

STERLING FINANCIAL CORP /PA/

Form 425

October 18, 2007

Filed by The PNC Financial Services Group, Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and

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Subject Company: Sterling Financial Corporation

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On October 18, 2007, The PNC Financial Services Group, Inc. (PNC) issued a press release and held a conference call for investors regarding PNC s earnings and business results for the three months ended September 30, 2007. PNC also provided supplementary financial information on its web site, including financial information disclosed in connection with its press release, and provided electronic presentation slides on its web site used in connection with the related investor conference call. Such supplementary financial information and electronic presentation slides consisted of the following:

THE PNC FINANCIAL SERVICES GROUP, INC.

FINANCIAL SUPPLEMENT

THIRD QUARTER 2007

(UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.**FINANCIAL SUPPLEMENT****THIRD QUARTER 2007****(UNAUDITED)**

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The information contained in this Financial Supplement is preliminary, unaudited and based on data available on October 18, 2007. We have reclassified certain prior period amounts included in this Financial Supplement to be consistent with the current period presentation. This information speaks only as of the particular date or dates included in the schedules. We do not undertake any obligation to, and disclaim any duty to, correct or update any of the information provided in this Financial Supplement. Our future financial performance is subject to risks and uncertainties as described in our United States Securities and Exchange Commission (SEC) filings.

Additional Information About The PNC/Sterling Financial Corporation Transaction

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.

THE PNC FINANCIAL SERVICES GROUP, INC.

Additional Information About The PNC/Yardville National Bancorp Transaction

The PNC Financial Services Group, Inc. (PNC) and Yardville National Bancorp (Yardville) have filed with the United States Securities and Exchange Commission (the SEC) a proxy statement/prospectus and other relevant documents concerning the proposed transaction. YARDVILLE SHAREHOLDERS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED MERGER OF PNC AND YARDVILLE, WHICH WAS FIRST MAILED TO YARDVILLE SHAREHOLDERS ON OR ABOUT SEPTEMBER 5, 2007, BECAUSE IT CONTAINS IMPORTANT INFORMATION.

Yardville shareholders may obtain a free copy of the proxy statement/prospectus and other related documents filed by PNC and Yardville with the SEC at the SEC's web site at <http://www.sec.gov>. In addition, documents filed with the SEC by PNC will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Yardville will be available free of charge from Yardville by contacting Howard N. Hall, Assistant Treasurer's Office, 2465 Kuser Road, Hamilton, NJ 08690 or by calling (609) 631-6223.

The directors, executive officers, and certain other members of management and employees of Yardville are participants in the solicitation of proxies in favor of the merger from the shareholders of Yardville. Information about the directors and executive officers of Yardville is set forth in its Annual Report on Form 10-K filed on March 30, 2007 for the year ended December 31, 2006, as amended by the Form 10-K/A filed on May 10, 2007. Additional information regarding the interests of such participants is included in the proxy statement/prospectus and the other relevant documents filed with the SEC.

Mercantile Acquisition

We completed our acquisition of Mercantile Bankshares Corporation (Mercantile) on March 2, 2007 and our financial results include Mercantile from that date. PNC issued approximately 53 million shares of common stock and paid approximately \$2.1 billion in cash as consideration for the acquisition, and accounted for the transaction under the purchase method. PNC converted the Mercantile banks' data onto PNC's financial and operational systems during September 2007.

BlackRock/MLIM Transaction

As further described in our Annual Report on Form 10-K for the year ended December 31, 2006, on September 29, 2006, Merrill Lynch contributed its investment management business (MLIM) to BlackRock, Inc. (BlackRock), formerly a majority-owned subsidiary of PNC, in exchange for 65 million shares of newly issued BlackRock common and preferred stock.

For the three months and nine months ended September 30, 2006 presented in this Financial Supplement, our Consolidated Income Statement reflects our former majority ownership interest in BlackRock. However, our Consolidated Income Statement for the quarters ended September 30, 2007, June 30, 2007, March 31, 2007, and December 31, 2006 and the nine months ended September 30, 2007 and our Consolidated Balance Sheet as of September 30, 2007, June 30, 2007, March 31, 2007, December 31, 2006 and September 30, 2006 reflect the September 29, 2006 deconsolidation of BlackRock's balance sheet amounts and recognize our approximate 34% ownership interest in BlackRock as of those dates as an investment accounted for under the equity method.

We have also provided, for information purposes only, adjusted results in this Financial Supplement to reflect BlackRock as if it had been accounted for under the equity method for all periods presented.

THE PNC FINANCIAL SERVICES GROUP, INC.**Consolidated Income Statement (Unaudited)**

<i>In millions, except per share data</i>	<i>For the nine months ended</i>			<i>For the three months ended</i>			
	September 30 2007	September 30 2006	September 30 2007	June 30 2007	March 31 2007	December 31 2006	September 30 2006
Interest Income							
Loans	\$ 3,109	\$ 2,382	\$ 1,129	\$ 1,084	\$ 896	\$ 821	\$ 838
Securities available for sale	1,031	769	366	355	310	280	271
Other	356	244	132	115	109	116	94
Total interest income	4,496	3,395	1,627	1,554	1,315	1,217	1,203
Interest Expense							
Deposits	1,531	1,140	531	532	468	450	434
Borrowed funds	843	576	335	284	224	201	202
Total interest expense	2,374	1,716	866	816	692	651	636
Net interest income	2,122	1,679	761	738	623	566	567
Provision for credit losses	127	82	65	54	8	42	16
Net interest income less provision for credit losses	1,995	1,597	696	684	615	524	551
Noninterest Income							
Asset management	559	1,271	204	190	165	149	381
Fund servicing	620	644	208	209	203	249	213
Service charges on deposits	258	234	89	92	77	79	81
Brokerage	209	183	71	72	66	63	61
Consumer services	304	272	106	107	91	93	89
Corporate services	533	449	198	176	159	177	157
Equity management gains	81	82	47	2	32	25	21
Net securities gains (losses)	(4)	(207)	(2)	1	(3)		(195)
Trading	114	150	33	29	52	33	38
Net gains (losses) related to BlackRock	1	2,078	(50)	(1)	52	(12)	2,078
Other	281	202	86	98	97	113	19
Total noninterest income	2,956	5,358	990	975	991	969	2,943
Noninterest Expense							
Compensation	1,368	1,686	480	470	418	442	573
Employee benefits	219	249	73	74	72	55	86
Net occupancy	255	241	87	81	87	69	79
Equipment	227	234	77	79	71	69	77
Marketing	86	81	36	29	21	23	39
Other	928	983	346	307	275	311	313
Total noninterest expense	3,083	3,474	1,099	1,040	944	969	1,167
Income before minority interest and income taxes	1,868	3,481	587	619	662	524	2,327
Minority interest in income of BlackRock		47					6

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Income taxes	579	1,215	180	196	203	148	837
Net income	\$ 1,289	\$ 2,219	\$ 407	\$ 423	\$ 459	\$ 376	\$ 1,484
Earnings Per Common Share							
Basic	\$ 3.92	\$ 7.60	\$ 1.21	\$ 1.24	\$ 1.49	\$ 1.29	\$ 5.09
Diluted	\$ 3.85	\$ 7.46	\$ 1.19	\$ 1.22	\$ 1.46	\$ 1.27	\$ 5.01
Average Common Shares Outstanding							
Basic	329	292	337	342	308	291	291
Diluted	333	297	340	346	312	295	296
Efficiency	61%	49%	63%	61%	58%	63%	33%
Noninterest income to total revenue	58%	76%	57%	57%	61%	63%	84%
Effective tax rate (a)	31.0%	34.9%	30.7%	31.7%	30.7%	28.2%	36.0%

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- (a) The effective tax rates are presented on a GAAP basis. The higher effective tax rates for the first nine months of 2006 and the third quarter of 2006 are primarily due to the third quarter 2006 gain on the BlackRock/MLIM transaction and a related \$57 million cumulative adjustment to deferred taxes recorded in the same quarter. The lower effective tax rate in the fourth quarter of 2006 was primarily due to a reduction in tax reserves for interest.

THE PNC FINANCIAL SERVICES GROUP, INC.**Adjusted Condensed Consolidated Income Statement (Unaudited) (a)**

<i>For the nine months ended - in millions</i>	September 30 2007	September 30 2006
Net Interest Income		
Net interest income	\$ 2,122	\$ 1,669
Provision for credit losses	127	82
Net interest income less provision for credit losses	1,995	1,587
Noninterest Income		
Asset management	564	379
Other	2,396	2,202
Total noninterest income	2,960	2,581
Noninterest Expense		
Compensation and benefits	1,560	1,368
Other	1,456	1,250
Total noninterest expense	3,016	2,618
Income before income taxes	1,939	1,550
Income taxes	602	427
Net income	\$ 1,337	\$ 1,123

<i>For the three months ended in millions</i>	September 30 2007	June 30 2007	March 31 2007	December 31 2006	September 30 2006
Net Interest Income					
Net interest income	\$ 761	\$ 738	\$ 623	\$ 566	\$ 564
Provision for credit losses	65	54	8	42	16
Net interest income less provision for credit losses	696	684	615	524	548
Noninterest Income					
Asset management	206	191	167	159	122
Other	836	786	774	832	710
Total noninterest income	1,042	977	941	991	832
Noninterest Expense					
Compensation and benefits	537	535	488	497	461
Other	521	490	445	472	411
Total noninterest expense	1,058	1,025	933	969	872
Income before income taxes	680	636	623	546	508

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Income taxes		211	202	189	155	128
Net income	\$	469	\$ 434	\$ 434	\$ 391	\$ 380

(a) This schedule is provided for informational purposes only and reflects historical condensed consolidated financial information of PNC: (1) with amounts adjusted for the impact of certain specified items; (2) as if we had recorded our investment in BlackRock on the equity method for all periods presented; and (3) adjusted in each case, as appropriate, for the tax impact. See the Appendix to this Financial Supplement for reconciliations of these amounts to the corresponding GAAP amounts for each of the periods presented. 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 these periods, 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. Adjusted information supplements our results as reported in accordance with GAAP and should not be viewed in isolation from, or as a substitute for, our GAAP results.

THE PNC FINANCIAL SERVICES GROUP, INC.**Consolidated Balance Sheet (Unaudited)**

<i>In millions, except par value</i>	June 30				
	September 30 2007	2007	March 31 2007	December 31 2006	September 30 2006
Assets					
Cash and due from banks	\$ 3,318	\$ 3,177	\$ 3,234	\$ 3,523	\$ 3,018
Federal funds sold and resale agreements	2,360	1,824	1,604	1,763	2,818
Other short-term investments, including trading securities	3,944	3,667	3,041	3,130	2,718
Loans held for sale	3,004	2,562	2,382	2,366	4,317
Securities available for sale	28,430	25,903	26,475	23,191	19,512
Loans, net of unearned income of \$986, \$1,004, \$1,005, \$795, and \$815	65,760	64,714	62,925	50,105	48,900
Allowance for loan and lease losses	(717)	(703)	(690)	(560)	(566)
Net loans	65,043	64,011	62,235	49,545	48,334
Goodwill	7,836	7,745	7,739	3,402	3,418
Other intangible assets	1,099	913	929	641	590
Equity investments	5,975	5,584	5,408	5,330	5,130
Other	10,357	10,265	9,516	8,929	8,581
Total assets	\$ 131,366	\$ 125,651	\$ 122,563	\$ 101,820	\$ 98,436
Liabilities					
Deposits					
Noninterest-bearing	\$ 18,570	\$ 18,302	\$ 18,191	\$ 16,070	\$ 14,840
Interest-bearing	59,839	58,919	59,176	50,231	49,732
Total deposits	78,409	77,221	77,367	66,301	64,572
Borrowed funds					
Federal funds purchased	6,658	7,212	5,638	2,711	3,475
Repurchase agreements	1,990	2,805	2,586	2,051	2,275
Bank notes and senior debt	7,794	7,537	4,551	3,633	2,177
Subordinated debt	3,976	4,226	4,628	3,962	4,436
Federal Home Loan Bank borrowings	4,772	104	111	42	50
Other	2,263	2,632	2,942	2,629	2,282
Total borrowed funds	27,453	24,516	20,456	15,028	14,695
Allowance for unfunded loan commitments and letters of credit	127	125	121	120	117
Accrued expenses	4,077	3,663	3,864	3,970	3,855
Other	5,095	4,252	4,649	4,728	4,031
Total liabilities	115,161	109,777	106,457	90,147	87,270
Minority and noncontrolling interests in consolidated entities	1,666	1,370	1,367	885	408
Shareholders Equity					
Preferred stock (a)					
Common stock \$5 par value					
Authorized 800 shares, issued 353 shares	1,764	1,764	1,764	1,764	1,764
Capital surplus	2,631	2,606	2,520	1,651	1,628
Retained earnings	11,531	11,339	11,134	10,985	10,771
Accumulated other comprehensive loss	(255)	(439)	(162)	(235)	(109)
	(1,132)	(766)	(517)	(3,377)	(3,296)

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Common stock held in treasury at cost: 16, 11, 7, 60, and 59 shares

Total shareholders equity	14,539	14,504	14,739	10,788	10,758
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Total liabilities, minority and noncontrolling interests, and shareholders equity	\$ 131,366	\$ 125,651	\$ 122,563	\$ 101,820	\$ 98,436
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Capital Ratios

Tier 1 risk-based (b)	7.5%	8.3%	8.6%	10.4%	10.4
Total risk-based (b)	10.8	11.8	12.2	13.5	13.6
Leverage (b)	6.8	7.3	8.7	9.3	9.4
Tangible common equity	5.2	5.5	5.8	7.4	7.5
Common shareholders equity to assets	11.1	11.5	12.0	10.6	10.9

(a) Less than \$.5 million at each date.

(b) The ratios as of September 30, 2007 are estimated.

THE PNC FINANCIAL SERVICES GROUP, INC.**Summary of Business Segment Results (Unaudited)**

	September 30	June 30	March 31	December 31	September 30
<i>Three months ended in millions (a) (c)</i>	2007	2007	2007	2006	2006
Earnings					
Retail Banking (b)	\$ 250	\$ 227	\$ 201	\$ 184	\$ 206
Corporate & Institutional Banking (b)	87	122	132	126	111
PFPC	33	32	31	31	40
Other, including BlackRock (b) (c)	37	42	95	35	1,127
Total consolidated net income	\$ 407	\$ 423	\$ 459	\$ 376	\$ 1,484
Revenue (d)					
Retail Banking (b)	\$ 985	\$ 978	\$ 839	\$ 799	\$ 791
Corporate & Institutional Banking (b)	388	381	370	390	352
PFPC (e)	209	208	200	194	186
Other, including BlackRock (b) (c)	175	154	211	157	2,188
Total consolidated revenue	\$ 1,757	\$ 1,721	\$ 1,620	\$ 1,540	\$ 3,517

- (a) This summary also serves as a reconciliation of total earnings and revenue for all businesses to total consolidated net income and revenue. Our business information is presented based on our management accounting practices and our management structure. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change.
- (b) Amounts for 2007 subsequent to March 2, 2007 include the impact of Mercantile.
- (c) We consider BlackRock to be a separate reportable business segment but have combined its results with Other for this presentation. Our Quarterly Report on Form 10-Q for the third quarter of 2007 will provide additional business segment disclosures for BlackRock. Generally, PNC's business segment earnings from BlackRock can be estimated by multiplying our current 33.7% ownership interest by BlackRock's reported GAAP earnings, less the additional income taxes recorded by PNC on those earnings. The effective tax rate on those earnings is typically less than PNC's consolidated effective tax rate due to the tax treatment of dividends received, if any, from BlackRock. PNC's effective tax rate on its earnings from BlackRock for the third quarter of 2007 was 23.9%.
- (d) Business revenue is presented on a taxable-equivalent basis. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. To provide more meaningful comparisons of yields and margins for all earning assets, we also provide revenue 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 other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. The following is a reconciliation of total consolidated revenue on a book (GAAP) basis to total consolidated revenue on a taxable-equivalent basis (in millions):

	September 30	June 30	March 31	December 31	September 30
	2007	2007	2007	2006	2006
Total consolidated revenue, book (GAAP) basis	\$ 1,751	\$ 1,713	\$ 1,614	\$ 1,535	\$ 3,510
Taxable-equivalent adjustment	6	8	6	5	7
Total consolidated revenue, taxable-equivalent basis	\$ 1,757	\$ 1,721	\$ 1,620	\$ 1,540	\$ 3,517

- (e) PFPC revenue represents the sum of servicing revenue and nonoperating income (expense) less debt financing costs. Prior period servicing revenue amounts have been reclassified to conform with the current period presentation.

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	September 30	June 30	March 31	December 31	September 30
	2007	2007	2007	2006	2006
Period-end Employees					
Full-time employees:					
Retail Banking	11,753	11,804	11,838	9,549	9,531
Corporate & Institutional Banking	2,267	2,084	2,038	1,936	1,925
PFPC	4,504	4,522	4,400	4,381	4,317
Other					
Operations & Technology	4,243	4,501	4,493	3,909	3,927
Staff Services	2,044	2,115	2,059	1,680	1,674
Total Other	6,287	6,616	6,552	5,589	5,601
Total full-time employees	24,811	25,026	24,828	21,455	21,374
Total part-time employees	2,823	3,028	2,867	2,328	2,165
Total employees	27,634	28,054	27,695	23,783	23,539

The period-end employee statistics disclosed for each business reflect staff directly employed by the respective business and exclude operations, technology and staff services employees. Mercantile employees are included in the Retail Banking, Corporate & Institutional Banking, and Other businesses at September 30, 2007, June 30, 2007 and March 31, 2007. PFPC employee statistics are provided on a legal entity basis.

THE PNC FINANCIAL SERVICES GROUP, INC.**Retail Banking (Unaudited)***Three months ended**Taxable-equivalent basis (a)*

<i>Dollars in millions</i>	September 30 2007	June 30 2007	March 31 2007	December 31 2006	September 30 2006
INCOME STATEMENT					
Net interest income	\$ 535	\$ 535	\$ 452	\$ 419	\$ 427
Noninterest income	450	443	387	380	364
Total revenue	985	978	839	799	791
Provision for credit losses	8	37	23	35	9
Noninterest expense	577	579	496	471	456
Pretax earnings	400	362	320	293	326
Income taxes	150	135	119	109	120
Earnings	\$ 250	\$ 227	\$ 201	\$ 184	\$ 206
AVERAGE BALANCE SHEET					
Loans					
Consumer					
Home equity	\$ 14,296	\$ 14,237	\$ 13,881	\$ 13,807	\$ 13,849
Indirect	2,033	2,036	1,480	1,133	1,069
Other consumer	1,610	1,596	1,490	1,322	1,221
Total consumer	17,939	17,869	16,851	16,262	16,139
Commercial	13,799	13,678	8,201	5,907	5,821
Floor plan	939	1,037	952	853	854
Residential mortgage	2,050	2,038	1,781	1,031	1,509
Other	230	235	233	234	250
Total loans	34,957	34,857	28,018	24,287	24,573
Goodwill and other intangible assets	5,703	5,737	2,942	1,574	1,580
Loans held for sale	1,567	1,554	1,562	1,505	1,513
Other assets	2,848	2,626	1,927	1,671	1,640
Total assets	\$ 45,075	\$ 44,774	\$ 34,449	\$ 29,037	\$ 29,306
Deposits					
Noninterest-bearing demand	\$ 11,191	\$ 11,065	\$ 8,871	\$ 7,834	\$ 7,848
Interest-bearing demand	8,869	9,097	8,354	7,865	7,787
Money market	17,020	17,100	15,669	14,822	14,832
Total transaction deposits	37,080	37,262	32,894	30,521	30,467
Savings	2,831	2,981	2,243	1,877	1,976
Certificates of deposit	16,502	17,531	15,738	14,694	14,053
Total deposits	56,413	57,774	50,875	47,092	46,496
Other liabilities	540	679	708	598	515
Capital	3,595	3,724	3,287	3,034	2,988

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Total funds	\$	60,548	\$	62,177	\$	54,870	\$	50,724	\$	49,999
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PERFORMANCE RATIOS

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