

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER

The following section describes the material United States federal income tax consequences of the merger to “U.S. holders” (as defined below) of Sterling common stock. This summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), applicable current and proposed United States Treasury Regulations, judicial authorities and administrative rulings and practice, all as in effect as of the date of this registration statement and all of which are subject to change, possibly on a retroactive basis.

For purposes of this discussion, the term “U.S. holder” means a beneficial owner of Sterling common stock that is for United States federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States or any state thereof or the District of Columbia; (iii) a trust if it (a) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (b) has valid election in effect under applicable United States Treasury Regulations to be treated as a United States person; or (iv) an estate the income of which is subject to United States federal income tax regardless of its source.

The United States federal income tax consequence to a partner in an entity or arrangement treated as a partnership, for United States federal income tax purposes, that holds Sterling common stock generally will depend on the status of the partner and the activities of the partnership. Partners in a partnership holding Sterling common stock should consult their own tax advisors.

This discussion assumes that a U.S. holder holds Sterling common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all aspects of United States federal income taxation that may be relevant to a U.S. holder in light of such holder’s particular circumstances or to U.S. holders subject to special treatment under the United States federal income tax laws (including, for example, insurance companies, dealers or brokers in securities or currencies, traders in securities who elect mark-to-market treatment, tax-exempt organizations, financial institutions, mutual funds, entities or arrangements treated as partnerships for United States federal income tax purposes (and holders holding Sterling common stock through such entities or arrangements), United States expatriates, holders liable for the alternative minimum tax, U.S. holders who hold Sterling common stock as part of a hedging, “straddle,” constructive sale, conversion or other integrated transaction, holders whose functional currency for United States federal income tax purposes is not the U.S. dollar, and U.S. holders who acquired their Sterling common stock through the exercise of employee stock options or other compensation arrangements). In addition, the discussion does not address any aspects of foreign, state, local, estate or gift taxation that may be applicable to a U.S. holder.

**Holders of Sterling common stock should consult with their own tax advisors as to the particular tax consequences to them of the merger, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws.**

### Tax Consequences of the Merger Generally

PNC and Sterling have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code. It is a condition to PNC’s obligation to complete the merger that PNC receive an opinion of its counsel, Wachtell, Lipton, Rosen & Katz, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of PNC and Sterling will be a party to the reorganization within the meaning of Section 368(b) of the Code. It is a condition to Sterling’s obligation to complete the merger that Sterling receive an opinion of its counsel, Sullivan & Cromwell LLP, dated the closing date of the merger, to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of PNC and Sterling will be a party to the reorganization within the meaning of Section 368(b) of the Code. These opinions will be based on facts, representations and assumptions set forth or referred to in the opinions and on representation letters from PNC and Sterling.

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These tax opinions are not binding on the Internal Revenue Service or any court, and neither PNC nor Sterling intends to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. Consequently, no assurance can be given that the Internal Revenue Service will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below.

Assuming the merger qualifies as a reorganization within the meaning of Section 368(a) of the Code, the material United States federal income tax consequences of the merger to U.S. holders of Sterling common stock are, in general, as follows:

*U.S. Holders Who Receive Solely PNC Common Stock.* If, pursuant to the merger, a U.S. holder exchanges all of its shares of Sterling common stock solely for shares of PNC common stock, such holder generally will not recognize gain or loss, except with respect to cash received instead of fractional shares of PNC common stock (as discussed below). The aggregate adjusted tax basis of the shares of PNC common stock received (including any fractional shares deemed received and exchanged for cash) will be equal to the aggregate adjusted tax basis in the shares of Sterling common stock surrendered. The holding period of the PNC common stock received (including any fractional shares deemed received and exchanged for cash) will include the holding period of the Sterling common stock surrendered in the merger.

*U.S. Holders Who Receive Solely Cash.* If, pursuant to the merger, a U.S. holder exchanges all of its shares of Sterling common stock solely for cash, such holder generally will recognize capital gain or loss equal to the difference between the amount of cash received and such holder's adjusted tax basis in the Sterling common stock surrendered. The gain or loss recognized will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period in the Sterling common stock surrendered exceeds one year. The deductibility of capital losses is subject to limitations. If a U.S. holder acquired different blocks of Sterling common stock at different times or different prices, such U.S. holder must determine its tax basis and holding period separately with respect to each such block of Sterling common stock. In some cases, if the U.S. holder actually or constructively owns PNC common stock immediately before the merger, and holds it after the merger, the cash received in the merger could be treated as having the effect of the distribution of a dividend, under the tests set forth in Section 302 of the Code, in which case such cash received would be treated as dividend income. In such cases, U.S. holders that are corporations should consult their tax advisors regarding the potential applicability of the "extraordinary dividend" provisions of the Code.

*U.S. Holders Who Receive a Combination of PNC Common Stock and Cash.* If, pursuant to the merger, a U.S. holder exchanges its shares of Sterling common stock for a combination of PNC common stock and cash (other than cash received in lieu of a fractional share), such holder generally will recognize gain (but not loss) in an amount equal to the lesser of (1) the sum of the amount of cash and the fair market value of the PNC common stock received, minus the adjusted tax basis of the Sterling common stock surrendered in exchange therefor, and (2) the amount of cash received by the holder. If a U.S. holder of Sterling common stock acquired different blocks of Sterling common stock at different times or different prices, the holder should consult the holder's tax advisor regarding the manner in which gain or loss should be determined. Any recognized gain generally will be long-term capital gain if, as of the effective date of the merger, the U.S. holder's holding period with respect to the Sterling common stock surrendered exceeds one year. In some cases, if the U.S. holder actually or constructively owns PNC common stock other than PNC common stock received in the merger, the recognized gain could be treated as having the effect of the distribution of a dividend under the tests set forth in Section 302 of the Code, in which case such gain would be treated as dividend income. In such cases, U.S. holders that are corporations should consult their tax advisors regarding the potential applicability of the "extraordinary dividend" provisions of the Code. The aggregate tax basis of the PNC common stock received (including any fractional shares deemed received and exchanged for cash) by a U.S. holder that exchanges its shares of Sterling common stock for a combination of PNC common stock and cash will be equal to the aggregate adjusted tax basis of the shares of Sterling common stock surrendered, reduced by the amount of cash received by the holder (excluding any cash received instead of fractional shares of PNC common stock) and increased by the amount of gain, if any, recognized by the holder (excluding any gain

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recognized with respect to cash received instead of fractional shares of PNC common stock) on the exchange. The holding period of the PNC common stock received (including any fractional shares deemed received and exchanged for cash) will include the holding period of the Sterling common stock surrendered. U.S. holders receiving a combination of PNC common stock and cash should consult their tax advisors regarding the manner in which cash and PNC common stock should be allocated among the holder's shares of Sterling common stock and the manner in which the above rules would apply in the holder's particular circumstances.

### **Cash Instead of Fractional Shares**

A U.S. holder who receives cash instead of a fractional share of PNC common stock generally will be treated as having received such fractional share pursuant to the merger and then as having received cash in exchange for such fractional share. Gain or loss generally will be recognized based on the difference between the amount of cash received instead of the fractional share and the tax basis allocated to such fractional share of PNC common stock. Such gain or loss generally will be long-term capital gain or loss if, as of the effective date of the merger, the holding period for the fractional share (including the holding period for the shares of Sterling common stock surrendered therefor) is greater than one year.

### **Information Reporting and Backup Withholding**

Cash payments received in the merger may, under certain circumstances, be subject to information reporting and backup withholding (currently at a rate of 28%), unless the holder provides proof of an applicable exemption or furnishes its taxpayer identification number, and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder's United States federal income tax liability, provided that the required information is timely furnished to the Internal Revenue Service.