

STERLING FINANCIAL CORP /PA/
Form 425
January 17, 2008

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

On January 17, 2008, 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 fourth quarter and year ended December 31, 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

FOURTH QUARTER AND FULL YEAR 2007

(UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

FINANCIAL SUPPLEMENT

FOURTH QUARTER AND FULL YEAR 2007

(UNAUDITED)

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The information contained in this Financial Supplement is preliminary, unaudited and based on data available on January 17, 2008. 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.

Yardville National Bancorp Acquisition

We completed our acquisition of Yardville National Bancorp (Yardville) on October 26, 2007 and our financial results include Yardville from that date. PNC issued approximately 3.4 million shares of PNC common stock and paid approximately \$156 million in cash as consideration for the acquisition, and accounted for the transaction under the purchase method.

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 PNC 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.

Our Consolidated Income Statement for the year ended December 31, 2006 reflects our former majority ownership interest in BlackRock for the first nine months of that year and our investment in BlackRock accounted for under the equity method for the fourth quarter of that year. Our Consolidated Income Statement for all other periods presented and our Consolidated Balance Sheet as of all dates included in this Financial Supplement reflect the September 29, 2006 deconsolidation of BlackRock's balance sheet amounts and recognize our approximate 34% ownership interest in BlackRock for those periods and 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 also been accounted for under the equity method for the full year 2006.

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

<i>In millions, except per share data</i>	<i>Year ended</i>		<i>Three months ended</i>				
	December 31 2007	December 31 2006	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Interest Income							
Loans	\$ 4,232	\$ 3,203	\$ 1,123	\$ 1,129	\$ 1,084	\$ 896	\$ 821
Securities available for sale	1,429	1,049	398	366	355	310	280
Other	505	360	149	132	115	109	116
Total interest income	6,166	4,612	1,670	1,627	1,554	1,315	1,217
Interest Expense							
Deposits	2,053	1,590	522	531	532	468	450
Borrowed funds	1,198	777	355	335	284	224	201
Total interest expense	3,251	2,367	877	866	816	692	651
Net interest income	2,915	2,245	793	761	738	623	566
Provision for credit losses	315	124	188	65	54	8	42
Net interest income less provision for credit losses	2,600	2,121	605	696	684	615	524
Noninterest Income							
Asset management	784	1,420	225	204	190	165	149
Fund servicing	835	893	215	208	209	203	249
Service charges on deposits	348	313	90	89	92	77	79
Brokerage	278	246	69	71	72	66	63
Consumer services	414	365	110	106	107	91	93
Corporate services	713	626	180	198	176	159	177
Equity management gains	102	107	21	47	2	32	25
Net securities gains (losses)	(5)	(207)	(1)	(2)	1	(3)	
Trading	104	183	(10)	33	29	52	33
Net gains (losses) related to BlackRock	(127)	2,066	(128)	(50)	(1)	52	(12)
Other	344	315	63	86	98	97	113
Total noninterest income	3,790	6,327	834	990	975	991	969
Noninterest Expense							
Compensation	1,850	2,128	482	480	470	418	442
Employee benefits	290	304	71	73	74	72	55
Net occupancy	350	310	95	87	81	87	69
Equipment	311	303	84	77	79	71	69
Marketing	115	104	29	36	29	21	23
Other	1,380	1,294	452	346	307	275	311
Total noninterest expense	4,296	4,443	1,213	1,099	1,040	944	969
Income before minority interest and income taxes	2,094	4,005	226	587	619	662	524
Minority interest in income of BlackRock		47					
Income taxes	627	1,363	48	180	196	203	148

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Net income	\$ 1,467	\$ 2,595	\$ 178	\$ 407	\$ 423	\$ 459	\$ 376
Earnings Per Common Share							
Basic	\$ 4.43	\$ 8.89	\$.53	\$ 1.21	\$ 1.24	\$ 1.49	\$ 1.29
Diluted	\$ 4.35	\$ 8.73	\$.52	\$ 1.19	\$ 1.22	\$ 1.46	\$ 1.27
Average Common Shares Outstanding							
Basic	331	292	338	337	342	308	291
Diluted	335	297	341	340	346	312	295
Efficiency	64%	52%	75%	63%	61%	58%	63%
Noninterest income to total revenue	57%	74%	51%	57%	57%	61%	63%
Effective tax rate (a)	29.9%	34.0%	21.2%	30.7%	31.7%	30.7%	28.2%

- (a) The effective tax rates are presented on a GAAP basis. The lower effective tax rate for the fourth quarter of 2007 was primarily due to lower pretax income in relation to tax credits and earnings that are not subject to tax. The higher effective tax rate for full year 2006 was 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 that 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 year ended - in millions</i>	December 31 2007	December 31 2006
Net Interest Income		
Net interest income	\$ 2,915	\$ 2,235
Provision for credit losses	270	124
Net interest income less provision for credit losses	2,645	2,111
Noninterest Income		
Asset management	788	538
Other	3,133	3,034
Total noninterest income	3,921	3,572
Noninterest Expense		
Compensation and benefits	2,103	1,865
Other	2,009	1,722
Total noninterest expense	4,112	3,587
Income before income taxes	2,454	2,096
Income taxes	752	582
Net income	\$ 1,702	\$ 1,514

<i>For the three months ended - in millions</i>	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Net Interest Income					
Net interest income	\$ 793	\$ 761	\$ 738	\$ 623	\$ 566
Provision for credit losses	143	65	54	8	42
Net interest income less provision for credit losses	650	696	684	615	524
Noninterest Income					
Asset management	224	206	191	167	159
Other	737	836	786	774	832
Total noninterest income	961	1,042	977	941	991
Noninterest Expense					
Compensation and benefits	543	537	535	488	497
Other	553	521	490	445	472
Total noninterest expense	1,096	1,058	1,025	933	969
Income before income taxes	515	680	636	623	546
Income taxes	150	211	202	189	155

Net income	\$	365	\$	469	\$	434	\$	434	\$	391
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- (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 the 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>	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Assets					
Cash and due from banks	\$ 3,567	\$ 3,318	\$ 3,177	\$ 3,234	\$ 3,523
Federal funds sold and resale agreements	2,729	2,360	1,824	1,604	1,763
Other short-term investments, including trading securities	4,129	3,944	3,667	3,041	3,130
Loans held for sale	3,927	3,004	2,562	2,382	2,366
Securities available for sale	30,225	28,430	25,903	26,475	23,191
Loans, net of unearned income of \$990, \$986, \$1,004, \$1,005, and \$795	68,319	65,760	64,714	62,925	50,105
Allowance for loan and lease losses	(830)	(717)	(703)	(690)	(560)
Net loans	67,489	65,043	64,011	62,235	49,545
Goodwill	8,405	7,836	7,745	7,739	3,402
Other intangible assets	1,146	1,099	913	929	641
Equity investments	6,045	5,975	5,584	5,408	5,330
Other	11,258	10,357	10,265	9,516	8,929
Total assets	\$ 138,920	\$ 131,366	\$ 125,651	\$ 122,563	\$ 101,820
Liabilities					
Deposits					
Noninterest-bearing	\$ 19,440	\$ 18,570	\$ 18,302	\$ 18,191	\$ 16,070
Interest-bearing	63,256	59,839	58,919	59,176	50,231
Total deposits	82,696	78,409	77,221	77,367	66,301
Borrowed funds					
Federal funds purchased	7,037	6,658	7,212	5,638	2,711
Repurchase agreements	2,737	1,990	2,805	2,586	2,051
Federal Home Loan Bank borrowings	7,065	4,772	104	111	42
Bank notes and senior debt	6,821	7,794	7,537	4,551	3,633
Subordinated debt	4,506	3,976	4,226	4,628	3,962
Other	2,765	2,263	2,632	2,942	2,629
Total borrowed funds	30,931	27,453	24,516	20,456	15,028
Allowance for unfunded loan commitments and letters of credit	134	127	125	121	120
Accrued expenses	4,330	4,077	3,663	3,864	3,970
Other	4,321	5,095	4,252	4,649	4,728
Total liabilities	122,412	115,161	109,777	106,457	90,147
Minority and noncontrolling interests in consolidated entities	1,654	1,666	1,370	1,367	885
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	2,618	2,631	2,606	2,520	1,651
Retained earnings	11,497	11,531	11,339	11,134	10,985
Accumulated other comprehensive loss	(147)	(255)	(439)	(162)	(235)
	(878)	(1,132)	(766)	(517)	(3,377)

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Common stock held in treasury at cost: 12, 16, 11, 7, and 60 shares

Total shareholders equity	14,854	14,539	14,504	14,739	10,788
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Total liabilities, minority and noncontrolling interests, and shareholders equity	\$ 138,920	\$ 131,366	\$ 125,651	\$ 122,563	\$ 101,820
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Capital Ratios

Tier 1 risk-based (b)	6.8%	7.5%	8.3%	8.6%	10.4%
Total risk-based (b)	10.3	10.9	11.8	12.2	13.5
Leverage (b)	6.2	6.8	7.3	8.7	9.3
Tangible common equity	4.7	5.2	5.5	5.8	7.4
Common shareholders equity to assets	10.7	11.1	11.5	12.0	10.6

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

(b) The ratios as of December 31, 2007 are estimated.

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

	<i>Year ended</i>			<i>Three months ended</i>			
	December 31 2007	December 31 2006	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
<i>In millions</i> (a) (b)							
Earnings							
Retail Banking	\$ 893	\$ 765	\$ 215	\$ 250	\$ 227	\$ 201	\$ 184
Corporate & Institutional Banking	432	454	91	87	122	132	126
PFPC	128	124	32	33	32	31	31
Other, including BlackRock (b)	14	1,252	(160)	37	42	95	35
Total consolidated net income	\$ 1,467	\$ 2,595	\$ 178	\$ 407	\$ 423	\$ 459	\$ 376
Revenue (c)							
Retail Banking	\$ 3,801	\$ 3,125	\$ 999	\$ 985	\$ 978	\$ 839	\$ 799
Corporate & Institutional Banking	1,538	1,455	399	388	381	370	390
PFPC (d)	831	762	214	209	208	200	194
Other, including BlackRock (b)	562	3,255	22	175	154	211	157
Total consolidated revenue	\$ 6,732	\$ 8,597	\$ 1,634	\$ 1,757	\$ 1,721	\$ 1,620	\$ 1,540

- (a) 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) We consider BlackRock to be a separate reportable business segment but have combined its results with Other for this presentation. Our Annual Report on Form 10-K for the year ended December 31, 2007 will provide additional business segment disclosures for BlackRock. Generally, PNC's business segment earnings from BlackRock can be estimated by multiplying our approximately 33.5% 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 different 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 fourth quarter of 2007 and full year 2007 was approximately 25%.
- (c) 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):

	<i>Year ended</i>			<i>Three months ended</i>			
	December 31 2007	December 31 2006	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Total consolidated revenue, book (GAAP) basis	\$ 6,705	\$ 8,572	\$ 1,627	\$ 1,751	\$ 1,713	\$ 1,614	\$ 1,535
Taxable-equivalent adjustment	27	25	7	6	8	6	5
Total consolidated revenue, taxable-equivalent basis	\$ 6,732	\$ 8,597	\$ 1,634	\$ 1,757	\$ 1,721	\$ 1,620	\$ 1,540

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(d) 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.

	December 31 2007	September 30 2007	June 30 2007	March 31 2007	December 31 2006
Period-end Employees					
Full-time employees:					
Retail Banking	12,036	11,753	11,804	11,838	9,549
Corporate & Institutional Banking	2,290	2,267	2,084	2,038	1,936
PFPC	4,784	4,504	4,522	4,400	4,381
Other					
Operations & Technology	4,379	4,243	4,501	4,493	3,909
Staff Services	1,991	2,044	2,115	2,059	1,680
Total Other	6,370	6,287	6,616	6,552	5,589
Total full-time employees	25,480	24,811	25,026	24,828	21,455
Total part-time employees	2,840	2,823	3,028	2,867	2,328
Total employees	28,320	27,634	28,054	27,695	23,783

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. Yardville employees are included in the Retail Banking, Corporate & Institutional Banking, and Other businesses at December 31, 2007. Mercantile employees are included in the Retail Banking, Corporate & Institutional Banking, and Other businesses at December 31, 2007, 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)

<i>Taxable-equivalent basis (a)</i>	<i>Year ended</i>			<i>Three months ended</i>			
	<i>December 31</i> <i>2007</i>	<i>December 31</i> <i>2006</i>	<i>December 31</i> <i>2007</i>	<i>September 30</i> <i>2007</i>	<i>June 30</i> <i>2007</i>	<i>March 31</i> <i>2007</i>	<i>December 31</i> <i>2006</i>
<i>Dollars in millions</i>							
INCOME STATEMENT							
Net interest income	\$ 2,065	\$ 1,678	\$ 543	\$ 535	\$ 535	\$ 452	\$ 419
Noninterest income	1,736	1,447	456	450	443	387	380
Total revenue	3,801	3,125	999	985	978	839	799
Provision for credit losses	138	81	70	8	37	23	35
Noninterest expense	2,239	1,827	587	577	579	496	471
Pretax earnings	1,424	1,217	342	400	362	320	293
Income taxes	531	452	127	150	135	119	109
Earnings	\$ 893	\$ 765	\$ 215	\$ 250	\$ 227	\$ 201	\$ 184
AVERAGE BALANCE SHEET							
Loans							
Consumer							
Home equity	\$ 14,209	\$ 13,813	\$ 14,417	\$ 14,296	\$ 14,237	\$ 13,881	\$ 13,807
Indirect	1,897	1,052	2,031	2,033	2,036	1,480	1,133
Other consumer	1,597	1,248	1,688	1,610	1,596	1,490	1,322
Total consumer	17,703	16,113	18,136	17,939	17,869	16,851	16,262
Commercial	12,534	5,721	14,020	13,799	13,678	8,201	5,907
Floor plan	978	910	983	939	1,037	952	853
Residential mortgage	1,992	1,440	2,500	2,050	2,038	1,781	1,031
Other	230	242	225	230	235	233	234
Total loans	33,437	24,426	35,864	34,957	34,857	28,018	24,287
Goodwill and other intangible assets	5,061	1,581	5,792	5,703	5,737	2,942	1,574
Loans held for sale	1,564	1,607	1,572	1,567	1,554	1,562	1,505
Other assets	2,362	1,634	2,487	2,848	2,626	1,927	1,671
Total assets	\$ 42,424	\$ 29,248	\$ 45,715	\$ 45,075	\$ 44,774	\$ 34,449	\$ 29,037
Deposits							
Noninterest-bearing demand	\$ 10,513	\$ 7,841	\$ 10,967	\$ 11,191	\$ 11,065	\$ 8,871	\$ 7,834
Interest-bearing demand	8,876	7,906	9,173	8,869	9,097	8,354	7,865
Money market	16,786	14,750	17,328	17,020	17,100	15,669	14,822
Total transaction deposits	36,175	30,497	37,468	37,080	37,262	32,894	30,521
Savings	2,678	2,035	2,651	2,831	2,981	2,243	1,877
Certificates of deposit	16,637	13,861	16,768	16,502	17,531	15,738	14,694
Total deposits	55,490	46,393	56,887	56,413	57,774	50,875	47,092
Other liabilities	621	553	577	540	679	708	598
Capital	3,558	2,986	3,626	3,595	3,724	3,287	3,034
Total funds	\$ 59,669	\$ 49,932	\$ 61,090	\$ 60,548	\$ 62,177	\$ 54,870	\$ 50,724

PERFORMANCE RATIOS

Return on average capital	25%	26%	24%	28%	24%	25%	24%
Noninterest income to total revenue	46	46	46	46	45	46	48
Efficiency	59	58	59	59	59	59	59

(a) See notes (a) and (c) on page 5.

THE PNC FINANCIAL SERVICES GROUP, INC.**Retail Banking (Unaudited) (Continued)**

<i>Dollars in millions except as noted</i>	<i>Year ended</i>		<i>Three months ended</i>			
	<i>December 31 2007</i>	<i>December 31 2006</i>	<i>December 31 2007</i>	<i>September 30 2007</i>	<i>June 30 2007</i>	<i>March 31 2007</i>

OTHER INFORMATION (a) (b)Credit-related statistics:

Nonperforming assets			\$ 225	\$ 137	\$ 140	\$ 123	\$ 106
Net charge-offs	\$ 131	\$ 85	\$ 45	\$ 34	\$ 25	\$ 27	\$ 21
Annualized net charge-off ratio	.39%	.35%	.50%	.39%	.29%	.39%	.34%

Other statistics:

Full-time employees			12,036	11,753	11,804	11,838	9,549
Part-time employees			2,309	2,248	2,360	2,224	1,829
ATMs			3,900	3,870	3,917	3,862	3,581
Branches (c)			1,109	1,072	1,084	1,077	852
Gains on sales of education loans (d)	\$ 24	\$ 33	\$ 4	\$ 12	\$ 5	\$ 3	\$ 11

ASSETS UNDER ADMINISTRATION

(in billions) (e)

Assets under management

Personal			\$ 53	\$ 57	\$ 55	\$ 54	\$ 44
Institutional			20	20	22	22	10
Total			\$ 73	\$ 77	\$ 77	\$ 76	\$ 54

Asset Type

Equity			\$ 42	\$ 44	\$ 43	\$ 41	\$ 34
Fixed income			18	20	20	20	12
Liquidity/Other			13	13	14	15	8
Total			\$ 73	\$ 77	\$ 77	\$ 76	\$ 54

Nondiscretionary assets under administration

Personal			\$ 30	\$ 31	\$ 30	\$ 31	\$ 25
Institutional			83	81	81	80	61
Total			\$ 113	\$ 112	\$ 111	\$ 111	\$ 86

Asset Type

Equity			\$ 49	\$ 50	\$ 47	\$ 42	\$ 33
Fixed income			28	27	28	28	24
Liquidity/Other			36	35	36	41	29
Total			\$ 113	\$ 112	\$ 111	\$ 111	\$ 86

(a) Presented as of period-end, except for net charge-offs, annualized net charge-off ratio and gains on sales of education loans.

(b) Amounts subsequent to March 2, 2007 include the impact of Mercantile. Amounts subsequent to October 26, 2007 include the impact of Yardville.

(c) Excludes certain satellite branches that provide limited products and service hours.

- (d) Included in Noninterest income on page 6.
- (e) Excludes brokerage account assets.

THE PNC FINANCIAL SERVICES GROUP, INC.**Retail Banking (Unaudited) (Continued)**

	December 31 2007 (b)	September 30 2007	June 30 2007 (b)	March 31 2007 (b)	December 31 2006
<i>Dollars in millions except as noted</i>					
OTHER INFORMATION (a) (b)					
<u>Home equity portfolio credit statistics:</u>					
% of first lien positions (c)	39%	39%	42%	43%	43%
Weighted average loan-to-value ratios (c)	73%	72%	70%	70%	70%
Weighted average FICO scores (d)	727	726	727	726	728
Loans 90 days past due	.37%	.30%	.26%	.25%	.24%
<u>Checking-related statistics:</u>					
Retail Banking checking relationships	2,272,000	2,275,000	1,967,000	1,962,000	1,954,000
Consumer DDA households using online banking	1,091,000	1,050,000	975,000	960,000	938,000
% of consumer DDA households using online banking	54%	52%	55%	54%	53%
Consumer DDA households using online bill payment	667,000	604,000	505,000	450,000	404,000
% of consumer DDA households using online bill payment	33%	30%	29%	25%	23%
<u>Small business loans and managed deposits:</u>					
Small business loans	\$ 13,049	\$ 13,157	\$ 5,410	\$ 5,284	\$ 5,116
<u>Managed deposits:</u>					
<u>On-balance sheet</u>					
Noninterest-bearing demand	\$ 5,994	\$ 6,119	\$ 4,250	\$ 4,284	\$ 4,383
Interest-bearing demand	1,873	2,027	1,505	1,517	1,649
Money market	3,152	3,389	2,595	2,635	2,592
Certificates of deposit	1,068	1,070	584	681	802
<u>Off-balance sheet (e)</u>					
Small business sweep checking	2,780	2,823	1,933	1,827	1,733
Total managed deposits	\$ 14,867	\$ 15,428	\$ 10,867	\$ 10,944	\$ 11,159
<u>Brokerage statistics:</u>					
Margin loans	\$ 151	\$ 161	\$ 162	\$ 166	\$ 163
Financial consultants (f)	769	765	767	757	758
Full service brokerage offices	100	100	99	99	99
Brokerage account assets (billions)	\$ 48	\$ 49	\$ 47	\$ 46	\$ 46

(a) Presented as of period-end.

(b) This information excludes the impact of acquisitions between PNC's acquisition date and the date of conversion of the acquired companies data onto PNC's financial and operational systems because such information was not available prior to the conversion date. Therefore, information presented above as of June 30, 2007 and March 31, 2007 excludes the impact of Mercantile, which PNC acquired effective March 2, 2007 and converted during September 2007. Similarly, information presented above as of December 31, 2007 (except Brokerage statistics) excludes the impact of Yardville, which PNC acquired effective October 26, 2007 and expects to convert during March 2008.

(c) Includes loans from acquired portfolios for which lien position and loan-to-value information was limited.

(d) Represents the most recent FICO scores we have on file.

(e) Represents small business balances. These balances are swept into liquidity products managed by other PNC business segments, the majority of which are off-balance sheet.

(f) Financial consultants provide services in full service brokerage offices and PNC traditional branches.

THE PNC FINANCIAL SERVICES GROUP, INC.

Corporate & Institutional Banking (Unaudited)

<i>Taxable-equivalent basis (a)</i>	<i>Year ended</i>				<i>Three months ended</i>		
	<i>December 31</i>	<i>December 31</i>	<i>December 31</i>	<i>September 30</i>	<i>June 30</i>		<i>December 31</i>
<i>Dollars in millions except as noted</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2007</i>	<i>2007</i>	<i>March 31</i>	<i>2006</i>
INCOME STATEMENT							
Net interest income	\$ 818	\$ 703	\$ 237	\$ 204	\$ 194	\$ 183	\$ 186
Noninterest income							
Corporate service fees	564	526	137	161	139	127	149
Other (b)	156	226	25	23	48	60	55
Noninterest income	720	752	162	184	187	187	204
Total revenue	1,538	1,455	399	388	381	370	390
Provision for (recoveries of) credit losses	125	42	69	55	17	(16)	6
Noninterest expense	818	746	222	211	192	193	199
Pretax earnings	595	667	108	122	172	193	185
Income taxes	163	213	17	35	50	61	59
Earnings	\$ 432	\$ 454	\$ 91	\$ 87	\$ 122	\$ 132	\$ 126
AVERAGE BALANCE SHEET							
Loans							
Corporate (c)	\$ 9,519	\$ 8,633	\$ 10,254	\$ 9,625	\$ 9,274	\$ 8,909	\$ 8,885
Commercial real estate	3,590	2,876	3,956	3,576	3,555	3,253	3,143
Commercial - real estate related	3,580	2,433	4,065	3,746	3,736	2,733	2,189
Asset-based lending	4,634	4,467	4,795	4,647	4,562	4,513	4,594
Total loans (c)	21,323	18,409	23,070	21,594	21,127	19,408	18,811
Goodwill and other intangible assets	1,919	1,352	2,232	2,085	1,837	1,544	1,399
Loans held for sale	1,319	893	1,781	1,207	982	1,302	965
Other assets	4,491	4,168	4,641	4,544	4,531	4,244	4,550
Total assets	\$ 29,052	\$ 24,822	\$ 31,724	\$ 29,430	\$ 28,477	\$ 26,498	\$ 25,725
Deposits							
Noninterest-bearing demand	\$ 7,301	\$ 6,771	\$ 7,851	\$ 7,238	\$ 6,953	\$ 7,083	\$ 7,210
Money market	4,784	2,654	4,995	4,960	4,653	4,530	3,644
Other	1,325	907	1,818	1,436	1,113	926	921
Total deposits	13,410	10,332	14,664	13,634	12,719	12,539	11,775
Other liabilities	3,347	2,863	4,452	3,109	2,960	2,850	3,093
Capital	2,152	1,838	2,357	2,132	2,050	2,064	1,935
Total funds	\$ 18,909	\$ 15,033	\$ 21,473	\$ 18,875	\$ 17,729	\$ 17,453	\$ 16,803
PERFORMANCE RATIOS							
Return on average capital	20%	25%	15%	16%	24%	26%	26%
Noninterest income to total revenue	47	52	41	47	49	51	52
Efficiency	53	51	56	54	50	52	51

COMMERCIAL MORTGAGE
SERVICING PORTFOLIO (in billions)

