BBT

KEY

RF

NCC

CMA

Differentiated Fee-Based Businesses

Source: SNL DataSource, PNC as reported

For the nine months ended September 30, 2007

PFPC &

BLK

Noninterest Income to Total Revenue

PNC

0
250
500
750
1,000
1,250
Consumer DDA HHs
using online banking

Executing on Growth Drivers

\$0

\$200

\$400

\$600

\$800

Retail

C&I

Key Drivers:

Key Drivers:

Payments Business

Wealth Management

Key Drivers:

Key Drivers:

Fee based Businesses

Deposit Franchise

(1) Represents consolidated PNC amounts for the nine months ended September 30, 2007.

Sept 06

Sept 07

Treasury

Management

Midland Loan

Services

Capital

Markets

Sept 06

Consumer DDA HHs

using online bill pay

1

Focus on Deepening Relationships

Major Product Revenue

For the nine

months ended

Sept 06

Sept 07

Sept 07

As of:

Small Business

Brokerage

Disciplined

Lending

\$0
\$100
\$200
\$300
\$400
\$500
\$600

\$700

\$0

\$300

\$600

\$900

\$1,200

\$1,500

Executing on Growth Drivers

PFPC

BlackRock

Key Drivers:

Key Drivers:

Business Model

Transformation

Key Drivers:

Key Drivers:

Expanded Distribution

Strengthened Platform

Sept 06

Sept 07

Assets Under Management

\$1.1T

\$1.3T

(1) Reflects BlackRock entity AUM. Not included in PNC AUM following deconsolidation of BlackRock in September 2006.

Emerging Product Revenue

Core Product Revenue

Sept 06

Sept 07

21%

28%

72%

79%

Emerging

product

revenue

3-yr CAGR

18%

1

Focus on High Growth Products

Focus on Gathering Assets

at period end

For the nine

months ended

High Margin, High

Growth Products

Broadened

Product Set

Interest-bearing deposits
+20%
+14%
Noninterest-bearing deposits
+22%
+0%
Total deposits

+20%

+11%

YTD07 vs. YTD06

Executing on Our Strategy to Gather

Low Cost Deposits

Source: SNL

DataSource,

PNC

as

reported.

Peers

reflects

average

of

the super-regional banks identified in the Appendix other than PNC

34%

27%

23%

16%

Consumer

Corporate Banking,

Treasury Management

and Other

Midland

Small

Business

PNC Has Been Focused on Growing

Noninterest-Bearing Deposits

Year-to-Date Average Balances

PNC

Peers

Contribution to Average

Noninterest-Bearing Deposits

As of 9/30/07

Through Multiple Channels

\$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

Executing on Our Acquisition Strategy
76% of PNC Pro Forma Branches Located Between the Hudson and Potomac Rivers
PNC Branches prior to 2004
Sterling Financial Corp.
Pending
Yardville National Bancorp
10/26/07

Mercantile Bankshares Corp.

3/2/07

Riggs National Corp.

5/13/05

United National Bancorp

1/1/04

New York

New York

Delaware

Delaware

Virginia

Virginia

New Jersey

New Jersey

Pennsylvania

Pennsylvania

Maryland

Maryland

Kentucky

Kentucky

Indiana

Indiana

Ohio

Ohio

West

West

Virginia

Virginia

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

Improving Our Demographics

3.7%

6.0%

2.0%

3.4%

8.4%

10.0%

3.9%

2003

Proforma

Acquisitions

2003

Proforma

Acquisitions

Amounts based on data at time of acquisition announcement. United Trust data reflects demographics of footprint counties we acquired. Mercantile, Yardville and Sterling data reflect demographics of footprint counties of that company, or by MSA in the case of Sterling. Riggs, weighted by deposits. PNC 2003 and PNC Proforma amounts reflect demographics, weighted by deposits, of PNC's 60 county footprint and 105 county footprint, respectively, including the impact of PNC's ongoing branch optimization process. PNC's 60 county footprint excludes headquarter offices

excluded

for

purposes

of

deposit

weighting.

Source:

SNL

DataSource.

*Pending.

Median Household Income

Projected 5-Year Population Growth

(1) United, Riggs, Mercantile and Yardville based on the most recent published reporting quarter prior to closing. Sterling based on the most recent 10-Q reporting quarter and excludes its

Equipment
Finance,
LLC
unit
and
rental
income
on
operating
leases.
Source:
SNL
DataSource
and Company 10-Q.
Bringing the Power of PNC to New Clients
Expanding Distribution of Fee-based Products
50%
24%
40%
29%
9%
27%

Noninterest income to total revenue¹

Wealth Management

Brokerage

Credit Card

Payment Services

Treasury

Management

Small Business

M&A Advisory

Services

Capital Markets

Opportunities

(2) For the nine months ended September 30, 2007, not including PFPC and BlackRock. Reconciled to noninterest income to total revenue on a GAAP basis of 58% in the Appendix.

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

3Q07

Asset Management

Service Charges

Brokerage

Corporate Services

Consumer and Other

Execution 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

Albridge Solutions, Inc.¹

Will extend PFPC's capabilities into the delivery of knowledge-based information services through relationships with:

-
- 150 financial institutions and
-
- More than 100,000 financial advisors

With more than \$1 trillion in
assets under management

To

Integrated

Provider

Investing in Our Business Segments

Transforming the PFPC Business Model

From

Processor

Unified client views

Performance reporting

(1) Pending

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

Leveraging existing
relationships with
affluent clients
Partnering with the
Gallup Organization to
improve the customer
experience

(1) Customer Experience Benchmarks and Best Practices, Winning customers Online, Change Sciences Research, March 2007
PNC.com personal banking website
ranked in the top 10 for leading banks²
Investing in Our Brand to Drive Growth

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

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

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

High Quality Consumer Loan Portfolio

Auto

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-offs¹

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-offs¹

0.01%

90 days past due

1.20%

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

0.0%
0.1%
0.2%
0.3%
0.4%
0.5%
0.0%

0.1%

0.2%

0.3%

0.4%

0.5%

0.6%

Home Equity Credit Trends

% of outstandings

Delinquency Ratio 90+ Days

Net Charge-Offs

PNC¹

RMA

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

% of average outstandings

PNC¹

RMA

(1) Not including Mercantile prior to 3Q07.

2005

2004

2006

3Q07

2005

2004

2006

3Q07

0.2%
0.5%
0.7%
1.0%
1.2%
1.5%
2Q02
2Q03

2Q04
2Q05
2Q06
2Q07
3Q07
0.00%
0.10%
0.20%
0.30%
0.40%
0.50%
0.60%
0.70%
0.80%
2002
2003
2004
2005
2006
3Q07

Disciplined Approach Leads to Strong
Asset Quality

Asset Quality Compared to Peers

Net Charge-offs to Average Loans
(Year to date)

PNC

Peer Group

Source: SNL DataSource, PNC as reported

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

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

Nonperforming Assets to Loans, Loans

Held for Sale and Foreclosed Assets

PNC

Peer Group

*

*

Duration of equity
Loans to deposits ratio
Fee income to revenue percentage
Demand deposits as % of total deposits
EPS impact of gradual +100bps parallel shift
MBS & mortgage loans as % of average earning assets
Linked quarter change in deposits to average earning assets

Relevant Factors

Well Positioned for the Yield Curve

Summary

A demonstrated history of execution and strong performance

Clear strategies to maintain growth

Sound risk management processes

Well Positioned to Create Value

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 of 1995. Forward-looking

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 ,
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
commonly securing financial products.

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

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
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

programs, as our LTIP liability is adjusted quarterly (marked-to-market) based on changes in BlackRock s common stock price and committed shares, and we recognize gain or loss on such shares at such times as shares are transferred for payouts under the LTIP.

Competition can have an impact on customer acquisition, growth and retention, as well as on our credit spreads and product prices per 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 competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention management, liquidity, and funding. These legal and regulatory developments could include: (a) the unfavorable resolution of 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, and
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
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
demands.

The adequacy of our intellectual property protection, and the extent of any costs associated with obtaining rights in intellectual
impact our business and operating results.

Our business and operating results can also be affected by widespread natural disasters, terrorist activities or international hos
impact on the economy and capital and other financial markets generally or on us or on our customers, suppliers or other count

Also, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical perform
in BlackRock, Inc. are discussed in more detail in BlackRock's 2006 Form 10-K, including in the Risk Factors section, and in
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
substantially more expensive to complete (including as a result of costs incurred in connection with the integration of the acqui
benefits (including anticipated cost savings and strategic gains) may be significantly harder or take longer to achieve than expe

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 issues. Regulatory and/or legal issues related to the pre-acquisition operations of an acquired business may cause re

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 and do not reflect actual results. Any consensus earnings estimates are calculated based on the earnings projections made by analysts who

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
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

(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

our

BlackRock

LTIP

shares

obligation

and

the

net mark-to-market adjustment on our 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
our
equity
earnings
from
our
investment
in

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

Non-GAAP to GAAP
Reconcilement
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%
September 30, 2007
September 30, 2006
OPERATING LEVERAGE -
NINE MONTHS ENDED

As Reported
As Adjusted
Total revenue
(28%)
20%
Noninterest
expense
(11%)
15%
Operating leverage
(17%)
5%

2006 to 2007 Change

(a) Amounts adjusted to exclude the impact of the following pretax items: (1) the gain of \$83 million recognized in connection with the sale of 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 adjustment to income taxes.

(b) Amounts adjusted to exclude the impact of the following pretax items: (1) the gain of \$2.078 billion on the BlackRock/MLIM 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 components of our consolidated income statement.

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 taxes.

(b) Includes the impact of the following items on a pretax basis: \$16 million of acquisition and BlackRock/MLIM transaction i related to our BlackRock

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

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
 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
Business Segments
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%
 Dollars in millions
 2007
 % of Segments
 2006
 % Change
 Retail Banking

\$678
53%
\$581
17%
Corporate & Institutional Banking
341
26%
328
4%
BlackRock
(a)
176
14%
137
28%
PFPC
96
7%
93
3%
Total business segment earnings
1,291
1,139
Other (a)(b)
(2)
1,080
Total consolidated net income
\$1,289
\$2,219
Nine Months Ending September 30
Earnings (Loss)
(a)
For
our
segment
reporting
presentation
in
management's discussion
and
analysis,
after-tax
BlackRock/MLIM transaction
integration
costs
totaling \$4
million and
\$56
million for
the

nine
months
ended
September30,
2007
and
September
30,
2006
have
been
reclassified
from
BlackRock
to
"Other."
"Other"
for
the
first
nine
months
of
2007
also
includes
\$45
million
of
after-tax
Mercantile
acquisition
integration costs.

(b) "Other" for the first nine months of 2006 included the \$2,078 million pre-tax, or \$1,293 million after-tax, gain on the Black transaction recorded in the third quarter of 2006.

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