

STERLING FINANCIAL CORP /PA/

Form 425

November 08, 2007

The PNC Financial Services Group, Inc.

BancAnalysts Association of Boston

26

th

Annual Conference

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

November 8, 2007

Filed by The PNC Financial Services Group, Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and
deemed filed pursuant to Rule 14a-12 of the Securities Exchange Act of 1934

Subject Company: Sterling Financial Corporation

Commission File No. 000-16276

William S. Demchak, Vice Chairman of The PNC Financial Services Group, Inc. (PNC), gave a presentation to investors on the PNC Association of Boston conference in Boston. This presentation was accompanied by a series of electronic slides that included information on the financial performance and business strategies of PNC. The following slides and related material were posted on PNC's website on Thursday, November 8, 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 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

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 through 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

State of the markets
PNC is well-positioned for this environment
Leveraging our position to capture opportunities
Key Take-aways

Media Outlets Paint a Gloomy Picture
Another Subprime Lender Files for Bankruptcy
February
2007,
MoneyNews
Cash Sources Dry Up for Subprime Mortgage Lenders
March

2007,

USAToday

Those Who Profited from Subprimes Now Suffer Too

August

2007,

MotherJones

Bond Funds Could Get Hit by Mortgage Mess

September

2007,

MSNBC.com

The Real Credit Crunch Has Only Just Begun

September

2007,

Money

Week

Backlog of Leveraged Loans Still Unnerves Credit Markets

October

2007,

Wall

Street

Journal

Estimated credit

Estimated credit

and liquidity

and liquidity

related charges

related charges

in 3Q07

in 3Q07

\$35 Billion

\$35 Billion

PIK-Toggle Notes Risky Debt Issuances Stage Revival

October

2007,

Wall

Street

Journal

Assessing One's Current Position
Credit Factors
Liquidity Factors
Liquidity Profile
Subprime/Alt-A
Commercial real
estate

Leveraged lending
Warehouse/
syndications
Structures
SIVs
Loans to deposits
Contingent
funding exposure
Securities book
profile
Capital generation
ability
Access to the
discount window
Strategy and Business Mix Dictate Ability to Respond
High
Low
Flexible
Core funded
Positive operating
leverage
Total return focus
High fee mix
Estimated 3Q07 Related Costs for the Industry
>\$5B
>\$5B
>\$30B
>\$30B
Less flexible
Focus on NIM
High cost funding
Negative operating
leverage
NII dependent

\$0
\$5
\$10
\$15
\$20
\$25
\$30

\$35
\$40
\$45
\$50

J
F
M
A
M
J
J
A
S
O
N
D
J
F
M
A
M
J
J
A
S
O
N
D
J
F

Average Default Rate of
Adjustable-Rate Subprime RMBS
Originated 2000-2006
(% Unpaid Principal Balance)
2009

Subprime Mortgage Resets
Still Early
in the Cycle

Estimated Subprime Loans with Higher Rate Resets

Sources: LoanPerformance, Deutsche Bank, BlackRock, Intex, FBR ABS Research

2007

2008

12 mos.

3.2 %

24 mos.

6.8

36 mos.

11.5

48 mos.

14.6

60 mos.

19.1

72 mos.

20.4

Seasoning

and a Sense of Foreboding

0
2
4
6
8
10
12

14

Default Rates are Still at a Low Point

U.S. Speculative-Grade Bond Default Rate

1983

1985

1989

1991

1993

1999

1995

1997

2001

2003

1987

2005

2007

Long-term

average

4.54%

Source: Standard & Poor's Global Fixed Income Research

Recession

U.S. Speculative-grade default rate (%)

0
200
400
600
800
1,000
1,200

1,400
1,600
1,800
2,000

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

10 Year BBB

10 Year B

10 Year CCC

Pricing

No Bargains Yet

Spread Between Corporate Debt and 10-Year Treasury, bps

Source: RiskMetrics Group

2003

2004

2005

2006

2007

4.50%
4.75%
5.00%
5.25%
5.50%
5.75%
6.00%

Fed Funds

Ongoing Liquidity Pressures

1 Month LIBOR

Source: SNL DataSource

\$0

\$500

\$1,000

\$1,500

\$2,000

\$2,500

\$3,000

Diverging Yields

Liquidity Needs

Weekly average

primary credit

borrowings from the

Fed

millions

Source: Federal Reserve

June 4

July

August

September

October 22

2007

June

July

August

September

October

2007

State of the markets
PNC is well-positioned for this environment
Leveraging our position to capture opportunities
Key Take-aways
PNC

WFC
7.92 %
NCC
7.33
BBT
7.11
RF

6.95

KEY

6.92

CMA

6.91

USB

6.90

WB

6.88

FITB

6.74

STI

6.62

PNC

6.37

Moderate Risk Profile Reflected in

Absolute Yields

Focus on Total Risk-adjusted Returns

PNC

For the three months ended September 30, 2007. Source: SNL DataSource, PNC as reported

3Q07

Focus on Risk-adjusted Lending

3Q07

Yield on Total Loans

Yield on Interest Earning Assets

WFC

8.35 %

BBT

7.70

NCC

7.50

RF

7.39

WB

7.38

USB

7.33

KEY

7.28

CMA

7.13

FITB

6.99

PNC

6.89

STI

6.79

Maintaining a Moderate Credit Risk

Profile

A Closer Look

PNC

53%

28%

14%

45%

28%

22%

Composition of Loans for Third Quarter 2007

Source: Company reports, peer average reflects average of super-regional banks as defined in Appendix excluding PNC, except as noted below.

(1) RF and FITB excluded due to unavailability of information. (2) KEY and FITB excluded due to unavailability of information.

Major Loan Category Comparison¹

% of Total Average Loans

Peer Average

PNC

Securities²

5.42%

5.42%

Loans¹:

Commercial

7.42%

7.40%

(includes commercial real estate)

Consumer

6.66%

8.01%

Residential Mortgage

6.07%

7.00%

PNC

Peer

Average

Average Yields

Commercial

(includes commercial

real estate)

Consumer

Residential

Mortgage

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.

WB
0.19 %
RF
0.27
PNC
0.30
CMA

0.32
STI
0.35
KEY
0.35
BBT
0.41
USB
0.54
NCC
0.54
FITB
0.60
WFC
1.02
USB
318 %
PNC
251
RF
182
CMA
176
BBT
171
KEY
168
WFC
142
WB
117
FITB
117
NCC
113
STI
93
Credit Discipline Reflected in
Reserves and Losses
Proactively Assessing Credits
PNC
For the three months ended September 30, 2007. Source: SNL DataSource, PNC as reported
3Q07
Managing the Risk
3Q07
Net Charge-offs to Average Loans
Reserves to Nonperforming Assets

\$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

PNC

RF
3.90 %
PNC
3.99
USB
4.01
FITB

4.04
STI
4.08
WFC
4.14
BBT
4.20
CMA
4.29
WB
4.34
KEY
4.40
NCC
4.46

Cost of Interest Bearing Liabilities²

3Q07

PNC

58 %

USB

52

FITB

48

WFC

46

WB

42

STI

42

BBT

42

KEY

41

RF

39

NCC

37

CMA

30

Building a Diversified Business Mix

PNC

High Fee Income Contribution

YTD07

(1) For the nine months ended September 30, 2007. (2) For the three months ended September 30, 2007. (3) Reconciled to GAAP in the Appendix. Source: SNL DataSource, PNC as reported

Low Cost Funding Mix

Noninterest Income to Total Revenue¹

50%

without

PFPC and

BlackRock³

(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

PNC Duration

of Equity

(At Quarter End)

Fed Fund

Effective Rate

(At Quarter End)

2004

PNC

2005

2006

2007

Source: SNL DataSource, PNC as reported

State of the markets
PNC is well-positioned for this environment
Leveraging our position to capture opportunities
Key Take-aways

Opportunities to Capture Value
Remaining focused on client-related business
Affinity toward asset-based lending
Leveraging Midland Loan Services
Exercising patience and finding pockets of value

Summary

We've executed on
our strategies

We're well-positioned
for the current
environment

Liquidity Profile

High
Low
PNC
PNC

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 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.

Forward-looking statements are subject to assumptions and uncertainties, and 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 these risks and uncertainties in our Form 10-K for the year ended December 31, 2006, including in the Risk Factors and Risk Management sections.

Our forward-looking statements are also 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

and on or through our corporate website at www.pnc.com under "About PNC".

Investor Relations

Financial Information.

Our businesses and financial results are affected by business and economic conditions, both generally and specifically in the 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 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 plan (LTIP) programs, as our LTIP liability is adjusted quarterly (marked-to-market) based on changes in BlackRock's stock price, the number of remaining committed shares, and we recognize gain or loss on such shares at such times as shares are transferred 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 our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention 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

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 business 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 competitive demands.

The adequacy of our intellectual property protection, and the extent of any costs associated with obtaining rights in intellectual property, and 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 that 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 of our equity interest in BlackRock, Inc. are discussed in more detail in BlackRock's 2006 Form 10-K, including in the Risk Factors section of BlackRock's other filings with the SEC, accessible on the SEC's website and on or through BlackRock's website at www.blackrock.com.

We
grow
our
business
from
time
to
time
by
acquiring
other
financial
services
companies,
including
our
pending
Sterling
Financial
Corporation
(Sterling)
acquisition.
Acquisitions
in
general

present
us
with
risks
other
than
those
presented
by
the
nature
of
the
business
acquired.

In particular, acquisitions may be substantially more expensive to complete (including as a result of costs incurred in connection with the acquisition 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 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 the pre-acquisition operations of an acquired business may cause reputational harm to PNC following the acquisition and integration of the 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 may not reflect actual results. Any consensus earnings estimates are calculated based on the earnings projections made by the analyst for that company. The analysts

opinions, estimates or forecasts (and therefore the consensus earnings estimates) are theirs alone, are not those of PNC or its management, and may not reflect PNC's, Sterling's or other company's actual or anticipated results.

Cautionary Statement Regarding

Forward-Looking Information (continued)

Appendix

The PNC Financial Services Group, Inc. and Sterling Financial Corporation will be filing a proxy statement/prospectus and other relevant documents concerning

the
merger
with
the
United
States

Securities and Exchange Commission (the SEC). WE URGE INVESTORS TO READ THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER DOCUMENTS TO BE FILED WITH THE SEC IN CONNECTION WITH THE MERGER OR INCORPORATED BY REFERENCE IN THE PROXY STATEMENT/PROSPECTUS BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.

Investors will be able to obtain these documents free of charge at the SEC's web site at <http://www.sec.gov>. In addition, documents filed with the SEC by The PNC Financial Services Group, Inc. will be available free of charge from Shareholder Relations at (800) 843-2206. Documents filed with the SEC by Sterling Financial Corporation will be available free of charge from Sterling Financial Corporation by contacting Shareholder Relations at (877) 248-6420.

The directors, executive officers, and certain other members of management and employees of Sterling Financial Corporation are participants in the solicitation of proxies in favor of the merger from the shareholders of Sterling Financial Corporation. Information about the directors and executive officers of Sterling Financial Corporation is included in the proxy statement for its May 8, 2007 annual meeting of shareholders, which was filed with the SEC on April 2, 2007. Additional information regarding the interests of such participants will be included in the proxy statement/prospectus and the other relevant documents filed with the SEC when they become available.

Additional Information About The PNC/Sterling
Financial Corporation Transaction
Appendix

Non-GAAP to GAAP
Reconciliation
Income Statement Summary
For the Nine Months Ended September 30
Appendix
NINE MONTHS ENDED
In millions

As Reported
Adjustments
As Adjusted (a)
As Reported
Adjustments
As Adjusted (b)
Net interest income
\$2,122
\$2,122
\$1,679
(\$10)
\$1,669
Net interest income:
% Change As
Reported
% Change As
Adjusted
Loans
806

806

682

(10)

672

18%
20%
Deposits
1,316

1,316

997

997

32%
32%
Noninterest Income
2,956

\$4
2,960

5,358

(2,777)

2,581

(45%)

15%

Total revenue

5,078

4

5,082

7,037

(2,787)

4,250

(28%)

20%

Loan net interest income as a % of total revenue

15.9%

15.9%

9.7%

15.8%

Deposit net interest income as a % of total revenue

25.9%

25.9%

14.2%

23.5%

Noninterest income as a % of total revenue

58.2%

58.2%

76.1%

60.7%

Provision for credit losses

127

127

82

82

Noninterest income

2,956

4

2,960

5,358

(2,777)

2,581

Noninterest expense

3,083

(67)

3,016

3,474

(856)

2,618

(11%)

15%

Income before minority interest
and income taxes

1,868

71

1,939

3,481

(1,931)

1,550

Minority interest in income
of BlackRock

47

(47)

Income taxes

579

23

602

1,215

(788)

427

Net income

\$1,289

\$48

\$1,337

\$2,219

(\$1,096)

\$1,123

(42%)

19%

OPERATING LEVERAGE - NINE MONTHS ENDED

As Reported

As Adjusted

Total revenue

(28%)

20%

Noninterest expense

(11%)

15%

Operating leverage

(17%)

5%

(a)

Amounts
adjusted
to
exclude
the
impact
of
the
following
pretax
items:
(1)
the
gain
of
\$83
million
recognized
in
connection
with
PNC's
transfer
of
BlackRock
shares
to
satisfy
a
portion
of
our
BlackRock
LTIP
shares
obligation,
(2)
the
net
mark-to-market
adjustment
totaling
\$82
million
on
our
remaining
BlackRock
LTIP
shares

obligation,
and

(3)
acquisition
and

BlackRock/MLIM

transaction integration costs totaling \$72 million. The net tax impact of these items is reflected in the adjustment to income tax

(b)
Amounts
adjusted
to
exclude

the
the
impact
of
the
following

pretax
items:

(1)
the
gain
of
\$2.078
billion

on
the
BlackRock/MLIM
transaction,

(2)
the
loss
of
\$196
million
on
the
securities
portfolio
rebalancing,

(3)
BlackRock/MLIM
transaction
integration
costs
of
\$91
million
for
the

first
nine
months
of
2006,
and
(4)
the
mortgage
loan
portfolio
repositioning
loss
of
\$48
million.

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

We
believe
that
information
as
adjusted
for
the
impact
of
these
items
may
be
useful
due
to
the
extent

to
which
these
items
are
not
indicative
of
our
ongoing
operations
as
the
result
of
our
management
activities.
Additionally,
the
amounts
are
also
adjusted
as
if
we
had
recorded
our
investment
in
BlackRock
on
the
equity
method.
We
believe
that
providing
amounts
adjusted
as
if
we
had
recorded
our
investment

in
BlackRock
on
the
equity
method
for
all
periods
presented
helps
provide

a basis of comparability for the impact of the BlackRock deconsolidation given the magnitude of the impact on various compo

2006 to 2007 Change

September 30, 2007

September 30, 2006

Non-GAAP to GAAP
Reconciliation
Income Statement Summary
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
Reconcilement
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
Noninterest Income/Total Revenue
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%

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