

STERLING FINANCIAL CORP /PA/

Form 425

January 29, 2008

Filed by The PNC Financial Services Group, Inc.

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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 nation's

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 adjusted for 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 Assets¹

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 Revenue¹

47%

without

PFPC and

BlackRock²

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 year²

Adjusted loan net

interest income

increased 25%

year over year*

Adjusted deposit

net interest income

increased 34%

year over year²

Adjusted

noninterest

income

increased 10%

year over year²

(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

PNC's Differentiated Business Model
Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income contribution
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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 Statistics¹

First lien positions

39%

In-footprint exposure

93%

Weighted average:

Loan to value

73%

FICO scores

727

Net charge-offs²

0.20%

90 days past due

0.37%

Other

9%

Home

Equity

52%

Residential Mortgage Portfolio

Credit Statistics¹

Weighted average:

Loan to value

67%

FICO scores

747

Net charge-offs²

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 2008. Excludes loans from acquired portfolios for which lien position and loan-to-value information was limited and represents most recent FICO scores 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

PNC's Differentiated Business Model
Delivering Relatively Strong Results Through Economic Cycles
Diversified business mix with a high fee income contribution
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Moderate risk profile

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Disciplined capital management

Well-positioned for this environment

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 weighted by households. Data reflects demographics of footprint counties of that company in the case of Mercantile, Yardville and Sterling in the case of Riggs, weighted by deposits. PNC 2003 and PNC Proforma amounts reflect demographics, weighted by deposits, of 105 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
2005¹
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
Moderate risk profile

-Strategic choices

-Operating discipline

Disciplined capital management

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' proportionate

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
Reconciliation
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
Reconciliation
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
Reconciliation
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
Reconciliation
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