SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2005

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from______ to ______

Commission file number 001-09718

The PNC Financial Services Group, Inc.

(Exact name of registrant as specified in its charter)

Pennsylvania	**25-1435979**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707
(Address of principal executive offices)
(Zip Code)

(412) 762-2000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

As of October 31, 2005, there were 292,235,497 shares of the registrant's common stock ($5 par value) outstanding.

The PNC Financial Services Group, Inc.
Cross-Reference Index to 2005 Third Quarter Form 10-Q

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CONSOLIDATED FINANCIAL HIGHLIGHTS

THE PNC FINANCIAL SERVICES GROUP, INC.

Dollars in millions, except per share data Unaudited	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
FINANCIAL PERFORMANCE				
Revenue				
Net interest income *(taxable-equivalent basis)* (a)	$ 566	$ 498	$1,619	$1,480
Noninterest income	1,113	838	3,011	2,659
Total revenue	$1,679	$ 1,336	$4,630	$4,139
Net income	$ 334	$ 258	$ 970	$ 890
Per common share				
Diluted earnings	$ 1.14	$ .91	$ 3.35	$ 3.13
Cash dividends declared	$ .50	$ .50	$ 1.50	$ 1.50
SELECTED RATIOS				
Net interest margin	2.96%	3.19%	2.99%	3.22%
Noninterest income to total revenue	67	63	65	64
Efficiency	69	74	69	68
Return on				
Average common shareholders' equity	16.13%	14.42%	16.49%	16.86%
Average assets	1.45	1.36	1.48	1.60

See page 35 for a glossary of certain terms used in this Report.

Certain prior period amounts included in these Consolidated Financial Highlights have been reclassified to conform with the current period presentation.

(a) 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 interest-earning assets, we have increased the interest income earned on tax-exempt assets to make it fully equivalent to interest income on other taxable investments. This adjustment is not permitted under generally accepted accounting principles (GAAP) on the Consolidated Income Statement.

The following is a reconciliation of net interest income as reported in the Consolidated Income Statement to net interest income on a taxable-equivalent basis (in millions):

	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
Net interest income, GAAP basis	$ 559	$ 491	$ 1,599	$ 1,466
Taxable-equivalent adjustment	7	7	20	14
Net interest income, taxable-equivalent basis	$ 566	$ 498	$ 1,619	$ 1,480

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Unaudited	September 30 2005	December 31 2004	September 30 2004
BALANCE SHEET DATA (dollars in millions, except per share data)			
Assets	$ 93,241	$ 79,723	$ 77,298
Loans, net of unearned income	50,510	43,495	42,480
Allowance for loan and lease losses	634	607	581
Securities	20,658	16,761	16,824
Loans held for sale	2,377	1,670	1,582
Deposits	60,214	53,269	51,162
Borrowed funds	18,374	11,964	12,919
Allowance for unfunded loan commitments and letters of credit	79	75	96
Shareholders' equity	8,317	7,473	7,312
Common shareholders' equity	8,309	7,465	7,304
Book value per common share	28.54	26.41	25.89
Common shares outstanding (millions)	291	283	282
Loans to deposits	84%	82%	83%
ASSETS UNDER MANAGEMENT (billions)	$ 469	$ 383	$ 362
FUND ASSETS SERVICED (billions)			
Accounting/administration net assets	$ 793	$ 721	$ 667
Custody assets	475	451	418
CAPITAL RATIOS			
Tier 1 Risk-based	8.4%	9.0%	9.0%
Total Risk-based	12.5	13.0	12.5
Leverage	7.1	7.6	7.7
Tangible common	4.9	5.7	5.6
Common shareholders' equity to assets	8.91	9.36	9.45
ASSET QUALITY RATIOS			
Nonperforming assets to loans, loans held for sale and foreclosed assets	.29%	.39%	.42%
Nonperforming loans to loans	.25	.33	.35
Net charge-offs to average loans *(for the three months ended)*	.12	.13	.12
Allowance for loan and lease losses to loans	1.26	1.40	1.37
Allowance for loan and lease losses to nonperforming loans	499	424	393

FINANCIAL REVIEW
THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Report and Items 6, 7, 8 and 9A of our 2004 Annual Report on Form 10-K ("2004 Form 10-K"). We have reclassified certain prior period amounts to conform with the current year presentation. For information regarding certain business and regulatory risks, see the Risk Factors and Risk Management sections in this Financial Review and Items 1 and 7 of our 2004 Form 10-K. Also, see the Cautionary Statement Regarding Forward-Looking Information and Critical Accounting Policies And Judgments sections in this Financial Review for certain other factors that could cause actual results or future events to differ materially from those anticipated in the forward-looking statements included in this Report or from historical performance. See Note 13 Business Segments in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for a reconciliation of total business segment earnings to total PNC consolidated net income as reported on a generally accepted accounting principles ("GAAP") basis.

EXECUTIVE SUMMARY

THE PNC FINANCIAL SERVICES GROUP, INC.

PNC is one of the largest diversified financial services companies in the United States, operating businesses engaged in consumer banking, institutional banking, asset management and global fund processing services. We operate directly and through numerous subsidiaries, providing many of our products and services nationally and others in our primary geographic markets in Pennsylvania, New Jersey, Delaware, Ohio, Kentucky and the Washington, D.C. area. We also provide certain asset management and global fund processing services internationally.

KEY STRATEGIC GOALS

Our strategy to enhance shareholder value centers on achieving growth in our various businesses underpinned by prudent management of risk, capital and expenses. In each of our business segments, the primary drivers of growth are the acquisition, expansion and retention of customer relationships. We strive to achieve such growth in our customer base by providing convenient banking options, leading technological systems and a broad range of asset management products and services. We also intend to grow through appropriate and targeted acquisitions and, in certain businesses, by expanding into new geographical markets.

In recent years, we have managed our interest rate risk to achieve a moderate risk profile with limited exposure to earnings volatility resulting from interest rate fluctuations. Our actions have created a balance sheet characterized by strong asset quality and significant flexibility to take advantage, where appropriate, of changing interest rates and to adjust to changing market conditions.

On October 11, 2005, we acquired Harris Williams & Co. ("Harris Williams"), one of the nation's largest firms focused on providing merger and acquisition advisory and related services to middle market companies, including private equity firms and private and public companies. This acquisition should provide opportunities for commercial lending as well as wealth management and capital markets business growth. We expect Harris Williams to be accretive to our earnings immediately.

As previously reported, we successfully completed our acquisition of Riggs National Corporation ("Riggs"), a Washington, D.C.-based banking company, in May 2005. The transaction gives us a substantial presence on which to build a market leading franchise in the affluent Washington metropolitan area. We include additional information on Riggs, as well as the first quarter 2005 acquisition of SSRM Holdings, Inc. ("SSRM") by our majority-owned subsidiary, BlackRock, Inc. ("BlackRock"), in Note 2 Acquisitions in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

THE ONE PNC INITIATIVE

The One PNC initiative, which began in January 2005, is an ongoing, company-wide initiative with goals of moving closer to the customer, improving our overall efficiency and targeting resources to more value-added activities. PNC expects to realize $400 million of total pretax earnings benefit by 2007 from this initiative. As a result of this intensive process, we have reorganized our banking businesses to reduce bureaucracy and to better serve our customer base. The initiative has resulted in a simplified and a more centrally managed organization. As further described in our Current Report on Form 8-K dated September 30, 2005, our banking businesses have been reorganized into two units, Consumer Banking and Institutional Banking, and we have aligned our reporting accordingly. We include further details on this change under "Business Segment Highlights" in this Financial Review.

PNC plans to achieve approximately $300 million of cost savings initiatives through a combination of workforce reduction and other efficiency initiatives. Of the approximately 3,000 positions to be eliminated, approximately 1,800 had been eliminated as of September 30, 2005. We estimate that these changes will result in employee severance and other implementation costs of up to $85 million, including $44 million recognized during the third quarter of 2005. We expect that the remaining charges will be incurred during the fourth quarter of 2005 and through 2006.

In addition, PNC intends to achieve at least $100 million in net revenue growth through the implementation of various pricing and business growth enhancements driven by the One PNC initiative. Initiatives to achieve this growth are progressing according to plan. We expect to begin realizing a net financial benefit from the program in the fourth quarter of 2005, with a more significant impact in 2006.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Our financial performance is substantially affected by several external factors outside of our control, including:

- General economic conditions,
- Loan demand and utilization of credit commitments,
- Interest rates, and the shape of the interest rate yield curve,

- The performance of the capital markets, and
- Customer demand for other products and services.

In addition to changes in general economic conditions, including the direction, timing and magnitude of movement in interest rates and the performance of the capital markets, our success for the remainder of 2005 and in 2006 will depend, among other things, upon:

- Further success in the acquisition, growth and retention of customers,
- Successful execution of the One PNC initiative,
- Growth in market share across businesses,
- A sustained focus on expense management and improved efficiency,
- Maintaining strong overall asset quality, and
- Prudent risk and capital management.

SUMMARY FINANCIAL RESULTS

	Three months ended		Nine months ended	
In millions, except for per share data	**Sept. 30 2005**	**Sept. 30 2004**	**Sept. 30 2005**	**Sept. 30 2004**
Net income	$ 334	$ 258	$ 970	$ 890
Diluted earnings per share	$ 1.14	$ .91	$ 3.35	$ 3.13
Return on				
Average common shareholders' equity	16.13%	14.42%	16.49%	16.86%
Average assets	1.45%	1.36%	1.48%	1.60%

Results for the first nine months of 2005 included the impact of the following items:

- Implementation costs recognized in the third quarter totaling $29 million after-tax, or $.10 per diluted share, related to the One PNC initiative;
- Integration costs of $19 million after-tax, or $.07 per diluted share, comprised of provision for credit losses, noninterest expense and deferred taxes, related to the acquisition of Riggs; and
- The reversal of deferred tax liabilities that benefited earnings by $45 million, or $.16 per diluted share, in the first quarter related to our previously reported transfer of ownership in BlackRock from PNC Bank, National Association ("PNC Bank, N.A.") to PNC Bancorp, Inc. that took place in January 2005.

Results for the first nine months and third quarter of 2004 reflected the impact of a charge totaling $42 million after taxes, or $.15 per diluted share, associated with initial expense recognition for the 2002 BlackRock Long-Term Retention and Incentive Plan ("LTIP") during the third quarter of that year. We recognized after-tax LTIP charges of $23 million, or $.08 per diluted share, in the first nine months of 2005, including $8 million in the third quarter of 2005.

Our third quarter 2005 performance included the following accomplishments:

- Taxable-equivalent net interest income increased $68 million, or 14%, compared with the third quarter of 2004 as increased earning assets and higher yields on assets more than offset a decrease in the net interest margin.
- Average loans increased $7.7 billion, or 18%, compared with the third quarter of 2004, driven by targeted sales efforts and the impact of Riggs.
- Average deposits increased $9.2 billion, or 18%, compared with the prior year third quarter, driven by higher certificates of deposit, money market and demand deposit balances, including the impact of Riggs. Average interest-bearing deposits increased 21% and average demand and other noninterest-bearing deposits increased 10% compared with the third quarter of 2004.
- Noninterest income increased 33% compared with the third quarter of 2004 driven by higher asset management fees, increased banking fees, higher trading revenues and higher equity management revenue. These factors were partially offset by net securities losses in the third quarter of 2005 compared with net securities gains in the third quarter of 2004.
- Noninterest expense rose $175 million, or 18%, in the third quarter of 2005 compared with the prior year third quarter. Noninterest expense for the third quarter of 2005 included $211 million of BlackRock operating expenses (including $16 million of LTIP expenses), $44 million of One PNC initiative charges, and $47 million of Riggs expenses. Third quarter 2004 noninterest expense included $190 million of BlackRock operating expenses (including $96 million of LTIP charges).
- Asset quality remained very strong. The ratio of nonperforming loans to total loans fell to .25% at September 30, 2005 from .35% at September 30, 2004 and the ratio of nonperforming assets to total assets declined to .17% from .24% in the same comparison.

BALANCE SHEET HIGHLIGHTS

Total assets were $93.2 billion at September 30, 2005. Total average assets were $87.4 billion for the first nine months of 2005 compared with $74.1 billion for the first nine months of 2004. This increase was primarily attributable to a $11.0 billion increase in interest-earning assets. An increase of $6.6 billion in average loans was the primary factor for the increase in average interest-earning assets. In addition, average total securities increased $3.0 billion in the first nine months of 2005 compared with the prior year period. We do not expect balance sheet growth to continue at this pace.

Average total loans were $46.9 billion for the first nine months of 2005 and $40.2 billion in the first nine months of 2004. This increase was driven by continued improvements in market loan demand and targeted sales efforts across our banking businesses, as well as the Riggs acquisition. The increase in average total loans reflected growth in commercial loans of approximately $2.6 billion, consumer loans of approximately $2.4 billion and residential mortgages of approximately $2.0 billion, partially offset by a $.6 billion decline in lease financing loans. During the second quarter of 2004, we sold our vehicle leasing portfolio as more fully described in our 2004 Form 10-K.

Loans represented 65% of average interest-earning assets for the first nine months of 2005 and 66% for the first nine months of 2004.

Average securities totaled $18.8 billion for the first nine months of 2005 and $15.8 billion for the first nine months of 2004. Of this increase, $2.1 billion was attributable to increases in mortgage-backed, asset-backed and other debt securities. The increase in the 2005 period also reflected the impact of Riggs. Securities comprised 26% of average interest-earning assets for the first nine months of 2005 and 2004.

Average total deposits were $56.6 billion for the first nine months of 2005, an increase of $7.6 billion over the first nine months of 2004. The increase in average total deposits was driven primarily by the impact of higher certificates of deposit, money market account and noninterest-bearing deposit balances, and by higher Eurodollar deposits. The increase in the 2005 period also reflected the impact of Riggs. Average total deposits represented 65% of total sources of funds for the first nine months of 2005 and 66% for the first nine months of 2004. Average transaction deposits were $38.7 billion for the first nine months of 2005 compared with $35.5 billion for the first nine months of 2004.

Average borrowed funds were $16.2 billion for the first nine months of 2005 and $12.5 billion for the first nine months of 2004. The following contributed to this increase:

- Our issuance of $500 million of subordinated bank notes in September 2005, senior bank note issuances totaling $500 million in July 2005 and $75 million in August 2005, $1 billion of Federal Home Loan Bank advances in June 2005, $700 million of senior notes and $350 million of senior bank notes in March 2005, $500 million of subordinated bank notes in December 2004, and $500 million of senior bank notes in September 2004,
- The assumption of approximately $345 million of subordinated debt with the Riggs acquisition,
- BlackRock's issuance of $250 million of convertible debentures in February 2005, and
- An increase in short-term borrowings to fund asset growth.

These increases were partially offset by senior bank note maturities in May 2005, subordinated debt maturities in April 2005, and senior debt maturities in October 2004.

Shareholders' equity totaled $8.3 billion at September 30, 2005, compared with $7.5 billion at December 31, 2004. See the Consolidated Balance Sheet Review section of this Financial Review for additional information.

BUSINESS SEGMENT HIGHLIGHTS

Total business segment earnings for the first nine months of 2005 were $1.095 billion compared with $921 million for the first nine months of 2004. Total business segment earnings were $383 million for the third quarter of 2005 and $265 million for the third quarter of 2004. A summary of results for both the first nine months and third quarter of 2005 compared with the prior year periods follows. Further analysis of business segment results for the nine-month comparison is found on pages 16 through 23.

During the third quarter of 2005 we reorganized our banking businesses into two units, Consumer Banking and Institutional Banking, aligning our reporting with our client base and with the organizational changes we made in connection with the One PNC initiative. The Consumer Banking business segment comprises consumer and small business customers. The Institutional Banking business segment includes middle market and corporate customers. Amounts previously reported under Regional Community Banking, Wholesale Banking and PNC Advisors have been reclassified to reflect this new reporting structure. Intercompany eliminations and other adjustments made to combine Regional Community Banking and PNC Advisors for prior periods were not significant. Our Current Report on Form 8-K dated September 30, 2005 contains additional information regarding this new reporting structure.

Consumer Banking

Consumer Banking earnings for the first nine months of 2005 totaled $487 million compared with $443 million for the first nine months of 2004. Continued organic customer growth and the Riggs acquisition have driven a growing balance sheet and a 5% revenue increase. These positive results, combined with a sustained focus on expense management and credit quality, drove the 10% increase in earnings.

Earnings from Consumer Banking totaled $176 million for the third quarter of 2005 compared with $158 million for the third quarter of 2004. The 11% increase in earnings compared with the third quarter of 2004 was driven by improved taxable-equivalent net interest income and fee income, continued customer and balance sheet growth and a sustained focus on expense management. Checking relationships as of September 30, 2005 grew 10% compared with September 30, 2004, while average loans grew 15% and average deposits grew 13% for the third quarter of 2005 compared with the third quarter of 2004.

Institutional Banking

Earnings from Institutional Banking were $372 million for the first nine months of 2005 and $335 million for the first nine months of 2004. In addition to the impact of higher taxable-equivalent net interest income driven by loan growth, the increased earnings compared with a year ago reflected the benefit of a higher negative provision for credit losses resulting from a $53 million loan recovery recorded during the second quarter of 2005. Those factors were partially offset by lower net gains from institutional loans held for sale.

Institutional Banking earned $118 million for the third quarter of 2005 compared with $100 million for the third quarter of 2004. The higher earnings compared with the prior year quarter resulted from higher net gains on commercial mortgage loan sales, higher fees related to commercial mortgage servicing activities, increased client-related trading and other capital markets revenues and higher taxable-equivalent net interest income.

BlackRock

BlackRock earnings totaled $161 million for the first nine months of 2005 compared with $93 million for the first nine months of 2004. Earnings for the first nine months of 2005 included $44 million of pretax LTIP expenses and nonrecurring pretax expenses of $9 million associated with the

SSRM acquisition. Results for both the first nine months and third quarter of 2004 included a $91 million pretax impact of the LTIP charge recorded in the third quarter of that year representing the initial expense recognition for the LTIP. In addition, results for the first nine months of 2004 included a $9 million net income benefit recognized during the first quarter of that year associated with the resolution of an audit performed by New York State on state income tax returns filed from 1998 through 2001.

BlackRock reported earnings of $61 million for the third quarter of 2005 compared with a net loss of $10 million for the third quarter of 2004. In addition to the comparative impact of the LTIP charge in the third quarter of 2004 referred to above, higher earnings in the 2005 quarter reflected higher advisory fees driven by a growing base of assets under management as well as strong sales of the BlackRock Solutions® risk analytics platform. These factors more than offset the increase in expense due to higher staffing levels following the SSRM acquisition, higher incentive compensation, including $14 million of pretax LTIP expenses, and higher general and administrative expense. BlackRock's assets under management increased to a record $428 billion at September 30, 2005 compared with $342 billion at December 31, 2004, primarily due to the SSRM acquisition and new business.

PNC owns approximately 70% of BlackRock and we consolidate BlackRock into our financial statements. Accordingly, approximately 30% of BlackRock's earnings are recognized as minority interest expense in the Consolidated Income Statement. BlackRock financial information included in the Financial Review section of this Report is presented on a stand-alone basis. The market value of our BlackRock shares was approximately $4.0 billion at September 30, 2005 while the book value at that date was approximately $660 million.

PFPC

PFPC earnings totaled $75 million for the first nine months of 2005 and $50 million for the first nine months of 2004. Earnings from PFPC totaled $28 million for the third quarter of 2005 and $17 million for the third quarter of 2004. Higher earnings for both 2005 periods were attributable to improved operating leverage and strong performances from custody services, securities lending and managed account services operations, as well as reduced intercompany debt financing costs. In addition, earnings for the third quarter of 2005 included a $3 million tax benefit that was identified as part of the One PNC initiative. PFPC's accounting/administration net fund assets increased 19% and custody fund assets increased 14% as of September 30, 2005 compared with the balances at September 30, 2004. The increases were driven by new business and asset inflows from existing customers, as well as comparatively favorable market conditions.

Other

For the first nine months of 2005, "Other" reported a net loss of $76 million compared with a net loss of $4 million for the first nine months of 2004. The higher net loss in the first nine months of 2005 was primarily due to the following:

- Net securities losses amounting to $24 million after-tax in 2005 compared with $29 million of after-tax net securities gains in the prior year period,
- Third quarter 2005 implementation costs related to the One PNC initiative totaling $29 million after-tax,
- Riggs acquisition integration costs recognized in 2005 totaling $19 million after-tax in 2005, and
- The impact of the $22 million after-tax gain on the sale of our modified coinsurance contracts recognized in 2004.

These factors were partially offset by the first quarter 2005 benefit of the $45 million deferred tax liability reversal related to our investment in BlackRock, as described further above under "Summary Financial Results," and higher trading revenue and equity management gains in the first nine months of 2005.

"Other" for the third quarter of 2005 reflected a net loss of $30 million compared with a net loss of $10 million in the third quarter of 2004. Third quarter 2005 results included the impact of implementation costs related to the One PNC initiative referred to above, partially offset by higher revenue from trading activities in the 2005 third quarter compared with the prior year quarter.

CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME AND NET INTEREST MARGIN

Dollars in millions	Three months ended Sept. 30 2005	Three months ended Sept. 30 2004	Nine months ended Sept. 30 2005	Nine months ended Sept. 30 2004
Taxable-equivalent net interest income	$ 566	$ 498	$1,619	$1,480
Net interest margin	2.96%	3.19%	2.99%	3.22%

We provide a reconciliation of net interest income as reported under GAAP to net interest income presented on a taxable-equivalent basis in the Consolidated Financial Highlights section on page 1 of this Report.

Changes in net interest income and margin result from the interaction of the volume and composition of interest-earning assets and related yields, interest-bearing liabilities and related rates paid, and noninterest-bearing sources. See Statistical Information-Average Consolidated Balance Sheet And Net Interest Analysis included on pages 61 and 62 of this Report for additional information.

The increase in taxable-equivalent net interest income in both comparisons above reflected the impact of higher average interest-earning assets in 2005 driven by organic growth and the Riggs acquisition, partially offset by higher costs of deposits.

The following factors contributed to the decline in net interest margin for the first nine months of 2005 compared with the first nine months of 2004:

- An increase in the average rate paid on deposits of 88 basis points for the first nine months of 2005 compared with the 2004 period. The average rate paid on money market accounts, the largest single component of interest-bearing deposits, increased 128 basis points, reflecting the increase in short-term interest rates that began in mid-2004.
- An increase in the average rate paid on borrowed funds of 123 basis points for the first nine months of 2005 compared with the first nine months of 2004.
- By comparison, the yield on interest-earning assets increased only 62 basis points.
- Higher balances of interest-earning trading assets, which negatively affected the overall yield on interest-earning assets.

The following factors contributed to the decline in net interest margin for the third quarter of 2005 compared with the prior year third quarter:

- An increase in the average rate paid on deposits of 106 basis points for the third quarter of 2005 compared with the third quarter of 2004. The average rate paid on money market accounts, the largest single component of interest-bearing deposits, increased 150 basis points, reflecting the increase in short-term interest rates that began in mid-2004.
- An increase in the average rate paid on borrowed funds of 134 basis points for the third quarter of 2005 compared with the prior year quarter.
- By comparison, the yield on interest-earning assets increased only 79 basis points.
- Higher balances of interest-earning trading assets.

In both the first nine months and third quarter comparisons, the factors outlined above more than offset the effect of the increased benefit of noninterest-bearing sources of funds in 2005.

While we expect our net interest margin to remain relatively stable in 2006, we also expect an increase in taxable-equivalent net interest income in 2006 compared with 2005.

PROVISION FOR CREDIT LOSSES

The provision for credit losses decreased $36 million, to a negative provision of $3 million, for the first nine months of 2005 compared with the first nine months of 2004. The decline in the provision for credit losses was primarily due to the benefit of a $53 million loan recovery in the second quarter of 2005 resulting from a litigation settlement, in addition to continued improvement in asset quality. The improved credit quality reflected a decline in nonperforming loans. The favorable impact of these factors on the provision was partially offset by the impact of total average loan growth in the first nine months of 2005 compared with the prior year period.

For the third quarter of 2005, the provision for credit losses increased $3 million, to $16 million, compared with the prior year quarter. This increase reflected the impact of total average loan growth in 2005 that more than offset improved asset quality.

We expect loan growth to continue to impact the provision during the remainder of 2005 and into 2006. In addition, we do not expect to sustain asset quality at its current level. However, based on the assets we currently hold and current business trends and activities, we believe that overall asset quality will remain strong for at least the near term. See the Credit Risk Management portion of the Risk Management section of this Financial Review for additional information regarding factors impacting the provision for credit losses.

NONINTEREST INCOME

Summary

Noninterest income was $3.011 billion for the first nine months of 2005, an increase of $352 million compared with the first nine months of 2004. For the third quarter of 2005, noninterest income totaled $1.113 billion compared with $838 million for the third quarter of 2004. In both comparisons with 2004, higher asset management fees was the largest factor in the increases, driven largely by BlackRock's acquisition of SSRM in January 2005. In addition, noninterest income in both 2005 periods reflected increases in all other major categories other than net securities losses in the 2005 periods compared with gains in the 2004 periods and slightly lower corporate services revenue in the nine-month comparison.

Additional analysis

Combined asset management and fund servicing fees amounted to $1.669 billion for the first nine months of 2005 compared with $1.352 billion for the first nine months of

2004. For the third quarter of 2005, combined asset management and fund servicing fees were $582 million compared with $443 million in the prior year third quarter. The increases in both comparisons reflected the impact of the first quarter 2005 SSRM acquisition and other growth in assets managed and serviced.

Assets under management at September 30, 2005 totaled $469 billion compared with $362 billion at September 30, 2004. The acquisition of SSRM added $50 billion of assets under management during the first quarter of 2005. PFPC provided fund accounting/administration services for $793 billion of net fund investment assets and provided custody services for $475 billion of fund investment assets at September 30, 2005, compared with $667 billion and $418 billion, respectively, at September 30, 2004. These increases were driven by new business and asset inflows from existing customers, as well as comparatively favorable market conditions.

Service charges on deposits increased $12 million for the first nine months of 2005 and $8 million for the third quarter of 2005 compared with the corresponding prior year periods. Although growth in service charges has been limited due to our offering of free checking in both the consumer and small business channels, free checking has positively impacted customer and demand deposit growth as well as other deposit-related fees.

Brokerage fees increased $2 million, to $168 million, for the first nine months of 2005 compared with the prior year period. For the third quarter of 2005, brokerage fees increased $4 million, to $56 million, compared with the third quarter of 2004. The increase in both comparisons was primarily due to higher mutual fund-related revenues during 2005.

Consumer services fees increased $19 million, to $215 million, in the first nine months of 2005 compared with the first nine months of 2004. For the third quarter of 2005, consumer services fees increased $9 million compared with the prior year quarter. Higher fees in both comparisons reflected additional fees from debit card transactions primarily due to higher volumes and the Riggs acquisition, partially offset by lower ATM surcharge revenue from changing customer behavior and a strategic decision to reduce the out-of-footprint ATM network.

Corporate services revenue declined $2 million for the first nine months of 2005 compared with the first nine months of 2004 and increased $27 million in the third quarter of 2005 compared with the third quarter of 2004. Lower net gains in excess of valuation adjustments related to our liquidation of institutional loans held for sale impacted the nine-month comparison with a $44 million decline and the third quarter comparison with a $3 million decline. Our liquidation of institutional loans held for sale is essentially complete. The first nine months and third quarter of 2005 each benefited by the impact of higher net gains on commercial mortgage loan sales, higher fees related to commercial mortgage servicing activities, increased loan syndication fees and higher capital markets revenues compared with the respective prior year periods.

Equity management (private equity) net gains on portfolio investments totaled $80 million for the first nine months of 2005 and $58 million for the first nine months of 2004. Such gains totaled $36 million for the third quarter of 2005 compared with $16 million for the third quarter of 2004.

Net securities losses amounted to $37 million for the first nine months of 2005 compared with net securities gains of $45 million in the first nine months of 2004. For the third quarter of 2005, net securities losses totaled $2 million, compared with net securities gains of $16 million in the prior year quarter. Our discussion under the Consolidated Balance Sheet Review section of this Financial Review of actions taken during the second quarter of 2005 regarding our securities portfolio provides additional information on the 2005 net securities losses.

Noninterest revenue from trading activities totaled $108 million for the first nine months of 2005 and $69 million for the first nine months of 2004. For the third quarter of 2005, noninterest revenue from trading activities was $47 million, compared with $16 million in the prior year third quarter. We provide additional information on our trading activities under Market Risk Management – Trading Risk in the Risk Management section of this Financial Review.

Other noninterest income increased $25 million, to $258 million, in the first nine months of 2005 compared with the first nine months of 2004. Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Other noninterest income for the first nine months of 2005 included a $16 million gain related to a contribution of BlackRock stock to the PNC Foundation, a transaction that also impacted noninterest expense; a $10 million settlement received in connection with a PFPC contractual matter during the first quarter of 2005; income related to the 2005 SSRM acquisition; and higher dividends and other income related to equity investments. These factors more than offset the impact of the following pretax gains in 2004, as described in more detail in our 2004 Form 10-K:

- A first quarter $34 million gain related to the sale of our modified coinsurance contracts,
- A second quarter $13 million gain recognized in connection with BlackRock's sale of its interest in Trepp LLC, and
- A first quarter $10 million gain related to the sale of certain investment consulting activities of the Hawthorn unit of Consumer Banking.

Other noninterest income increased $55 million in the third quarter of 2005 compared with the third quarter of 2004. Additional income in 2005 related to the SSRM acquisition was the primary reason for the increase, along with the $16 million gain related to the PNC Foundation contribution referred to above.

Product Revenue

Institutional Banking offers treasury management and capital markets-related products and services, commercial loan servicing and equipment leasing products that are marketed by several businesses across PNC.

Treasury management revenue, which includes fees as well as revenue from customer deposit balances, totaled $305 million for the first nine months of 2005 and $274 million for the first nine months of 2004. For the third quarter of 2005, consolidated revenue totaled $105 million compared with $95 million in the third quarter of 2004. The increased revenue in both 2005 periods reflected the longer-term nature of treasury management deposits along with the rising interest rate environment, strong deposit growth, continued expansion and client utilization of commercial card services and a steady increase in business-to-business processing volumes. The acquisition of Riggs also contributed to the revenue growth in 2005, particularly in the third quarter.

Consolidated revenue from capital markets was $113 million for the first nine months of 2005, compared with $96 million in the first nine months of 2004. Consolidated revenue from capital markets totaled $42 million for the third quarter of 2005 and $27 million for the prior year third quarter. Increases in loan syndication fees and client-related trading revenue drove the increase in capital markets revenue in both comparisons.

Midland Loan Services offers servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Midland's revenue, which includes fees as well as revenue from servicing portfolio deposit balances, totaled $94 million for the first nine months of 2005 and $81 million for the first nine months of 2004. Midland's revenue totaled $35 million for the third quarter of 2005 compared with $30 million for the third quarter of 2004. The revenue growth was primarily driven by growth in the commercial mortgage servicing portfolio and related services.

Consolidated revenue from equipment leasing products was $52 million for the first nine months of 2005 and $63 million for the first nine months of 2004. For the third quarter of 2005, consolidated revenue from equipment leasing products was $16 million compared with $21 million in the prior year quarter. The declines in both comparisons were primarily due to the interest cost of funding the potential tax exposure on the cross-border leasing portfolio. See Cross-Border Leases and Related Tax and Accounting Matters in the Consolidated Balance Sheet Review section of this Financial Review for further information.

As a component of our advisory services to clients, we provide a select set of insurance products to fulfill specific customer financial needs. Primary insurance offerings include:

- Annuities,
- Credit life,
- Health,
- Disability, and
- Commercial lines coverage.

Client segments served by these insurance solutions include those in Consumer Banking and Institutional Banking. Insurance products are sold by PNC-licensed insurance agents and through licensed third-party arrangements. We recognized revenue from these products of $46 million in the first nine months of 2005 and $50 million in the first nine months of 2004. Revenue for the third quarter of 2005 totaled $15 million compared with $17 million for the third quarter of 2004. The decrease in both comparisons reflected a decline in annuity fee revenue.

Through our subsidiary company, PNC Insurance Corp., we act as a reinsurer for consumer credit insurance provided to customers of our subsidiaries. Additionally, through PNC Insurance Corp. and Alpine Indemnity Limited, we write, assume and cede insurance for property, workers' compensation, commercial general liability and automobile liability of PNC and its affiliates.

In the normal course of business PNC Insurance Corp. and Alpine Indemnity Limited maintain insurance reserves for reported claims and for claims incurred but not reported based on actuarial assessments.

NONINTEREST EXPENSE

Year-to-date September 30, 2005 and 2004

Total noninterest expense was $3.191 billion for the first nine months of 2005, an increase of $405 million compared with the first nine months of 2004. The efficiency ratio was 69% for the first nine months of 2005 compared with 68% for the first nine months of 2004.

Noninterest expense for the first nine months of 2005 included the following:

- An increase of $207 million in BlackRock operating expenses, excluding the LTIP expenses detailed below, that reflected the impact of costs resulting from the first quarter 2005 SSRM acquisition and other investments to fund growth;
- Costs totaling approximately $87 million resulting from our second quarter acquisition of Riggs, including approximately $15 million of integration costs;
- BlackRock LTIP charges of $48 million;
- Implementation costs totaling $44 million related to the One PNC initiative; and
- A $20 million contribution of BlackRock stock to the PNC Foundation.

The impact of the Riggs and One PNC initiative costs was reflected in several noninterest expense items in the Consolidated Income Statement.

Noninterest expense for the first nine months of 2004 included a $96 million charge associated with the BlackRock LTIP and conversion-related and other nonrecurring costs totaling approximately $11 million related to our acquisition of United National Bancorp, Inc.

Apart from the impact of these items, noninterest expense increased $106 million, or 4%, in the first nine months of 2005 compared with the same period in 2004. The higher expenses were driven by increased sales incentives and the increased impact of expensing stock options. See Note 1 Accounting Policies in our Notes To Consolidated Financial Statements under Part I, Item 1 of this Report for additional information on our accounting for employee and director stock options.

Third quarter 2005 and 2004

Total noninterest expense was $1.156 billion for the third quarter of 2005 and $981 million for the third quarter of 2004. The efficiency ratio was 69% for the third quarter of 2005 compared with 74% for the prior year quarter.

Noninterest expense for the third quarter of 2005 included the following:

- An increase of $101 million in BlackRock operating expenses excluding LTIP,
- Approximately $47 million of Riggs-related expenses,
- One PNC initiative implementation charges totaling $44 million,
- A $20 million BlackRock stock contribution to the PNC Foundation, and
- $16 million of BlackRock LTIP charges.

Expenses for the third quarter of 2004 included the $96 million BlackRock LTIP charge referred to previously. Apart from the impact of these items, noninterest expense for the third quarter of 2005 increased $43 million, or 5%, over the prior year quarter.

Excluding costs associated with acquisitions next year, such as the costs added as a result of the Harris Williams acquisition, we expect that total noninterest expense for full-year 2006 will be comparable to our anticipated total noninterest expense for full-year 2005.

Period-end employees totaled 25,369 at September 30, 2005 (comprised of 23,811 full-time and 1,558 part-time) compared with 25,874 at June 30, 2005 (comprised of 24,397 full-time and 1,477 part-time) and 24,218 at December 31, 2004 (comprised of 22,742 full-time and 1,476 part-time). The majority of our part-time employees are in Consumer Banking. The declines compared with June 30, 2005 were primarily due to the impact of the One PNC initiative. The increase compared with year-end 2004 was primarily attributable to increases related to our Riggs acquisition and BlackRock's acquisition of SSRM, partially offset by a decline in other areas.

EFFECTIVE TAX RATE

Our effective tax rate for the first nine months of 2005 was 29.7% compared with 31.5% for the first nine months of 2004. The decrease in the effective rate for the first nine months of 2005 was primarily attributable to the impact of the reversal of deferred tax liabilities in connection with the transfer of our ownership in BlackRock to our intermediate bank holding company. This transaction reduced our first quarter 2005 tax provision by $45 million, or $.16 per diluted share. See Note 2 Acquisitions included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for additional information. This reduction in the effective tax rate for the first nine months of 2005 was partially offset by a $6 million increase in deferred state income taxes, net of the federal income tax benefit, related to the Riggs acquisition recorded during the second quarter.

The effective tax rate for the first nine months of 2004 was favorably impacted by the $9 million tax benefit recorded in the first quarter of 2004 as a result of resolving a BlackRock New York State audit and a $14 million third quarter 2004 reduction in income tax expense following our determination that we no longer required an income tax reserve related to bank-owned life insurance.

For the third quarter of 2005, our effective tax rate was 30.4% compared with 26.9% for the third quarter of 2004. The effective tax rate for each quarter was lower than would otherwise be expected for the following reasons:

- The third quarter 2005 effective tax rate was impacted by adjustments related to completion of our 2004 federal income tax return; the effect of contributing BlackRock stock to the PNC Foundation; and a decrease in the tax rate at PFPC resulting from changes in the way income is apportioned for state tax purposes. These items in the aggregate totaled $17 million.
- The third quarter 2004 effective tax rate included the $14 million item referred to in the nine-month comparison above.

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CONSOLIDATED BALANCE SHEET REVIEW

BALANCE SHEET DATA

In millions	September 30 2005	December 31 2004
Assets		
Loans, net of unearned income	$ 50,510	$ 43,495
Securities available for sale and held to maturity	20,658	16,761
Loans held for sale	2,377	1,670
Other	19,696	17,797
Total assets	$ 93,241	$ 79,723
Liabilities		
Funding sources	$ 78,588	$ 65,233
Other	5,741	6,513
Total liabilities	84,329	71,746
Minority and noncontrolling interests in consolidated entities	595	504
Total shareholders' equity	8,317	7,473
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$ 93,241	$ 79,723

Our Consolidated Balance Sheet is presented in Part I, Item 1 on page 40 of this Report.

Higher total assets at September 30, 2005 compared with the balance at December 31, 2004 were driven by the impact of the Riggs acquisition, loan growth resulting from continued improvements in market loan demand and higher securities balances that reflected normal portfolio activity.

An analysis of changes in certain balance sheet categories follows.

LOANS, NET OF UNEARNED INCOME

Loans increased $7.0 billion, to $50.5 billion at September 30, 2005, compared with the balance at December 31, 2004. The impact of our Riggs acquisition added $2.7 billion of loans as of September 30, 2005. Improvements in market loan demand, in addition to targeted sales efforts across our banking businesses, drove the remainder of the increase in total loans.

Details Of Loans

In millions	September 30 2005	December 31 2004
Commercial		
Retail/wholesale	$ 5,114	$ 4,961
Manufacturing	4,321	3,944
Other service providers	2,173	1,787
Real estate related	2,492	2,104
Financial services	1,297	1,145
Health care	608	560
Other	4,098	2,937
Total commercial	20,103	17,438
Commercial real estate		
Real estate projects	2,147	1,460
Mortgage	779	520
Total commercial real estate	2,926	1,980
Equipment lease financing	3,721	3,907
Total commercial lending	26,750	23,325
Consumer		
Home equity	13,722	12,734
Automobile	931	836
Other	2,232	2,036
Total consumer	16,885	15,606
Residential mortgage	7,156	4,772
Vehicle lease financing	101	189
Other	474	505
Unearned income	(856)	(902)
Total, net of unearned income	$ 50,510	$ 43,495
Supplement Loan Information		
Loans excluding conduit	$ 47,889	$ 41,243
Market Street Funding Corporation conduit	2,621	2,252

Total loans	$ 50,510	$ 43,495

As the table above indicates, the loans that we hold continued to be diversified among numerous industries and types of businesses. The loans that we hold are also diversified across the geographic areas where we do business.

Commercial Lending Exposure (a)(b)

	September 30 2005	December 31 2004
Investment grade or equivalent		
$50 million or greater	16%	16%
$25 million to < $50 million	16%	16%
<$25 million	16%	15%
Non-investment grade		
$50 million or greater	2%	2%
$25 million to < $50 million	13%	11%
<$25 million	37%	40%
Total	100%	100%

(a) These statistics exclude the loans of Market Street Funding Corporation. The facilities extended by Market Street represent pools of granular obligations, structured to avoid excessive concentration of credit risk such that they attract an investment grade rating. See Note 15 Subsequent Events in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report regarding the October 2005 deconsolidation of Market Street.

(b) Exposure represents the sum of all loans, leases, commitments and letters of credit.

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Commercial loans are the largest category of credits and are the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for loan and lease losses. We have allocated approximately $509 million, or 80%, of the total allowance for loan and lease losses at September 30, 2005 to the commercial loan category. This allocation also considers other relevant factors such as:

- Actual versus estimated losses,
- Regional and national economic conditions,
- Business segment and portfolio concentrations,
- Industry competition and consolidation,
- The impact of government regulations, and
- Risk of potential estimation or judgmental errors, including the accuracy of risk ratings.

Net Unfunded Credit Commitments

In millions	September 30 2005	December 31 2004
Commercial	$ 23,100	$ 20,969
Consumer	9,268	7,655
Commercial real estate	2,290	1,199
Other	603	483
Total	$ 35,261	$ 30,306

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. Commercial commitments are reported net of participations, assignments and syndications, primarily to financial institutions, totaling $6.8 billion at September 30, 2005 and $6.7 billion at December 31, 2004.

The increase in consumer net unfunded commitments at September 30, 2005 compared with the balance at December 31, 2004 was primarily due to net unfunded commitments related to growth in home equity loans.

Unfunded credit commitments related to Market Street Funding Corporation totaled $1.0 billion at September 30, 2005 and $962 million at December 31, 2004 and are included in the preceding table primarily within the "Commercial" and "Consumer" categories. See the Off-Balance Sheet Arrangements And Variable Interest Entities section of this Financial Review and Note 6 Variable Interest Entities and Note 15 Subsequent Events in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further information regarding Market Street.

In addition to credit commitments, our net outstanding standby letters of credit totaled $3.8 billion at September 30, 2005 and $3.7 billion at December 31, 2004. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Cross-Border Leases and Related Tax and Accounting Matters

The equipment lease portfolio totaled $3.7 billion at September 30, 2005 and included approximately $1.7 billion of cross-border leases. Cross-border leases are primarily leveraged leases of equipment located in foreign countries, primarily in western Europe and Australia. We no longer enter into cross-border lease transactions.

Aggregate residual value at risk on the total commercial lease portfolio at September 30, 2005 was $1.1 billion. We have taken steps to mitigate $.6 billion of this residual risk, including residual value insurance coverage with third parties, third party guarantees, and other actions.

Upon completing examination of our 1998-2000 consolidated federal income tax returns, on June 20, 2005 the IRS provided us with an examination report which proposes increases in our tax liability, principally arising from adjustments to several of our cross-border lease transactions.

The proposed adjustments would reverse the tax treatment of these transactions as we reported them on our filed tax returns. We believe the method we used to report these transactions is supported by appropriate tax law and have filed a protest of the IRS examination findings with the IRS appeals office. While we cannot predict with certainty the result of filing the protest, any resolution would most likely involve a change in the timing of tax deductions which, in turn, depending on the exact resolution, could significantly impact the economics of these transactions. The IRS has begun an audit of our 2001-2003 consolidated federal income tax returns. We expect them to again make adjustments to the cross-border lease transactions referred to above as well as to new cross-border lease transactions entered into during those years. We believe our reserves for these exposures were adequate at September 30, 2005.

Further, the Financial Accounting Standards Board ("FASB") has issued a proposed staff position to consider whether any change in the timing of tax benefits associated with these types of transactions should result in a recalculation under Statement of Financial Accounting Standards No. ("SFAS") 13, "Accounting for Leases," and whether a lessor should re-evaluate the classification of a leveraged lease when a recalculation of the lease is performed. If the FASB ultimately adopts the guidance as proposed, a cumulative adjustment in the period of change which could be material and future adjustments to earnings could be required. However, under the leveraged leasing accounting rules, any reductions in earnings from the change in timing of tax deductions should be recovered in future years.

In addition to the transactions referred to above, three lease-to-service contract transactions that we were party to were structured as partnerships for tax purposes. These partnerships are under audit by the IRS. However, we do not believe that our exposure from these transactions is material to our consolidated results of operations or financial position.

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SECURITIES

Details Of Securities

In millions	Amortized Cost	Fair Value
September 30, 2005 (a)		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$ 4,376	$ 4,319
Mortgage-backed	13,030	12,843
Commercial mortgage-backed	1,663	1,636
Asset-backed	1,523	1,517
State and municipal	163	163
Other debt	87	86
Corporate stocks and other	93	94
Total securities available for sale	$ 20,935	$ 20,658
December 31, 2004		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	$ 4,735	$ 4,722
Mortgage-backed	8,506	8,433
Commercial mortgage-backed	1,380	1,370
Asset-backed	1,910	1,901
State and municipal	175	176
Other debt	33	33
Corporate stocks and other	123	125
Total securities available for sale	$ 16,862	$ 16,760
SECURITIES HELD TO MATURITY		
Debt securities		
Asset-backed	$ 1	$ 1
Total securities held to maturity	$ 1	$ 1

(a) Securities held to maturity at September 30, 2005 were less than $1 million.

Securities represented 22% of total assets at September 30, 2005 and 21% of total assets at December 31, 2004. The increase in total securities compared with December 31, 2004 was primarily due to the acquisition of Riggs and normal portfolio activity.

At September 30, 2005, the securities available for sale balance included a net unrealized loss of $277 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2004 was a net unrealized loss of $102 million. The increase in the net unrealized loss at September 30, 2005 reflected the impact of increases in interest rates during the first nine months of 2005, partially offset by the sales of securities during the second quarter of 2005 as discussed below.

We evaluate our portfolio of securities available for sale in light of changing market conditions and other factors and, where appropriate, take steps intended to improve our overall positioning.

As described in more detail in our second quarter 2005 Form 10-Q, in late April and early May 2005 we sold $2.1 billion of securities available for sale and terminated $1.0 billion of resale agreements that were most sensitive to extension risk due to rising short-term interest rates. We also purchased $2.1 billion of securities with higher yields and lower extension risk. These transactions resulted in realized net securities and other losses of approximately $31 million, which are included in our results of operations for the first nine months of 2005.

The fair value of securities available for sale decreases when interest rates increase and vice versa. Further increases in interest rates after September 30, 2005, if sustained, will adversely impact the fair value of securities available for sale going forward compared with the balance at September 30, 2005. Net unrealized gains and losses in the securities available for sale portfolio are included in shareholders' equity as accumulated other comprehensive income or loss, net of tax.

The expected weighted-average life of securities available for sale was 3 years and 11 months at September 30, 2005 and 2 years and 8 months at December 31, 2004.

We estimate that at September 30, 2005 the effective duration of securities available for sale is 2.6 years for an immediate 50 basis points parallel increase in interest rates and 2.3 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2004 were 2.7 years and 2.3 years, respectively.

LOANS HELD FOR SALE

Education loans held for sale totaled $1.7 billion at September 30, 2005 and $1.1 billion at December 31, 2004 and represented the majority of our loans held for sale at each date. We classify substantially all of our education loans as loans held for sale. Generally, we sell education loans when the loans are placed into repayment status. Gains on sales of education loans are reflected in the Other noninterest income line item in our Consolidated Income Statement and in the results for the Consumer Banking business segment.

See "Institutional Banking" in the Business Segments Review section of this Financial Review regarding net gains in excess of valuation adjustments related to our remaining institutional loans held for sale.

OTHER ASSETS

The increase of $1.9 billion in "Assets-Other" in the preceding "Balance Sheet Data" table includes the impact of an increase in goodwill and other intangible assets. Goodwill and other intangible assets recognized in connection with the Riggs acquisition totaled $507 million. Goodwill and other intangible assets recorded in connection with the SSRM acquisition totaled $311 million. See Note 5 Goodwill And Other Intangible Assets in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further information.

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CAPITAL AND FUNDING SOURCES

Details Of Funding Sources

In millions	September 30 2005	December 31 2004
Deposits		
Money market	$ 25,552	$ 21,250
Demand	16,566	15,996
Retail certificates of deposit	12,522	9,969
Savings	2,470	2,851
Other time	1,911	833
Time deposits in foreign offices	1,193	2,370
Total deposits	60,214	53,269
Borrowed funds		
Federal funds purchased	1,477	219
Repurchase agreements	2,054	1,376
Bank notes and senior debt	3,475	2,383
Subordinated debt	4,506	4,050
Commercial paper	3,447	2,251
Other borrowed funds	3,415	1,685
Total borrowed funds	18,374	11,964
Total	$ 78,588	$ 65,233

Various seasonal and other factors impact our period-end deposit balances whereas average balances (discussed under the Balance Sheet Highlights section of this Financial Review above) are more indicative of underlying business trends. The increase in deposits as of September 30, 2005 reflected the impact of the Riggs acquisition as well as sales and retention efforts related to core deposits.

Higher borrowed funds at September 30, 2005 were driven in part by the following:

- Our issuance of $500 million of subordinated bank notes in September 2005,
- Senior bank note issuances totaling $500 million in July 2005 and $75 million in August 2005,
- The issuance of $1 billion of Federal Home Loan Bank advances in June 2005,
- Our issuance of $700 million of senior debt and $350 million of senior bank notes in March 2005,
- BlackRock's $250 million convertible debenture issuance in February 2005 primarily in connection with its SSRM acquisition,
- The assumption of approximately $345 million of subordinated debt with the acquisition of Riggs, and
- Higher short-term borrowings to fund asset growth.

These factors were partially offset by maturities of $750 million of senior bank notes and $350 million of subordinated debt during the first nine months of 2005.

Capital

We manage our capital position by making adjustments to our balance sheet size and composition, issuing debt and equity instruments, making treasury stock transactions, maintaining dividend policies and retaining earnings.

The increase of $.8 billion in total shareholders' equity at September 30, 2005 compared with December 31, 2004 reflected the impact of earnings and the issuance of shares from treasury in connection with the Riggs acquisition.

Common shares outstanding at September 30, 2005 were 291.1 million, an increase of 8.5 million over December 31, 2004. We issued approximately 6.6 million shares of common stock during the second quarter of 2005 in connection with the Riggs acquisition.

We purchased .5 million common shares at a total cost of $26 million under both our prior and current common stock repurchase programs during the first nine months of 2005, all of which occurred during the first quarter. Our current program will remain in effect until fully utilized or until modified, superseded or terminated. The extent and timing of additional share repurchases under this program will depend on a number of factors including, among others, market and general economic conditions, economic and regulatory capital considerations, alternative uses of capital, and the potential impact on our credit rating. The impact on our capital of the Riggs and SSRM acquisitions, when combined with the capital requirements to expand our business, has restricted and will continue to restrict share repurchases over the next several quarters.

Risk-Based Capital

Dollars in millions	September 30 2005	December 31 2004
Capital components		
Shareholders' equity		
Common	$ 8,309	$ 7,465
Preferred	8	8
Trust preferred capital securities (a)	1,417	1,194
Minority interest	271	226
Goodwill and other intangibles	(3,927)	(3,112)
Net unrealized securities losses	180	66
Net unrealized losses (gains) on cash flow hedge derivatives	15	(6)
Equity investments in nonfinancial companies	(42)	(32)
Other, net	(12)	(15)

Tier 1 risk-based capital	6,219	5,794
Subordinated debt	2,315	1,924
Eligible allowance for credit losses	714	683
Total risk-based capital	$ 9,248	$ 8,401
Assets		
Risk-weighted assets, including off-balance sheet instruments and market risk equivalent assets	$ 73,832	$ 64,539
Adjusted average total assets	87,350	75,757
Capital ratios		
Tier 1 risk-based	8.4%	9.0%
Total risk-based	12.5	13.0
Leverage	7.1	7.6
Tangible common	4.9	5.7

(a) See Note 18 Capital Securities Of Subsidiary Trusts in the Notes To Consolidated Financial Statements in our 2004 Form 10-K regarding the deconsolidation of trust preferred securities at December 31, 2003 under GAAP. However, these securities remained a component of Tier 1 risk-based capital at September 30, 2005 and December 31, 2004 based upon guidance provided to bank holding companies from the Federal Reserve.

The access to, and cost of, funding new business initiatives including acquisitions, the ability to engage in expanded business activities, the ability to pay dividends, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in part, on a financial institution's capital strength. The declines in the capital ratios at September 30, 2005 compared with the ratios at December 31, 2004 were primarily caused by the addition of goodwill and other intangible assets associated with the Riggs and SSRM acquisitions. At September 30, 2005, each of our banking subsidiaries was considered "well-capitalized" based on regulatory capital ratio requirements.

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OFF-BALANCE SHEET ARRANGEMENTS AND VARIABLE INTEREST ENTITIES

We engage in a variety of activities that involve unconsolidated entities or that are otherwise not reflected in our Consolidated Balance Sheet that are generally referred to as "off-balance sheet arrangements." Further information on these types of activities is included in Note 14 Commitments And Guarantees included in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

As discussed in our 2004 Form 10-K, we are involved with various entities in the normal course of business that may be deemed to be variable interest entities (VIEs). We consolidated certain VIEs effective in 2004 and 2003 for which we were determined to be the primary beneficiary. These consolidated VIEs and relationships with PNC are described in our 2004 Form 10-K under this same heading in Part I, Item 7 and in Note 2 Variable Interest Entities in the Notes To Consolidated Financial Statements included in Part II, Item 8 of that report.

At September 30, 2005, the aggregate assets and debt of VIEs that we have consolidated in our financial statements are as follows:

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Debt
September 30, 2005		
Market Street Funding Corporation (a)	$ 3,007	$ 3,007
Partnership interests in low income housing projects	705	705
Other	28	25
Total consolidated VIEs	$ 3,740	$ 3,737
December 31, 2004		
Market Street Funding Corporation	$ 2,167	$ 2,167
Partnership interests in low income housing projects	504	504
Other	13	10
Total consolidated VIEs	$ 2,684	$ 2,681

(a) In October 2005, Market Street Funding Corporation was restructured as a limited liability company and issued a subordinated note to an unrelated third party investor. This transaction resulted in PNC no longer being the primary beneficiary of Market Street. Consequently, we will no longer consolidate Market Street. See Note 15 Subsequent Events in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for further information.

We also hold significant variable interests in other VIEs that have not been consolidated because we are not considered the primary beneficiary. Information on these VIEs follows:

Non-Consolidated VIEs - Significant Variable Interests

In millions	Aggregate Assets	Aggregate Debt	PNC Risk of Loss (b)
September 30, 2005			
Collateralized debt obligations (a)	$ 5,788	$ 5,191	$ 53
Private investment funds (a)	4,487	1,285	6
Other partnership interests in low income housing projects	35	29	3
Total significant variable interests	$10,310	$ 6,505	$ 62
December 31, 2004			
Collateralized debt obligations (a)	$ 3,152	$ 2,700	$ 33
Private investment funds (a)	1,872	125	24
Other partnership interests in low income housing projects	37	28	4
Total significant variable interests	$ 5,061	$ 2,853	$ 61

(a) Held by BlackRock.
(b) Includes both PNC's risk of loss and BlackRock's risk of loss, limited to PNC's ownership interest in BlackRock.

The increase in collateralized debt obligations at September 30, 2005 compared with December 31, 2004 reflected the impact of BlackRock's first quarter 2005 acquisition of SSRM.

At September 30, 2005 we also had subsidiaries that invest in and act as the investment manager for a private equity fund organized as a limited partnership as part of our equity management activities. The fund invests in private equity investments to generate capital appreciation and profits. As permitted by FASB Interpretation No. 46 (Revised 2003), "Consolidation of Variable Interest Entities," we have deferred applying the provisions of the interpretation for this entity pending further action by the FASB. Information on this entity follows:

Investment Company Accounting – Deferred Application

In millions	Aggregate Assets	Aggregate Equity	PNC Risk of Loss
Private Equity Fund			
September 30, 2005	$ 121	$ 121	$ 31
December 31, 2004	$ 78	$ 76	$ 20

BUSINESS SEGMENTS REVIEW

We operate four major businesses engaged in providing banking, asset management and global fund processing services. In connection with the One PNC initiative, during the third quarter of 2005 we reorganized our banking businesses into two units, Consumer Banking and Institutional Banking, and aligned our reporting accordingly, as further described under the "Business Segment Highlights" section of this Financial Review.

Our treasury management activities, which include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting, and global trade services; capital markets-related products, which include foreign exchange, derivatives, loan syndications, and securities underwriting and distribution; commercial loan servicing; and equipment leasing products are offered through Institutional Banking and marketed by several businesses across PNC.

Results of individual businesses are presented based on our management accounting practices and our management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of individual businesses are not necessarily comparable with similar information for any other company. We refine our methodologies from time to time as our management accounting practices are enhanced and our businesses and management structure change. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis.

Our capital measurement methodology is based on the concept of economic capital for our banking businesses. However, we have increased the capital assigned to Consumer Banking to 6% of funds to reflect the capital required for well-capitalized banks and to approximate market comparables for this business. The capital for BlackRock and PFPC reflects legal entity shareholders' equity. BlackRock's capital is consistent with its separate public financial statement disclosures.

We have allocated the allowance for loan and lease losses and unfunded loan commitments and letters of credit based on our assessment of risk inherent in the loan portfolios. Our allocation of the costs incurred by operations and other support areas not directly aligned with the businesses is primarily based on the use of services.

Total business segment financial results differ from total consolidated results. The impact of these differences is primarily reflected in minority interest in income of BlackRock and in the "Other" category in the Results of Businesses – Summary table that follows. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities, related net securities gains or losses, certain trading activities, equity management activities, differences between business segment performance reporting and financial statement reporting (GAAP), corporate overhead and intercompany eliminations. Business segment results, including inter-segment revenues, are included in Note 13 Business Segments included in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report.

"Full-time employees" as reported by each business segment in the tables that follow reflects total full-time staff directly employed by the respective businesses and excludes corporate and shared services employees. Prior period employee statistics generally are not restated for organizational changes.

RESULTS OF BUSINESSES - SUMMARY

	Earnings		Revenue (b)		Return on Average Capital (c)		Average Assets (d)	
Nine months ended September 30 - dollars in millions	2005	2004	2005	2004	2005	2004	2005	2004
Consumer Banking	$ 487	$443	$2,105	$2,006	23%	22%	$27,372	$24,188
Institutional Banking	372	335	982	938	29	26	25,848	21,844
BlackRock	161	93	854	565	25	17	1,673	1,077
PFPC	75	50	637	566	34	25	2,082	2,068
Total business segments	1,095	921	4,578	4,075	26	23	56,975	49,177
Minority interest in income of BlackRock	(49)	(27)						
Other	(76)	(4)	52	64			30,386	24,912
Total consolidated (a)	$ 970	$890	$4,630	$4,139	16%	17%	$87,361	$74,089

(a) Business revenue is presented on a taxable-equivalent basis except for PFPC, which is presented on a book (GAAP) basis. A reconciliation of total consolidated revenue on a book basis to total consolidated revenue on a taxable-equivalent basis follows:

Nine months ended September 30 – in millions	2005	2004
Total consolidated revenue, book (GAAP) basis	$4,610	$4,125
Taxable-equivalent adjustment	20	14
Total consolidated revenue, taxable-equivalent basis	$4,630	$4,139

(b) Amounts for BlackRock and PFPC represent the sum of operating and nonoperating revenue.
(c) Percentages for BlackRock and PFPC reflect return on average equity.
(d) Period-end balances for BlackRock and PFPC.

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CONSUMER BANKING (Unaudited)

Nine months ended September 30 Taxable-equivalent basis Dollars in millions	2005	2004
INCOME STATEMENT		
Net interest income	$ 1,168	$ 1,098
Noninterest income		
Asset management	251	238
Service charges on deposits	193	181
Brokerage	163	164
Consumer services	189	177
Other	141	148
Total noninterest income	937	908
Total revenue	2,105	2,006
Provision for credit losses	43	48
Noninterest expense		
Staff expense	624	608
Net occupancy and equipment	236	231
Other	424	420
Total noninterest expense	1,284	1,259
Pretax earnings	778	699
Income taxes	291	256
Earnings	$ 487	$ 443
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$ 13,216	$ 11,311
Indirect	920	830
Other consumer	1,174	1,243
Total consumer	15,310	13,384
Commercial	5,031	4,413
Floor plan	988	974
Residential mortgage	1,301	913
Other	265	292
Total loans	22,895	19,976
Goodwill	1,285	1,155
Loans held for sale	1,468	1,170
Other assets	1,724	1,887
Total assets	$ 27,372	$ 24,188
Deposits		
Noninterest-bearing demand	$ 7,543	$ 6,928
Interest-bearing demand	7,895	7,595
Money market	13,377	13,260
Total transaction deposits	28,815	27,783
Savings	2,664	2,598
Certificates of deposit	11,098	8,742
Total deposits	42,577	39,123
Other liabilities	392	542
Capital	2,814	2,677
Total funds	$ 45,783	$ 42,342
PERFORMANCE RATIOS		
Return on average capital	23%	22%
Noninterest income to total revenue	45	45
Efficiency	61	63

At September 30 Dollars in millions	2005	2004
OTHER INFORMATION (a)		
Credit-related statistics:		
Total nonperforming assets (b)(c)	$ 87	$ 95
Net charge-offs (c)	$ 41	$ 53

Annualized net charge-off ratio (c)	.24%	.35%
Home equity portfolio credit statistics:		
% of first lien positions	47%	51%
Weighted average loan-to-value ratios	70%	69%
Weighted average FICO scores	721	717
Loans 90 days past due	.18%	.21%
Checking related statistics:		
Consumer Banking checking relationships	1,921,000	1,753,000
Consumer DDA households using online banking	830,000	695,000
% of consumer DDA households using online banking	48%	44%
Consumer DDA households using online bill payment	188,000	109,000
% of consumer DDA households using online bill payment	11%	7%
Small business deposits:		
Noninterest-bearing	$ 4,285	$ 3,911
Interest-bearing	$ 1,527	$ 1,580
Money market	$ 2,818	$ 2,669
Certificates of deposit	$ 372	$ 309
Brokerage statistics:		
Margin loans	$ 223	$ 267
Financial consultants (d)	784	778
Full service brokerage offices (d)	99	98
Brokerage account assets (billions)	$ 42	$ 38
Other statistics:		
Gains on sales of education loans (e)	$ 15	$ 17
Full-time employees	11,963	11,863
ATMs	3,770	3,555
Branches (f)	830	776
ASSETS UNDER ADMINISTRATION (billions) (g)		
Assets under management		
Personal	$ 41	$ 39
Institutional	9	9
Total	$ 50	$ 48
Asset Type		
Equity	$ 31	$ 28
Fixed income	13	14
Liquidity/other	6	6
Total	$ 50	$ 48
Nondiscretionary assets under administration		
Personal	$ 27	$ 27
Institutional	58	64
Total	$ 85	$ 91
Asset Type		
Equity	$ 32	$ 31
Fixed income	25	32
Liquidity/other	28	28
Total	$ 85	$ 91

(a) Presented as of September 30 except for net charge-offs, annualized net charge-off ratio, gains on sales of education loans, and small business deposits.
(b) Includes nonperforming loans of $78 million at September 30, 2005 and $84 million at September 30, 2004.
(c) During the first quarter of 2004, management changed its policy for recognizing charge-offs on smaller nonperforming commercial loans. This change resulted in the recognition of an additional $24 million of gross charge-offs for the first quarter of 2004.
(d) In addition to full service brokerage offices, PNC Investments, LLC provides investment, brokerage and insurance products in PNC traditional branches.
(e) Included in "Noninterest income-Other".
(f) Excludes certain satellite branches that provide limited products and service hours.
(g) Excludes brokerage account assets.

Consumer Banking earnings were $487 million for the first nine months of 2005 compared with $443 million for the same period in 2004. Continued organic customer growth and the Riggs acquisition have driven a growing balance sheet and a 5% revenue increase. These positive results combined with a sustained focus on expense management, which increased 2% over last year including the impact of the Riggs acquisition, and stable credit quality drove the 10% increase in earnings over last year.

Highlights of Consumer Banking's performance during the first nine months of 2005 include:

- Customer growth continued as checking relationships grew by a net 39,000 compared with June 2005 due to strong new customer acquisition and retention.
- The small business area continued its positive momentum, as customer and balance sheet growth were both strong. Average small business loans increased 20% over 2004 on the strength of increased demand from existing customers as well as the acquisition of new relationships. Small business deposits increased 6% over the same period as new checking relationships increased 9%.
- The consumer area also exhibited solid growth over the first nine months of 2004 as new checking relationships increased nearly 10%, average demand deposits increased 7% and home equity loans increased 17%.
- The wealth management area produced strong growth over the first nine months of 2004 as asset management fees increased $13 million as a result of pricing enhancements, certain one-time fees and the Riggs acquisition. Assets under management totaled $50 billion at September 30, 2005 compared with $48 billion at September 30, 2004.
- Noninterest expenses increased $25 million compared with the first nine months of 2004 due to the Riggs acquisition. For the first nine months of 2005, Consumer Banking's efficiency ratio improved 200 basis points over the same period of 2004.
- Credit quality indicators remained stable to improving in both the consumer and small business areas.

Total revenue for the first nine months of 2005 was $2.105 billion compared with $2.006 billion for the same period last year. Taxable-equivalent net interest income of $1.168 billion increased by $70 million or 6% compared with the first nine months of 2004 due to a 9% increase in average deposits and a 15% increase in average loan balances. The net interest income growth has been somewhat offset by a narrower spread between loan yields and deposit costs.

Noninterest income increased $29 million or 3% compared with the first nine months of 2004 primarily driven by increased asset management revenue and consumer checking related fees. The offering of free checking to our customers has hindered this increase. Although it has reduced service charge fees, free checking has positively impacted growth in other fee categories, customers, and demand deposits. Other factors negatively impacting noninterest income growth included the following:

- Results for the first nine months of 2004 included a $10 million pretax gain from the sale of certain investment consulting activities of our Hawthorn unit,
- Lower ATM surcharge revenue in 2005 from changing customer behavior and a strategic decision to reduce the out-of-footprint ATM network, and
- Lower brokerage fees due to a decline in annuity revenues, partially offset by increased mutual fund-related revenues. Additionally, there has been a shift in revenue from transactional fees to asset-based fees, effectively reducing current period revenues.

The provision for credit losses decreased $5 million for the first nine months of 2005 compared with the first nine months of 2004 primarily due to a one-time impact in the first quarter of 2004 associated with the decision to change the charge-off policy related to smaller nonperforming commercial loans. Overall credit quality remained stable as evidenced by the decline in nonperforming loans as a percentage of total loans to .34% as of September 30, 2005 compared with .42% at the same time last year. We expect that the provision for credit losses will increase with loan growth. We do not expect a meaningful impact on credit losses as a result of the recent changes in the federal bankruptcy laws.

Noninterest expense in the first nine months of 2005 was $1.284 billion, an increase of $25 million compared with the first nine months of 2004. Excluding the $11 million in integration costs associated with the United National acquisition in 2004, expenses increased $36 million from 2004. Although integration costs for Riggs are recorded in "Other" for business segment reporting purposes, Consumer Banking incurred $46 million of Riggs operating costs in the 2005 period. Excluding the impact of the Riggs expenses and the United National acquisition costs, noninterest expense decreased $10 million compared with the first nine months of 2004. Funding new business investments with expense saves will continue to be a priority. The build-out of our branch network and improving the effectiveness of our sales and service staff will be areas targeted.

Full-time employees at September 30, 2005 totaled 11,963, an increase of 100 from September 30, 2004. The Riggs acquisition accounted for an increase in full-time employees of 594 at September 30, 2005. Excluding the impact of the Riggs acquisition on full-time employees, the number of Consumer Banking full-time employees declined 4% compared with the balance at September 30, 2004.

We have adopted a relationship-based lending strategy to target specific customer segments (homeowners, small businesses and auto dealerships) while seeking to maintain a moderate risk profile in the loan portfolio.

- Average home equity loans grew by $1.9 billion or 17% compared with the first nine months of 2004. The increase is attributable to $1.6 billion from organic loan growth, $0.1 billion from portfolio purchases and $.2 billion from the Riggs acquisition. We have noticed that consumer loan demand is starting to slow as a result of the rising rate environment.
- Average commercial loans have grown 14% on the strength of increased loan demand from existing small business customers and the acquisition of new relationships through our sales efforts. New loan volume in the small business area increased 19% over the first nine months of 2004.
- During the later part of the nine-month period, the sales tactics of the automakers impacted our auto lending business. As a result of the employee incentives being offered to all of the automakers' customers, our dealer floor plan loan balances experienced a greater than normal seasonal reduction. Our indirect lending business benefited from the captive auto financing divisions not being as competitive. As a result, our floor plan and indirect loan portfolios grew 1% and 11%, respectively, over 2004 levels.

- Residential mortgage loans increased $388 million, or 42%, primarily due to the addition of the Riggs portfolio. Payoffs in our existing portfolio, which will continue throughout the remainder of 2005, reduced the impact of the additional loans acquired from Riggs.

Growth in core deposits as a lower-cost funding source is one of the primary objectives of our checking relationship strategy. Average total deposits increased $3.5 billion, or 9%, compared with the first nine months of 2004. The deposit growth was driven by increases in the number of checking relationships (new customer acquisition and Riggs) and the recapture of consumer-related certificate of deposit balances as interest rates have risen.

During this rising rate environment, we expect the rate of growth in demand deposit balances to be less than the rate of growth for customer checking relationships. Additionally, we expect to see customers shift their funds from lower interest-bearing deposits to higher yielding deposits or investment products. This shift was evident during the third quarter of 2005 and impacted the level of average demand deposits in that period. Higher energy costs for consumers could also have a negative impact on demand deposit balance growth in future periods.

- Average demand deposit growth of $915 million, or 6%, was driven by a $363 million increase in the core business due to the continued growth in total checking relationships and $552 million attributable to the Riggs acquisition.
- Small business checking relationship retention has improved while consumer retention remains steady and strong. Consumer relationship retention remains strong due to increased penetration rates of debit card, online banking and online bill payment products and services.
- Customer balances in other deposit products remained consistent while certificates of deposits increased $2.4 billion. This increase is attributable to the rising interest rate environment attracting customers back into this product.

Assets under management of $50 billion at September 30, 2005 increased $2 billion compared with the balance at September 30, 2004. The effect of comparatively higher equity markets and the acquisition of Riggs more than offset net client asset outflows. Net client asset outflows are the result of ordinary course distributions from trust and investment management accounts and account closures exceeding investment additions from new and existing clients. Nondiscretionary assets under administration of $85 billion at September 30, 2005 declined $6 billion compared with the balance at September 30, 2004. The decline primarily reflects the loss of two sizeable master custody accounts with minimal earnings impact.

Consumer Banking provides deposit, lending, brokerage, trust, investment management and cash management services to approximately 2.5 million consumer and small business customers within our primary geographic area. Products and services offered to our customers include:

- Checking accounts
- Savings, money market and certificates of deposit
- Personal and business loans
- Cash management, collection and payment services
- Brokerage and insurance services
- Personal and charitable trusts
- Executorships
- Employee benefit plans
- Investment management

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INSTITUTIONAL BANKING (Unaudited)

Nine months ended September 30 Taxable-equivalent basis Dollars in millions except as noted	2005	2004
INCOME STATEMENT		
Net interest income	$ 550	$ 515
Noninterest income		
Net commercial mortgage banking		
Net gains on loan sales	48	30
Servicing and other fees, net of amortization	45	35
Net gains on institutional loans held for sale	6	50
Other	333	308
Noninterest income	432	423
Total revenue	982	938
Provision for (recoveries of) credit losses	(53)	(4)
Noninterest expense	522	490
Pretax earnings	513	452
Noncontrolling interests in income of consolidated entities	(36)	(32)
Income taxes	177	149
Earnings	$ 372	$ 335
AVERAGE BALANCE SHEET		
Loans		
Corporate banking (a)	$10,934	$ 9,773
Commercial real estate	2,178	1,838
Commercial – real estate related	2,005	1,594
Asset-based lending	4,195	3,745
Total loans (a)	19,312	16,950
Loans held for sale	694	442
Other assets	5,842	4,452
Total assets	$25,848	$21,844
Deposits	$ 9,131	$ 7,188
Commercial paper	2,284	1,868
Other liabilities	3,875	3,444
Capital	1,702	1,700
Total funds	$16,992	$14,200
PERFORMANCE RATIOS		
Return on average capital	29%	26%
Noninterest income to total revenue	44	45
Efficiency	53	52
COMMERCIAL MORTGAGE SERVICING PORTFOLIO (in billions)		
Beginning of period	$ 98	$ 83
Acquisitions/additions	53	29
Repayments/transfers	(25)	(19)
End of period	$ 126	$ 93
OTHER INFORMATION		
Consolidated revenue from: (b)		
Treasury management	$ 305	$ 274
Capital markets	$ 113	$ 96
Midland Loan Services	$ 94	$ 81
Equipment leasing	$ 52	$ 63
Total loans (a) (c)	$21,084	$17,650
Total nonperforming assets (c) (d)	$ 67	$ 82
Net charge-offs (recoveries)	$ (51)	$ 46
Full-time employees (c)	2,913	2,940
Net carrying amount of commercial mortgage servicing rights (c)	$ 297	$ 229

(a) Reflects reclassification to loans of the Market Street conduit purchased customer receivables. In October 2005, Market Street was restructured as a limited liability company and issued a subordinated note to an unrelated third party investor. This transaction resulted in PNC no longer being the primary beneficiary of Market Street. Consequently, we will no longer consolidate Market Street. See Note 15 Subsequent Events in the Notes To Consolidated Financial Statements for further information.
(b) Revenue includes net interest on loans and deposits and noninterest income.
(c) At September 30.
(d) Includes nonperforming loans of $48 million at September 30, 2005 and $60 million at September 30, 2004.

Earnings from Institutional Banking for the first nine months of 2005 increased $37 million, or 11%, compared with the first nine months of 2004. The higher earnings compared with a year ago was primarily attributable to the benefit of a higher negative provision for credit losses, resulting from improved asset quality and a $53 million loan

recovery recorded during the second quarter of 2005, and higher taxable-equivalent net interest income. The impact of these benefits was partially offset by lower net gains from institutional loans held for sale.

Highlights of the first nine months of 2005 for Institutional Banking included:

- Average loan balances increased $2.4 billion, or 14%, over the first nine months of 2004, driven by improved market demand and the Riggs acquisition.
- Average deposits increased $1.9 billion, or 27%, compared with the year-earlier period, driven by sales of treasury management products, a larger commercial mortgage servicing portfolio, and continued strong liquidity positions within our customer base.
- Nonperforming assets at September 30, 2005 declined 18% compared with September 30, 2004 despite a 19% increase in period-end loans.

Taxable-equivalent net interest income for the first nine months of 2005 increased $35 million, or 7%, compared with the previous year primarily as a result of higher loan balances primarily funded by higher deposits. We expect a slower rate of loan growth in future periods.

The provision for credit losses was a negative $53 million for the first nine months of 2005 compared with a negative $4 million for the first nine months of 2004. The higher negative provision for the first nine months of 2005 resulted from a $53 million loan recovery in the second quarter of 2005 as well as continued improvements in asset quality. We do not expect to sustain asset quality at its current level. We anticipate that the provision for credit losses will increase in future quarters, as loan balances continue to rise. However, based on the assets we currently hold and current business trends and activities, we believe that overall asset quality will remain strong at least for the near term.

Noninterest income for the first nine months of 2005 increased slightly compared with the first nine months of 2004 primarily due to higher net gains on commercial mortgage loan sales and higher fees from our commercial mortgage servicing, treasury management, and capital markets products. These increases were partially offset by a $44 million decrease in net gains on institutional loans held for sale. Because the liquidation of institutional loans held for sale is essentially complete, we do not expect significant additional gains or losses from the remaining portfolio.

Noninterest expense for the first nine months of 2005 increased 7% compared with the first nine months of 2004 primarily as a result of higher staff expenses in support of customer and loan growth.

Through Institutional Banking we provide lending, treasury management and capital markets-related products and services, and commercial loan servicing to mid-sized corporations, government entities and selectively to large corporations. Institutional Banking provides products and services generally within our primary geographic markets and provides certain products and services nationally.

Lending products include:

- Secured and unsecured loans
- Letters of credit
- Equipment leases

Treasury management services include:

- Cash and investment management
- Receivables management
- Disbursement services
- Funds transfer services
- Information reporting
- Global trade services

Capital markets-related products include:

- Foreign exchange
- Derivatives
- Loan syndications
- Securities underwriting and distribution

See the additional revenue discussion regarding treasury management, capital markets, Midland Loan Services and equipment leasing on pages 8 and 9.

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BLACKROCK (Unaudited)

Nine months ended September 30 Taxable-equivalent basis Dollars in millions except as noted	2005	2004
INCOME STATEMENT		
Investment advisory and administrative fees	$ 698	$ 470
Other income	124	67
Total operating revenue	822	537
Operating expense	518	311
Operating expense – LTIP	44	91
Fund administration and servicing costs	32	25
Total expense	594	427
Operating income	228	110
Nonoperating income	32	28
Pretax earnings	260	138
Minority interest	2	4
Income taxes	97	41
Earnings	$ 161	$ 93
PERIOD-END BALANCE SHEET		
Goodwill and other intangible assets	$ 492	$ 184
Other assets	1,181	893
Total assets	$1,673	$1,077
Liabilities and minority interest	$ 806	$ 342
Stockholders' equity	867	735
Total liabilities and stockholders' equity	$1,673	$1,077
PERFORMANCE DATA		
Return on average equity	25%	17%
Operating margin (a)	37	38
Diluted earnings per share	$ 2.41	$ 1.42
ASSETS UNDER MANAGEMENT (in billions) (b)		
Separate accounts		
Fixed income	$ 265	$ 211
Cash management	8	8
Cash management – securities lending	6	9
Equity	20	8
Alternative investment products	25	7
Total separate accounts	324	243
Mutual funds (c)		
Fixed income	25	24
Cash management	63	51
Equity	16	5
Total mutual funds	104	80
Total assets under management	$ 428	$ 323
OTHER INFORMATION		
Full-time employees (b)	2,145	1,113

(a) Calculated as operating income, adjusted for the LTIP expense, SSRM acquisition costs, appreciation on Rabbi trust assets related to BlackRock's deferred compensation plans, and the Trepp LLC bonus divided by total revenue less reimbursable property management compensation and fund administration and servicing costs. The following is a reconciliation of this presentation to operating margin calculated on a GAAP basis (operating income divided by total revenue) in millions.

	2005	2004
Operating income, GAAP basis	$228	$110
Add back: LTIP expense	44	91
Less: portion of LTIP to be funded by BlackRock	(8)	(17)
Add back: SSRM acquisition costs	9	
Add back: appreciation on assets related to deferred compensation plans	10	2
Add back: Trepp LLC bonus		7
Operating income, as adjusted	$283	$193
Total revenue, GAAP basis	$822	$537

Less: reimbursable property management compensation	17	
Less: fund administration and servicing costs	31	25
Revenue used for operating margin calculation, as reported	$774	$512
Operating margin, GAAP basis	28%	20%
Operating margin, as adjusted	37%	38%

We believe that operating margin, as adjusted, is an effective indicator of management's ability to, and useful to management in deciding how to, effectively employ BlackRock's resources and, as such, provides useful disclosure to investors. The portion of the LTIP expense associated with awards to be met by the distribution to the LTIP participants of shares of BlackRock stock currently held by PNC has been excluded from operating income because, exclusive of the impact related to LTIP participants' put options, these charges will not impact BlackRock's book value. Compensation expense associated with appreciation on Rabbi trust assets related to BlackRock's deferred compensation plans has been excluded because investment performance of these assets has a nominal impact on net income. We have excluded fund administration and servicing costs from the operating margin calculation because these costs fluctuate based on the discretion of a third party and have excluded reimbursable property management compensation because this is fully reimbursed by the advised funds. We have excluded the impact on operating margin of the incentive compensation recognized during the second quarter of 2004 related to the gain on the sale of BlackRock's interest in Trepp LLC as such expense is not indicative of the ongoing level of incentive compensation for BlackRock.

(b) At September 30.

(c) Includes BlackRock Funds, BlackRock Liquidity Funds, BlackRock Closed End Funds, Short Term Investment Fund and BlackRock Global Series Funds.

Earnings at BlackRock increased $68 million for the first nine months of 2005 compared with the first nine months of 2004. Earnings for the first nine months of 2004 included the $57 million after-tax impact of the LTIP charge recognized during the third quarter of that year. After-tax LTIP charges recognized in the first nine months of 2005 totaled $28 million. In addition to the comparative impact of the LTIP charges, higher earnings in the first nine months of 2005 reflected record assets under management, including the benefit of the SSRM acquisition. These factors more than offset nonrecurring pretax expenses of $9 million associated with the SSRM acquisition and the impact of a $9 million income tax benefit in the first quarter of 2004 resulting from the resolution of a New York State tax audit. Results for the first nine months of 2004 also reflected the sale of BlackRock's equity interest in Trepp LLC.

Total operating revenue increased 53% compared with the first nine months of 2004 primarily due to a $228 million increase in investment advisory and administrative fees driven by increased assets under management totaling $428 billion at September 30, 2005, including $50 billion assumed in the SSRM acquisition.

Total expense increased 39% over the first nine months of 2004 primarily as a result of higher staffing levels following the SSRM acquisition, higher incentive compensation expense and higher general and administration expense. General and administration expense rose in the comparison primarily due to an increase in marketing and promotional costs, a rise in occupancy expense with the assumption of additional office space through the SSRM acquisition, and an increase in market data services resulting from higher trading volumes.

Assets under management at September 30, 2005 increased $105 billion, or 33%, compared with September 30, 2004. The increase was primarily attributable to the SSRM acquisition and net new business. Apart from the SSRM acquisition, the increase in assets under management reflected net new subscriptions of $39 billion and market appreciation of $16 billion in the 12-month period.

During the first nine months of 2005, BlackRock continued to operate in a global marketplace characterized by substantial volatility. Increasing short-term interest rates, a flattening of the yield curve and volatility in global equity and commodities markets created challenging conditions across BlackRock's asset classes.

BlackRock is listed on the New York Stock Exchange under the symbol BLK. Additional information about BlackRock is available in its SEC filings at www.sec.gov and on BlackRock's website, www.blackrock.com.

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***PFPC** (Unaudited)*

Nine months ended September 30 Dollars in millions except as noted	2005	2004
INCOME STATEMENT		
Fund servicing revenue	$ 662	$ 605
Other revenue	10	
Total operating revenue	672	605
Operating expense	510	483
Amortization (accretion) of other intangibles, net	10	(1)
Operating income	152	123
Debt financing	28	42
Other nonoperating income (expense)	(7)	3
Pretax earnings	117	84
Income taxes	42	34
Earnings	$ 75	$ 50
PERIOD-END BALANCE SHEET		
Goodwill and other intangible assets	$1,029	$1,019
Other assets	1,053	1,049
Total assets	$2,082	$2,068
Debt financing	$ 939	$1,075
Other liabilities	799	747
Capital	344	246
Total funds	$2,082	$2,068
PERFORMANCE RATIOS		
Return on average equity	34%	25%
Operating margin (a)	23	20
SERVICING STATISTICS (At September 30)		
Accounting/administration net fund assets (in billions) (b)		
Domestic	$ 726	$ 609
Offshore	67	58
Total	$ 793	$ 667
Asset type (in billions)		
Money market	$ 333	$ 322
Equity	284	203
Fixed income	114	97
Other	62	45
Total	$ 793	$ 667
Custody fund assets (in billions)	$ 475	$ 418
Shareholder accounts (in millions)		
Transfer agency	19	21
Subaccounting	40	34
Total	59	55
OTHER INFORMATION		
Full-time employees (c)	4,457	4,442

(a) Operating income divided by total revenue.
(b) Includes alternative investment net assets serviced.
(c) At September 30.

PFPC earnings for the first nine months of 2005 increased $25 million, or 50%, compared with the first nine months of 2004 due to improved operating leverage, strong performance from custody services, securities lending and managed account services operations, as well as reduced intercompany debt financing costs. Earnings for the first nine months of 2005 included a $3 million tax benefit identified as part of the One PNC initiative.

Highlights of PFPC's performance in the first nine months of 2005 include:

- Managed account services continued to grow its client base as assets increased 92%, to $46 billion, compared with September 30, 2004.
- Alternative investment net assets serviced exceeded $59 billion at September 30, 2005, reflecting continued success in pursuing hedge fund and other alternative investment business.

- Offshore revenues increased 22% and assets serviced offshore increased 16% compared with the first nine months of 2004 reflecting continued strong offshore sales performance.

Fund servicing revenue increased $57 million, or 9%, over the first nine months of 2004 reflecting strong overall performance in part due to continued business expansion of our existing clients and new business wins, as well as comparatively favorable equity market conditions. Increases related to out-of-pocket and pass-through items of $13 million had no impact on earnings.

Operating expense increased 6% in the first nine months of 2005 compared with the year-earlier period and reflected a sustained focus on managing expenses. Of this increase, $13 million represented out-of-pocket and pass-through items referred to above.

Operating income for the first nine months of 2004 benefited from accretion of $11 million related to a single discounted client contract liability, which ended during the second quarter of 2004.

Earnings for the first nine months of 2005 benefited from a reduction in pretax financing costs of $14 million, attributable to the debt refinancing discussed below and the retirement of debt during 2004 totaling $115 million. PFPC repaid another $111 million in intercompany debt during the first nine months of 2005 and anticipates continued debt reductions in the fourth quarter of 2005.

Effective January 2005, PFPC restructured its remaining intercompany term debt obligations given the comparatively favorable interest rate environment at that time. PFPC recorded debt prepayment penalties totaling $8 million on a pretax basis in the first quarter of 2005 to effect the restructuring, which is expected to be more than offset by resulting interest expense savings of approximately $10 million over the course of 2005.

As previously reported, in January 2005 PFPC accepted approximately $10 million to resolve a client contract dispute, which is reflected as other revenue in the table above.

Increases in both accounting/administration and custody fund assets at September 30, 2005 compared with September 30, 2004 resulted primarily from new business, asset inflows from existing customers and equity market appreciation. Subaccounting shareholder accounts serviced by PFPC increased over the year-earlier period due to net new business and growth in existing client accounts. Total assets serviced by PFPC amounted to $1.8 trillion at September 30, 2005 compared with $1.7 trillion at September 30, 2004.

PFPC's performance is partially dependent on the underlying performance of its fund clients and, in particular, their ability to attract and retain customers. As a result, to the extent that PFPC clients' businesses are adversely affected by ongoing governmental investigations into the practices of the mutual and hedge fund industries, PFPC's results also could be adversely impacted. In addition, this regulatory and business environment is likely to continue to result in operating margin pressure for our various services.

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RISK FACTORS

We are subject to a number of risks potentially affecting our business, financial condition, results of operations and cash flows. These include, among others, those described in the Consolidated Balance Sheet Review, Risk Management and Cautionary Statement Regarding Forward-Looking Information sections of this Financial Review and elsewhere in this Report. In addition to risks described in other parts of this Report, the Supervision and Regulation Section of Item 1 and the Risk Factors section of Item 7 of our 2004 Form 10-K describe the following key risk factors that affect us:

- Supervision and regulation,
- Business and economic conditions,
- Impact of monetary and other policies,
- Competition,
- Asset management performance,
- Fund servicing, and
- Terrorist activities and international hostilities.

Our 2004 Form 10-K includes a detailed description of these other key factors.

CRITICAL ACCOUNTING POLICIES AND JUDGMENTS

Our consolidated financial statements are prepared by applying certain accounting policies. Note 1 Accounting Policies in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report and in Part II, Item 8 of our 2004 Form 10-K describe the most significant accounting policies that we use. Certain of these policies require us to make estimates and strategic or economic assumptions that may prove inaccurate or be subject to variations that may significantly affect our reported results and financial position for the period or in future periods.

We must use estimates, assumptions, and judgments when financial assets and liabilities are required to be recorded at, or adjusted to reflect, fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on either quoted market prices or are provided by other independent third-party sources, when available. When such third-party information is not available, we estimate fair value primarily by using cash flow and other financial modeling techniques. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact our future financial condition and results of operations.

We discuss the following critical accounting policies and judgments under this same heading in Item 7 of our 2004 Form 10-K:

- Allowances for loan and lease losses and unfunded loan commitments and letters of credit
- Private equity asset valuation
- Commercial mortgage servicing rights
- Lease residuals
- Goodwill
- Revenue recognition
- Income taxes
- Legal contingencies

Additional discussion and information on the application of these policies is found in other portions of this Financial Review and in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

2002 BLACKROCK LONG-TERM RETENTION AND INCENTIVE PLAN

See Note 8 Certain Employee Benefit And Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report for a description of BlackRock's 2002 Long-Term Retention and Incentive Plan (" LTIP").

Under the BlackRock LTIP, awards fully vest at the end of any three-month period beginning on or after January 1, 2005 and ending on or prior to March 30, 2007 during which the average closing price of BlackRock's common stock is at least $62 per share. During the first quarter of 2005, BlackRock's average closing stock price exceeded the $62 threshold. In addition to the stock price threshold, the vesting of awards is contingent on the participants' continued employment with BlackRock for periods ranging from two to five years through the payment date in early 2007.

We reported pretax charges in the second half of 2004 totaling $110 million in connection with the LTIP, including $96 million in the third quarter, based upon management's determination that full vesting of the LTIP Awards was probable as of September 30, 2004. Note 22 Stock-Based Compensation Plans included in Part II, Item 8 of our 2004 Form 10-K provides additional information on these charges.

We reported pretax expense of $48 million in the first nine months of 2005, including $16 million during the third quarter, related to LTIP awards. We expect to report additional pretax charges of approximately $16 million per quarter through December 2006 related to the remaining service period of LTIP awards granted.

STATUS OF DEFINED BENEFIT PENSION PLAN

We have a noncontributory, qualified defined benefit pension plan ("plan" or "pension plan") covering eligible employees. Retirement benefits are derived from a cash balance formula based on compensation levels, age and length of service. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants. Plan assets are currently approximately 60% invested in equity investments with most of the remainder invested in fixed income instruments. Plan fiduciaries determine and review the plan's investment policy.

We calculate the expense associated with the pension plan in accordance with SFAS 87, "Employers' Accounting for Pensions," and we use assumptions and methods that are compatible with the requirements of SFAS 87, including a policy of reflecting trust assets at their fair market value. On an annual basis, we review the actuarial assumptions related to the pension plan, including the discount rate, rate of compensation increase and the expected return on plan assets. Neither the discount rate nor the compensation increase assumptions significantly affect pension expense. However, the expected long-term return on assets assumption does significantly affect pension expense. Actual investment returns also significantly affect expense, as each one percentage point difference in actual return compared with our expected return causes the following year's expense to change by up to $3 million. Below are the effects of certain changes in assumptions, using 2005 estimated expense as a baseline.

	Estimated Increase to Pension Expense (In millions)
.5% decrease in discount rate	$ 1
.5% decrease in expected long-term return on assets	7
.5% increase in compensation rate	1

We currently estimate a pretax $7 million benefit to pension expense in 2005 compared with pretax expense of $10 million in 2004. Actual pension benefit recognized for the first nine months of 2005 totaled $5 million. We expect pension expense to be higher in 2006 compared with 2005.

The primary reasons for the expected decrease in pension expense in 2005 are favorable returns on investment assets in 2004, which reduce amortization of actuarial losses and increase the value of assets used to calculate expected returns for 2005, and plan modifications covering employees at PFPC, as future retirement benefits for them will accrue only under a defined contribution plan.

In accordance with SFAS 87 and SFAS 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," we may have to eliminate any prepaid pension asset and recognize a minimum pension liability if the accumulated benefit obligation exceeds the fair value of plan assets at year-end. We would recognize the corresponding charge as a component of other comprehensive income and it would reduce total shareholders' equity, but it would not affect net income. At December 31, 2004, the fair value of plan assets was $1.492 billion, which exceeded the accumulated benefit obligation of $1.111 billion. The status at year-end 2005 will depend primarily upon 2005 investment returns and the level of contributions, if any, made to the plan by us during 2005.

Plan asset investment performance has the most impact on contribution requirements. However, contribution requirements are not particularly sensitive to actuarial assumptions. Investment performance will drive the amount of permitted contributions in future years. Also, current law sets limits as to both minimum and maximum contributions to the plan. In any event, any large near-term contributions to the plan will be at our discretion, as we expect that the minimum required contributions under the law will be minimal or zero for several years.

During the second quarter of 2005, we acquired a frozen defined benefit pension plan as a result of the Riggs acquisition. Plan assets and projected benefit obligations of the Riggs plan were approximately $107 million and $116 million, respectively, at acquisition date. The $9 million funding deficit was recognized as part of the Riggs acquisition purchase price allocation. For determining contribution amounts to the plan, deficits are calculated using ERISA-mandated rules, and on this basis we contributed approximately $16 million to the Riggs plan during the third quarter of 2005. We do not expect to contribute any additional amounts to this plan during the remainder of 2005. We plan to integrate the Riggs plan into the PNC plan before the end of 2005.

We maintain other defined benefit plans that have a less significant effect on financial results, including various nonqualified supplemental retirement plans for certain employees.

RISK MANAGEMENT

We encounter risk as part of the normal course of our business and we design risk management processes to help manage these risks. The Risk Management section included in Item 7 of our 2004 Form 10-K provides a general overview of the risk measurement, control strategies and monitoring aspects of our corporate-level risk management processes. Additionally, our 2004 Form 10-K provides an analysis of the risk management processes for what we view as our primary areas of risk: credit, operational, liquidity, and market, as well as a discussion of our use of financial derivatives as part of our overall asset and liability risk management process. The following information in this Risk Management section updates our 2004 Form 10-K and first and second quarter 2005 Form 10-Q disclosures in these areas.

CREDIT RISK MANAGEMENT

Credit risk represents the possibility that a customer, counterparty or issuer may not perform in accordance with contractual terms. Credit risk is inherent in the financial services business and results from extending credit to customers, purchasing securities, and entering into financial derivative transactions. Credit risk is one of the most common risks in banking and is one of our most significant risks.

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Nonperforming, Past Due And Potential Problem Assets

Nonperforming assets include nonaccrual loans, troubled debt restructurings, nonaccrual loans held for sale or foreclosed, and other assets. In addition, certain performing assets have interest payments that are past due or have the potential for future repayment problems.

Nonperforming Assets By Type

Dollars in millions	September 30 2005	December 31 2004
Nonaccrual loans		
Commercial	$ 86	$ 89
Commercial real estate	11	14
Consumer	11	11
Residential mortgage	16	21
Lease financing	3	5
Total nonaccrual loans	127	140
Troubled debt restructured loan		3
Total nonperforming loans	127	143
Nonperforming loans held for sale (a)	1	3
Foreclosed and other assets		
Lease financing	13	14
Residential mortgage	11	10
Other	4	5
Total foreclosed and other assets	28	29
Total nonperforming assets (b)	$ 156	$ 175
Nonperforming loans to total loans	.25%	.33%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.29	.39
Nonperforming assets to total assets	.17	.22

(a) Includes troubled debt restructured loans held for sale of $1 million as of September 30, 2005 and $2 million as of December 31, 2004.
(b) Excludes equity management assets carried at estimated fair value of $27 million at September 30, 2005 and $32 million at December 31, 2004 and included in Other assets on the Consolidated Balance Sheet. These amounts include troubled debt restructured assets of $16 million at September 30, 2005 and $11 million at December 31, 2004.

The foreclosed lease assets at September 30, 2005 and December 31, 2004 primarily represent our repossession of collateral related to a single airline industry credit. This repossessed collateral is currently leased to a third party.

The amount of nonperforming loans that was current as to principal and interest was $82 million at September 30, 2005 and $44 million at December 31, 2004. While total nonperforming loans have declined $16 million at September 30, 2005 compared with December 31, 2004, we anticipate an increase in nonperforming loans going forward as we do not expect to sustain asset quality at its current level. However, based on the assets we currently hold and current business trends and activities, we believe that overall asset quality will remain strong at least for the near term.

Nonperforming Assets By Business

In millions	September 30 2005	December 31 2004
Consumer Banking	$ 87	$ 100
Institutional Banking	67	71
Other	2	4
Total nonperforming assets	$ 156	$ 175

Change In Nonperforming Assets

In millions	2005	2004
January 1	$ 175	$ 328
Purchases		12
Transferred from accrual	182	170
Returned to performing	(11)	(14)
Principal reductions and payoffs	(128)	(186)
Asset sales	(11)	(53)
Charge-offs and valuation adjustments	(51)	(73)
September 30	$ 156	$ 184

Accruing Loans And Loans Held For Sale Past Due 90 Days Or More

	Amount		Percent of Total Outstandings	
Dollars in millions	Sept. 30 2005	Dec. 31 2004	Sept. 30 2005	Dec. 31 2004

Commercial	$ 9	$ 15	.04%	.09%
Commercial real estate	10	2	.34	.10
Consumer	20	18	.12	.12
Residential mortgage	10	14	.14	.29
Lease financing	1		.03	
Total loans	50	49	.10	.11
Loans held for sale	33	9	1.39	.54
Total loans and loans held for sale	$ 83	$ 58	.16%	.13%

Loans and loans held for sale that are not included in nonperforming or past due categories but cause us to be uncertain about the borrower's ability to comply with existing repayment terms over the next six months, totaled $141 million and zero, respectively, at September 30, 2005 compared with $65 million and zero, respectively at December 31, 2004. Approximately 94% of these loans are in the Institutional Banking portfolio.

Allowances For Loan And Lease Losses And Unfunded Loan Commitments And Letters Of Credit

We maintain an allowance for loan and lease losses to absorb losses from the loan portfolio. We determine the allowance based on quarterly assessments of the probable estimated losses inherent in the loan portfolio. While we make allocations to specific loans and pools of loans, the total reserve is available for all loan and lease losses.

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Allocation Of Allowance For Loan And Lease Losses

Dollars in millions	September 30, 2005 Allowance	September 30, 2005 Loans to Total Loans	December 31, 2004 Allowance	December 31, 2004 Loans to Total Loans
Commercial	$ 509	39.8%	$ 503	40.1%
Commercial real estate	32	5.8	26	4.5
Consumer	26	33.4	35	35.9
Residential mortgage	6	14.2	6	11.0
Lease financing	57	5.9	33	7.3
Other	4	.9	4	1.2
Total	$ 634	100.0%	$ 607	100.0%

In addition to the allowance for loan and lease losses, we maintain an allowance for unfunded loan commitments and letters of credit. We report this allowance as a liability on our Consolidated Balance Sheet. We determine this amount using estimates of the probability of the ultimate funding and losses related to those credit exposures. This methodology is similar to the one we use for determining the adequacy of our allowance for loan and lease losses.

In addition to the impact of the second quarter loan recovery of $53 million, the provision for credit losses for 2005 and the evaluation of the allowances for loan and lease losses and unfunded loan commitments and letters of credit as of September 30, 2005 reflected changes in loan portfolio composition, the impact of refinements to our reserve methodology, and changes in asset quality. The provision includes amounts for probable losses on loans and credit exposure related to unfunded loan commitments and letters of credit.

We do not expect to sustain asset quality at its current level. However, based on the assets we currently hold and current business trends and activities, we believe that overall asset quality will remain strong at least for the near term. This outlook, combined with expected loan growth, may result in an increase in the allowance for loan and lease losses in future periods.

Rollforward Of Allowance For Loan And Lease Losses

In millions	2005	2004
January 1	$607	$ 632
Charge-offs	(78)	(139)
Recoveries (a)	89	38
Net recoveries (charge-offs) (a)	11	(101)
Provision for (recoveries of) credit losses	(3)	33
Acquired allowance (b)	23	22
Net change in allowance for unfunded loan commitments and letters of credit	(4)	(5)
September 30	$634	$ 581

(a) A $53 million loan recovery is reflected in the 2005 amounts.
(b) The 2005 acquired allowance related to the Riggs acquisition and the 2004 acquired allowance related to the United National acquisition.

The allowance as a percent of nonperforming loans was 499% and as a percent of total loans was 1.26% at September 30, 2005. The comparable percentages at December 31, 2004 were 424% and 1.40%.

Rollforward Of Allowance For Unfunded Loan Commitments And Letters Of Credit

In millions	2005	2004
January 1	$75	$91
Net change in allowance for unfunded loan commitments and letters of credit	4	5
September 30	$79	$96

Charge-Offs And Recoveries

Nine months ended September 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2005				
Commercial (a)	$ 44	$ 76	$ (32)	(.23)%
Commercial real estate		1	(1)	(.05)
Consumer	33	11	22	.18
Residential mortgage	1		1	.02
Lease financing		1	(1)	(.04)
Total	$ 78	$ 89	$ (11)	(.03)
2004				
Commercial (b)	$ 98	$ 22	$ 76	.62%
Commercial real estate	2	1	1	.06

Consumer	32	9	23	.22
Residential mortgage	3	1	2	.07
Lease financing	4	5	(1)	(.04)
Total	$ 139	$ 38	$ 101	.34

(a) Includes a $53 million loan recovery.

(b) During the first quarter of 2004, we changed our policy for recognizing charge-offs on smaller nonperforming commercial loans. This change resulted in the recognition of an additional $24 million of gross charge-offs for the first quarter of 2004.

Apart from the first quarter 2004 policy change referred to in footnote (b) above, commercial charge-offs declined $30 million in the first nine months of 2005 compared with the first nine months of 2004 primarily due to an improvement in the overall credit quality of the commercial loan portfolio.

We establish reserves to provide coverage for probable losses not considered in the specific, pool and consumer reserve methodologies, such as, but not limited to, industry concentrations and conditions, credit quality trends, recent loss experience in particular sectors of the portfolio, experience, ability and depth of lending management and changes, risk selection and underwriting standards and the timing of available information. The amount of reserves for these qualitative factors is assigned to loan categories and to business segments based on the relative specific and pool allocation amounts. Enhancements to the reserve methodology in the third quarter of 2005 resulted in more precise modeling of pool allocations and reduced the amount of reserve allocated for qualitative factors. This portion represented 9% of the total allowance and .11% of total loans at September 30, 2005.

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CREDIT-RELATED INSTRUMENTS

Credit Default Swaps

Credit default swaps provide, for a fee, an assumption by a third party of a portion of the credit risk related to the underlying financial instruments. We use the contracts to mitigate credit risk associated with commercial lending activities as well as proprietary derivative and convertible bond trading. At September 30, 2005, we used credit default swaps with $469 million in notional amount to reduce credit risk associated with commercial lending activities, $113 million in notional amount to reduce risk associated with convertible arbitrage trading and $882 million in notional amount related to proprietary trading activities. The comparable amounts were $336 million, $23 million and zero at December 31, 2004. Credit default swaps, which are marked to market quarterly, are included in the Free-Standing Derivatives table in the Financial Derivatives section of this Risk Management discussion. We realized minimal net gains in connection with credit default swaps during the first nine months of 2005 and a net loss of $2 million in the first nine months of 2004.

Interest Rate Derivative Risk Participation Agreements

We enter into risk participation agreements to share credit exposure with other financial counterparties related to interest rate derivative contracts or take on credit exposure to generate revenue. Risk participation agreements entered into subsequent to June 30, 2003 used by us to mitigate credit risk had a notional amount of $220 million at September 30, 2005 compared with $200 million at December 31, 2004. Risk participation agreements in which we assumed credit exposure had a notional amount of $129 million at September 30, 2005 and $30 million at December 31, 2004.

Agreements entered into prior to July 1, 2003 are considered to be financial guarantees and, therefore, are not included in the Financial Derivatives section of this Risk Management discussion. Risk participation agreements entered into prior to July 1, 2003 used by us to mitigate credit risk had a notional amount of $8 million at September 30, 2005 compared with $36 million at December 31, 2004. Risk participation agreements entered into in which we assumed credit risk exposure had a total notional amount of $18 million at September 30, 2005 compared with $24 million at December 31, 2004.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of financial loss or other damage to us resulting from inadequate or failed internal processes or systems, human factors, or from external events. Operational risk may occur in any of our business activities and manifests itself in various ways, including but not limited to the following:

- Errors related to transaction processing and systems,
- Breaches of the system of internal controls and compliance requirements, and
- Business interruptions and execution of unauthorized transactions and fraud by employees or third parties.

Operational losses may arise from legal actions due to operating deficiencies or noncompliance with contracts, laws or regulations.

To monitor and control operational risk, we maintain a comprehensive framework including policies and a system of internal controls that is designed to manage risk and to provide management with timely and accurate information about the operations of PNC.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk of potential loss if we were unable to meet our funding requirements at a reasonable cost. We manage liquidity risk to help ensure that we can obtain cost-effective funding to meet current and future obligations under both normal “business as usual” and stressful circumstances.

Our largest source of funding on a consolidated basis is the deposit base that comes from our retail and wholesale banking activities. Other borrowed funds come from a diverse mix of long and short-term funding sources. Liquid assets and unused borrowing capacity from a number of sources are also available to maintain our liquidity position.

Liquid assets consist of short-term investments (federal funds sold, resale agreements and other short-term investments) and securities available for sale. At September 30, 2005, our liquid assets totaled $24.1 billion, with $11.0 billion pledged as collateral for borrowings, trust, and other commitments.

PNC Bank, N.A. is a member of the Federal Home Loan Bank and as such has access to advances from the Federal Home Loan Bank secured generally by residential mortgages, other real estate related loans, and mortgage-backed securities. At September 30, 2005, our total unused borrowing capacity from the Federal Home Loan Bank under current collateral requirements was $22.2 billion.

We can also obtain funding through alternative forms of borrowing, including federal funds purchased, repurchase agreements, and short-term and long-term debt issuances. In July 2004, PNC Bank, N.A. established a program to offer up to $20 billion in senior and subordinated unsecured debt obligations with maturities of more than nine months. As of September 30, 2005, PNC Bank, N.A. had issued $2.4 billion of debt under this program, including the following three third quarter 2005 issuances:

- On July 29, 2005, $500 million of senior bank notes were issued that mature on January 29, 2007. Interest will be reset monthly to 1-month LIBOR minus 3 basis points and will be paid monthly.
- On August 25, 2005, $75 million of senior bank notes were issued that mature February 26, 2007. Interest will be reset monthly to 1-month LIBOR minus 3 basis points and will be paid monthly.
- On September 21, 2005, $500 million of subordinated notes were issued that mature on September 21, 2017. These notes pay interest semiannually at a fixed annual rate of 4.875%.

None of the third quarter 2005 issuances described above are redeemable or subject to repayment at the option of the holder prior to maturity.

In December 2004, PNC Bank, N.A. established a program to offer up to $3.0 billion of its commercial paper. As of September 30, 2005, $.3 billion of commercial paper was outstanding under this program.

Our parent company's routine funding needs consist primarily of dividends to PNC shareholders, share repurchases, debt service, the funding of non-bank affiliates, and acquisitions. The principal source of parent company cash flow is the dividends it receives from PNC Bank, N.A. There are statutory and regulatory limitations on the ability of national banks to pay dividends or make other capital distributions or to extend credit to the parent company or its non-bank subsidiaries. Dividends may also be impacted by the bank's capital needs and by contractual restrictions. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately $478 million at September 30, 2005.

In addition to dividends from PNC Bank, N.A., other sources of parent company liquidity include cash and short-term investments, as well as dividends and loan repayments from other subsidiaries. As of September 30, 2005, the parent company had approximately $927 million in funds available from its cash and short-term investments.

We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of securities in public or private markets. BlackRock, one of our majority-owned non-bank subsidiaries, also has access to public and private financing. At September 30, 2005, we had unused capacity under effective shelf registration statements with the SEC that allow us to issue up to $2.0 billion of debt or equity securities and, under a separate shelf registration statement, approximately $100 million of trust preferred capital securities. During the third quarter of 2005, no parent company senior debt matured. As of September 30, 2005, there were $1.1 billion of parent company senior debt contractual obligations with maturities less than one year.

Commitments

The following tables set forth contractual obligations and various commitments representing required and potential cash outflows as of September 30, 2005.

Contractual Obligations

September 30, 2005 - in millions	Total
Remaining contractual maturities of time deposits	$15,626
Borrowed funds	18,374
Minimum annual rentals on noncancellable leases	1,048
Nonqualified pension and postretirement benefits	300
Purchase obligations (a)	384
Total contractual cash obligations	$35,732

(a) Includes purchase obligations for goods and services covered by noncancellable contracts and contracts including cancellation fees.

Other Commitments (a)

September 30, 2005 - in millions	Total Amounts Committed
Loan commitments	$ 35,261
Standby letters of credit	3,828
Other commitments (b)	614
Total commitments	$ 39,703

(a) Other commitments are funding commitments that could potentially require performance in the event of demands by third parties or contingent events. Loan commitments are reported net of participations, assignments and syndications.
(b) Includes standby bond repurchase agreements and equity funding commitments related to equity management and affordable housing as well as BlackRock's investment commitments and obligation under an acquired management contract.

MARKET RISK MANAGEMENT OVERVIEW

Market risk is the risk of a loss in earnings or economic value due to adverse movements in market factors such as interest rates, credit spreads, foreign exchange rates, and equity prices.

MARKET RISK MANAGEMENT – INTEREST RATE RISK

Interest rate risk results primarily from our traditional banking activities of gathering deposits and extending loans. Many factors, including economic and financial conditions, movements in interest rates, and consumer preferences, affect the difference between the interest that we earn on assets and the interest that we pay on liabilities.

PNC's Asset and Liability Management group centrally manages interest rate risk subject to interest rate risk limits and certain policies approved by the Asset and Liability Committee and the Board Finance Committee. In February 2005, the Board Finance Committee approved a policy change which entailed limiting the sensitivity of PNC's duration of equity. This limit replaced the previous economic value of equity ("EVE") sensitivity limits.

Sensitivity results and market interest rate benchmarks for the third quarter of 2005 and 2004 follow:

Interest Sensitivity Analysis

	Third Quarter 2005	Third Quarter 2004
Net Interest Income Sensitivity Simulation		
Effect on net interest income in first year from gradual interest rate change over following 12 months of:		
100 basis point increase	.7%	(.1)%
100 basis point decrease	(1.1)%	(.6)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	1.2%	2.6%
100 basis point decrease	(4.7)%	(7.4)%
Duration of Equity Model		
Base case duration of equity (in years):	(1.5)	(2.0)
Key Period-End Interest Rates		
One month LIBOR	3.86%	1.84%
Three-year swap	4.60%	3.29%

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. The following Net Interest Income Sensitivity To Alternative Rate Scenarios table reflects the percentage change in net interest income over the next two 12 month periods assuming the PNC Economist's most likely rate forecast, implied market forward rates and a lower/flatter rate scenario. We are inherently sensitive to a flatter yield curve.

Net Interest Income Sensitivity To Alternative Rate Scenarios (for third quarter 2005)

	PNC Economist	Market Forward	Low/Flat
Change in forecasted net interest income:			
First year sensitivity	.9%	.7%	(1.1)%
Second year sensitivity	2.5%	1.1%	(.2)%

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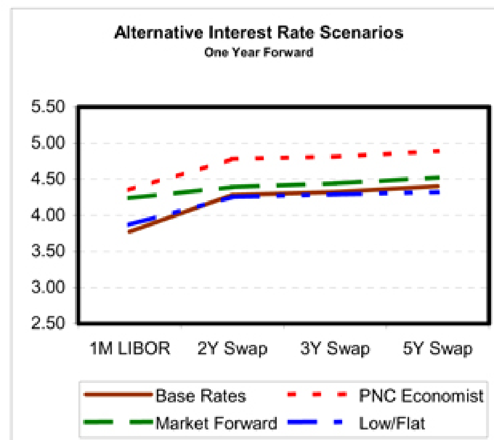
When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business, and the behavior of existing positions. These assumptions determine the future level of simulated net interest income in the base interest rate scenario and the other interest rate scenarios presented in the following table. These simulations assume that as assets and liabilities mature, they are replaced or repriced at market rates.

All changes in forecasted net interest income are relative to results in a base rate scenario where current market rates are assumed to remain unchanged over the forecast horizon.

The graph below presents the yield curves for the base rate scenario and each of the alternative scenarios one year forward.



Over the last several years, we have taken steps to position our balance sheet to benefit from rising long-term interest rates. Going forward, we believe that we have the deposit funding base and flexibility to change our investment profile to take advantage, where appropriate, of changing interest rates and to adjust to changing market conditions.

MARKET RISK MANAGEMENT – TRADING RISK

Our trading activities include the underwriting of fixed income and equity securities, as well as customer-driven and proprietary trading in fixed income securities, equities, derivatives, and foreign exchange contracts.

We use value-at-risk ("VaR") as the primary means to measure and monitor market risk in trading activities. Our Board Finance Committee establishes an enterprise-wide VaR limit on our trading activities.

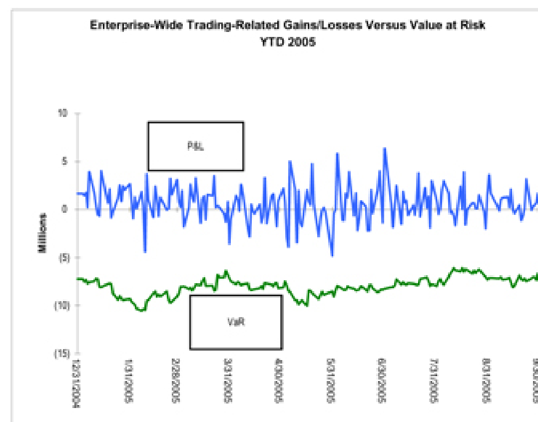
The following table shows VaR usage for the first nine months of 2005 by product type:

VaR Usage by Product Type

In millions	Min	Max	Avg
Fixed Income	$5.1	$ 9.4	$6.8
Equity	.6	1.8	1.0
Foreign Exchange		.5	.2
Total	6.1	10.6	8.0

To help ensure the integrity of the models used to calculate VaR for each portfolio and enterprise-wide, we use a process known as backtesting. The backtesting process consists of comparing actual observations of trading-related gains or losses against the VaR levels that were calculated at the close of the prior day. We would expect a maximum of two to three instances a year in which actual losses exceeded the prior day VaR measure. During the first nine months of 2005, there were no such instances at the enterprise-wide level.

The following graph shows a comparison of enterprise-wide trading-related gains and losses against prior day VaR for the period.



Total trading revenue for the first nine months and third quarter of 2005 and 2004 was as follows:

Nine months ended September 30 – in millions	2005	2004
Net interest income	$ 7	$ 9
Other noninterest income	108	69

Total trading revenue	$115	$78
Securities underwriting and trading	$ 12	$37
Foreign exchange	27	22
Financial derivatives	76	19
Total trading revenue	$115	$78

Three months ended September 30 – in millions	2005	2004
Net interest income	$ 1	$ 3
Other noninterest income	47	16
Total trading revenue	$ 48	$19
Securities underwriting and trading	$ 2	$11
Foreign exchange	10	8
Financial derivatives	36	
Total trading revenue	$ 48	$19

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Average trading assets and liabilities consisted of the following:

Nine months ended - in millions	September 30, 2005	September 30, 2004
Assets		
Securities (a)	$ 1,849	$ 710
Resale agreements (b)	687	161
Financial derivatives (c)	746	584
Total assets	$ 3,282	$ 1,455
Liabilities		
Securities sold short (d)	$ 1,004	$ 233
Repurchase agreements and other borrowings (e)	1,064	172
Financial derivatives (f)	797	570
Total liabilities	$ 2,865	$ 975

Three months ended - in millions	September 30, 2005	September 30, 2004
Assets		
Securities (a)	$ 1,734	$ 1,003
Resale agreements (b)	411	155
Financial derivatives (c)	695	604
Total assets	$ 2,840	$ 1,762
Liabilities		
Securities sold short (d)	$ 806	$ 319
Repurchase agreements and other borrowings (e)	933	302
Financial derivatives (f)	814	575
Total liabilities	$ 2,553	$ 1,196

(a) Included in Other short-term investments, including trading securities, on the Consolidated Balance Sheet.
(b) Included in Federal funds sold and resale agreements.
(c) Included in Other assets.
(d) Included in Other borrowed funds.
(e) Included in Repurchase agreements and Other borrowed funds.
(f) Included in Other liabilities.

MARKET RISK MANAGEMENT – EQUITY AND OTHER INVESTMENT RISK

Equity investment risk is the risk of potential losses associated with investing in both private and public equity markets.

The primary risk measurement for equity and other investments is economic capital. In addition to extending credit, taking deposits, and underwriting and trading financial instruments, we make and manage direct investments in a variety of transactions, including management buyouts, recapitalizations, and later-stage growth financings in a variety of industries. We have investments in non-affiliated and affiliated funds that make similar private equity investments, although new investments in non-affiliated funds will be minimal. The economic and/or book value of these investments and other assets such as loan servicing rights are directly affected by changes in market factors.

Private Equity

At September 30, 2005, private equity investments carried at estimated fair value totaled $478 million compared with $470 million at December 31, 2004. As of September 30, 2005, approximately 36% of the amount is invested directly in a variety of companies and approximately 64% is invested in various limited partnerships. Private equity unfunded commitments totaled $85 million at September 30, 2005 compared with $119 million at December 31, 2004. In addition to the investments referred to above, private equity investments acquired as part of the Riggs transaction were sold to a third party on September 15, 2005. There was no gain or loss associated with the sale.

On October 14, 2005, we committed $200 million to PNC Mezzanine Partners III, L.P., a $350 million affiliated mezzanine fund, that will invest principally in subordinated debt securities with an equity component. The funding of the investment is expected to occur over a five-year period.

The private equity portfolio is comprised of investments that vary by industry, stage and type of investment.

Other Investments

We also make investments in affiliated and non-affiliated funds with both traditional and alternative investment strategies. Such investments include investments in BlackRock's mutual funds, hedge funds, and CDOs. The economic values could be driven by either the fixed-income market or the equity markets, or both.

ECONOMIC CAPITAL

Our Economic Capital Committee governs the measurement of economic capital. This Committee meets at least quarterly to review economic capital measurements and approve methodology changes. The economic capital framework is a measure of the potential losses above and beyond expected losses. Potential one year losses are capitalized to a level consistent with a financial institution with an A rating. Economic capital incorporates risk associated with potential credit losses (Credit Risk), fluctuations of the estimated market value of financial instruments (Market Risk), failure of people, processes or systems (Operational Risk), and income losses associated with declining volumes, margins and/or fees, and the fixed cost structure of the business (Business Risk). We estimate credit and market risks at an exposure level while we estimate the remaining risk types at an institution or business segment level. We routinely compare the output of our economic capital model with industry benchmarks.

FINANCIAL DERIVATIVES

We use a variety of financial derivatives as part of the overall asset and liability risk management process to help manage interest rate, market and credit risk inherent in our business activities. Substantially all such instruments are used to manage risk related to changes in interest rates. Interest rate and total return swaps, interest rate caps and floors

and futures contracts are the primary instruments used by us for interest rate risk management.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. For interest rate swaps and total return swaps, caps and floors and futures contracts, only periodic cash payments and, with respect to caps and floors, premiums, are exchanged. Therefore, cash requirements and exposure to credit risk are significantly less than the notional amount.

Not all elements of interest rate, market and credit risk are addressed through the use of financial or other derivatives, and such instruments may be ineffective for their intended purposes due to unanticipated market characteristics, among other reasons.

Accounting Hedges-Fair Value Hedging Strategies

We enter into interest rate and total return swaps, caps, floors and interest rate futures derivative contracts to hedge designated commercial mortgage loans held for sale, commercial loans, bank notes, senior debt and subordinated debt for changes in fair value primarily due to changes in interest rates. Adjustments related to the ineffective portion of fair value hedging instruments are recorded in interest income, interest expense or noninterest income depending on the hedged item.

Accounting Hedges-Cash Flow Hedging Strategy

We enter into interest rate swap contracts to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of interest rate changes on future interest income. The fair value of these derivatives is reported in other assets or other liabilities and offset in accumulated other comprehensive income for the effective portion of the derivatives. When the hedged transaction culminates, any unrealized gains or losses related to these swap contracts are removed from accumulated other comprehensive income and are included in interest income. Any ineffectiveness of the strategy, as defined by our documented policies and procedures, is reported in interest income.

Free-Standing Derivatives

To accommodate customer needs, we also enter into financial derivative transactions primarily consisting of interest rate swaps, caps, floors and foreign exchange and equity contracts. We manage our market risk exposure from customer positions through transactions with third-party dealers. The credit risk associated with derivatives executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies. We may obtain collateral based on our assessment of the customer. For derivatives not designated as an accounting hedge, the gain or loss is recognized in other noninterest income.

Also included in free-standing derivatives are transactions that we enter into for risk management and proprietary purposes that are not designated as accounting hedges, primarily interest rate and basis swaps, caps, floors, credit default swaps, option contracts and certain interest rate-lock loan origination commitments as well as commitments to buy or sell mortgage loans.

Basis swaps are agreements involving the exchange of payments, based on notional amounts, of two floating rate financial instruments denominated in the same currency, one pegged to one reference rate and the other tied to a second reference rate (*e.g.,* swapping payments tied to one-month LIBOR for payments tied to three-month LIBOR). We use these contracts to mitigate the impact on earnings of exposure to a certain referenced interest rate.

Interest rate-lock commitments for, as well as commitments to buy or sell, real estate mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on the rate-lock commitments is economically hedged with pay-fixed interest rate swaps and forward sale commitments. These contracts mitigate the impact on earnings of exposure to a certain referenced rate.

We purchase and sell credit default swaps to mitigate the economic impact of credit losses on specifically identified existing lending relationships or to generate revenue. These derivatives typically are based upon the change in value, due to changing credit spreads, of publicly-issued bonds.

We enter into risk participation agreements to share some of the credit exposure with other financial counterparties related to interest rate derivative contracts or to take on credit exposure to generate revenue. We will be required to make/receive payments under these guaranties if a customer defaults on its obligation to perform under certain credit agreements. Agreements entered into prior to July 1, 2003 are considered financial guarantees. Agreements entered into after June 30, 2003 are considered free-standing derivatives.

We occasionally purchase or originate financial instruments that contain an embedded derivative. At the inception of the financial instrument, we assess whether the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the financial instrument (host contract), whether the financial instrument that embodies both the embedded derivative and the host contract is measured at fair value with changes in fair value reported in earnings, and whether a separate instrument with the same terms as the embedded instrument would not meet the definition of a derivative. If the embedded derivative does not meet these three conditions, the embedded derivative would qualify as a derivative instrument and be recorded apart from the host contract and carried at fair value with changes recorded in current earnings.

Free-standing derivatives also include positions we take based on market expectations or to benefit from price differentials between financial instruments and the market based upon stated risk management objectives.

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The following tables provide the notional amount and fair value of financial derivatives used for risk management and designated as accounting hedges as well as free-standing derivatives at September 30, 2005 and December 31, 2004. Weighted-average interest rates presented are based on contractual terms, if fixed, or the implied forward yield curve at each respective date, if floating. The credit risk amounts of these derivatives as of September 30, 2005 and December 31, 2004 are presented in Note 9 Financial Derivatives in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

Financial Derivatives - 2005

September 30, 2005 - dollars in millions	Notional Amount	Fair Value	Weighted-Average Maturity	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
Accounting Hedges					
Interest rate risk management					
Asset rate conversion					
Interest rate swaps (a)					
Receive fixed	$ 2,302	$ (13)	3 yrs. 5 mos.	4.52%	4.27%
Pay fixed	12		2 yrs. 4 mos.	3.68	4.53
Forward purchase commitments	200	(1)	1 mo.	NM	NM
Futures contracts	52		1 yr. 3 mos.	NM	NM
Total asset rate conversion	2,566	(14)			
Liability rate conversion					
Interest rate swaps (a)					
Receive fixed	4,946	106	6 yrs. 9 mos.	4.68	5.40
Pay fixed	500	1	6 mos.	4.06	4.26
Total liability rate conversion	5,446	107			
Total interest rate risk management	8,012	93			
Commercial mortgage banking risk management					
Pay fixed interest rate swaps (a)	303	(4)	10 yrs. 6 mos.	4.85	4.75
Pay total return swaps designated to loans held for sale (a)	200	5	1 mo.	NM	3.74
Total commercial mortgage banking risk management	503	1			
Total accounting hedges (b)	$ 8,515	$ 94			
Free-Standing Derivatives					
Customer-related					
Interest rate					
Swaps	$ 36,876	$ 28	4 yrs. 5 mos.	4.53%	4.53%
Caps/floors					
Sold	712	(5)	4 yrs. 5 mos.	NM	NM
Purchased	455	4	2 yrs. 5 mos.	NM	NM
Futures	1,272	1	11 mos.	NM	NM
Foreign exchange	11,587		2 mos.	NM	NM
Equity	2,809	(78)	1 yr. 7 mos.	NM	NM
Swaptions	1,590	(2)	13 yrs. 9 mos.	NM	NM
Other	330	1	10 yrs. 8 mos.	NM	NM
Total customer-related	55,631	(51)			
Other risk management and proprietary					
Interest rate					
Swaps	5,938	(4)	6 yrs.	4.52%	4.47%
Basis swaps	768	1	7 yrs.	4.03	4.69
Pay fixed swaps	2,224	6	9 yrs. 3 mos.	4.32	4.57
Caps/floors					
Sold	2,000	(10)	2 yrs. 10 mos.	NM	NM
Purchased	2,310	14	3 yrs. 1 mo.	NM	NM
Futures	12,138	3	1 yr.	NM	NM
Credit derivatives	1,464	(4)	4 yrs. 9 mos.	NM	NM
Risk participation agreements	349		5 yrs. 1 mo.	NM	NM
Commitments related to mortgage-related assets	2,233	(7)	2 mos.	NM	NM
Options					
Eurodollar	26,640	3	6 mos.	NM	NM
Treasury notes/bonds	235	1	2 mos.	NM	NM
Swaptions	20,985	32	6 yrs. 8 mos.	NM	NM
Other	99	2	4 mos.	NM	NM
Total other risk management and proprietary	77,383	37			
Total free-standing derivatives	$133,014	$ (14)			

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 65% were based on 1-month LIBOR, 35% on 3-month LIBOR.

(b) Fair value amounts include accrued interest of $46 million.

NM Not meaningful

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Financial Derivatives - 2004

December 31, 2004 - dollars in millions	Notional Amount	Fair Value	Weighted-Average Maturity	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
Accounting Hedges					
Interest rate risk management					
Asset rate conversion					
Interest rate swaps (a)					
Receive fixed	$ 360	$ (1)	5 yrs. 1 mo.	3.97%	3.72%
Pay fixed	12		3 yrs. 1 mo.	3.68	3.69
Interest rate caps (b)	4		5 yrs. 3 mos.	NM	NM
Futures contracts	124		2 yrs.	NM	NM
Total asset rate conversion	500	(1)			
Liability rate conversion					
Interest rate swaps (a)					
Receive fixed	3,745	215	7 yrs. 5 mos.	4.12	5.64
Total interest rate risk management	4,245	214			
Commercial mortgage banking risk management					
Pay fixed interest rate swaps (a)	195	(4)	10 yrs. 4 mos.	4.79	4.66
Pay total return swaps designated to loans held for sale (a)	75	(1)		NM	1.98
Total commercial mortgage banking risk management	270	(5)			
Total accounting hedges (c)	$ 4,515	$209			
Free-Standing Derivatives					
Customer-related					
Interest rate					
Swaps	$ 32,339	$ 18	3 yrs. 9 mos.	3.91%	3.90%
Caps/floors					
Sold	698	(8)	3 yrs. 8 mos.	NM	NM
Purchased	452	7	2 yrs. 5 mos.	NM	NM
Futures	3,014	1	1 yr.	NM	NM
Foreign exchange	7,245	10	6 mos.	NM	NM
Equity	2,186	(29)	2 yrs. 4 mos.	NM	NM
Swaptions	644		17 yrs. 11 mos.	NM	NM
Other	330	1	10 yrs. 9 mos.	NM	NM
Total customer-related	46,908				
Other risk management and proprietary					
Interest rate					
Swaps	4,347	(2)	7 yrs. 10 mos.	4.29	4.30
Basis swaps	1,064	2	1 yr. 1 mo.	3.04	3.15
Pay fixed swaps	1,204	(10)	10 yrs. 7 mos.	4.37	4.41
Futures	9,329		2 yrs. 4 mos.	NM	NM
Credit derivatives	359	(4)	4 yrs. 5 mos.	NM	NM
Risk participation agreements	230		6 yrs. 8 mos.	NM	NM
Commitments related to mortgage-related assets	782	1	2 mos.	NM	NM
Options					
Eurodollar	27,750	2	4 mos.	NM	NM
Treasury notes/bonds	890	(2)	2 mos.	NM	NM
Swaptions	9,589	(1)	5 yrs. 10 mos.	NM	NM
Other	45		4 mos.	NM	NM
Total other risk management and proprietary	55,589	(14)			
Total free-standing derivatives	$102,497	$ (14)			

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 38% were based on 1-month LIBOR, 62% on 3-month LIBOR.
(b) Interest rate caps with a notional amount of $4 million require the counterparty to pay the Corporation the excess, if any, of the Prime Rate over a weighted-average strike of 5.03%. At December 31, 2004, the Prime Rate was 5.25%.
(c) Fair value amounts include accrued interest of $45 million.
NM - Not meaningful

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2005, we performed an evaluation under the supervision and with the participation of our management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures and of changes in our internal control over financial reporting.

Based on that evaluation, our management, including the Chairman and Chief Executive Officer and the Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2005, and that there has been no change in internal control over financial reporting that occurred during the third quarter of 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

GLOSSARY OF TERMS

Accounting/administration net fund assets - Net domestic and foreign fund investment assets for which we provide accounting and administration services. We do not include these assets on our Consolidated Balance Sheet.

Adjusted average total assets - Primarily comprised of total average quarterly (or annual) assets plus (less) unrealized losses (gains) on available-for-sale debt securities, less goodwill and certain other intangible assets.

Annualized - Adjusted to reflect a full year of activity.

Assets under management - Assets over which we have sole or shared investment authority for our customers/clients. We do not include these assets on our Consolidated Balance Sheet.

Basis point – One hundredth of a percentage point.

Charge-off - Process of removing a loan or portion of a loan from a bank's balance sheet because the loan is considered uncollectible. A charge-off is also recorded when a loan is transferred to held for sale and the loan's market value is less than its carrying amount.

Common shareholders' equity to total assets- Common shareholders' equity divided by total assets. Common shareholders' equity equals total shareholders' equity less the liquidation value of preferred stock.

Credit derivatives - Contractual agreements that provide protection against a credit event of one or more referenced credits. The nature of a credit event is established by the protection buyer and protection seller at the inception of a transaction, and such events include bankruptcy, insolvency and failure to meet payment obligations when due. The buyer of the credit derivative pays a periodic fee in return for a payment by the protection seller upon the occurrence, if any, of a credit event.

Custody assets - All investment assets held on behalf of clients under safekeeping arrangements. We do not include these assets on our Consolidated Balance Sheet. Investment assets held in custody at other institutions on our behalf are included in the appropriate asset categories on the Consolidated Balance Sheet as if physically held by us.

Derivatives - Financial contracts whose value is derived from publicly traded securities, interest rates, currency exchange rates or market indices. Derivatives cover a wide assortment of financial contracts, including forward contracts, futures, options and swaps.

Duration of equity - An estimate of the rate sensitivity of a firm's economic value of equity. A negative duration of equity is associated with asset sensitivity*i(e.,* positioned for rising interest rates), while a positive value implies liability sensitivity (*i.e.,* vulnerable to rising rates). For example, if the duration is +1.5 years, the economic value of equity declines by 1.5% for each 100 basis point increase in interest rates.

Earning assets - Assets that generate interest income, which include: federal funds sold; resale agreements; other short-term investments, including trading securities; loans held for sale; loans, net of unearned income; securities; and certain other assets.

Economic capital - Represents the amount of resources that a business segment should hold to guard against potentially large losses that could cause insolvency. It is based on a measurement of economic risk, as opposed to risk as defined by regulatory bodies or generally accepted accounting principles. The economic capital measurement process involves converting a risk distribution to the capital that is required to support the risk, consistent with an institution's target credit rating. As such, economic risk serves as a "common currency" of risk that allows an institution to compare different risks on a similar basis.

Economic value of equity ("EVE") - The present value of the expected cash flows of our existing assets less the present value of the expected cash flows of our existing liabilities, plus the present value of the net cash flows of our existing off-balance sheet positions.

Effective duration - A measurement, expressed in years, that, when multiplied by a change in interest rates, would approximate the percentage change in value of on- and off-balance sheet positions.

Efficiency - Noninterest expense divided by the sum of net interest income and noninterest income.

Foreign exchange contracts - Contracts that provide for the future receipt and delivery of foreign currency at previously agreed-upon terms.

Funds transfer pricing - A management accounting methodology designed to recognize the net interest income effects of sources and uses of funds provided by the assets and liabilities of business segments. These balances are assigned funding rates that represent the interest cost for us to raise/invest funds with similar maturity and repricing structures, using the least-cost funding sources available.

Futures and forward contracts - - Contracts in which the buyer agrees to purchase and the seller agrees to deliver a specific financial instrument at a predetermined price or yield. May be settled either in cash or by delivery of the underlying financial instrument.

GAAP – Accounting principles generally accepted in the United States of America.

Interest rate floors and caps - Interest rate protection instruments that involve payment from the seller to the buyer of an interest differential, which represents the difference between a short-term rate (*e.g.,* three-month LIBOR) and an agreed-upon rate (the strike rate) applied to a notional principal amount.

Interest rate swap contracts - Contracts that are entered into primarily as an asset/liability management strategy to reduce interest rate risk. Interest rate swap contracts are exchanges of interest rate payments, such as fixed-rate payments for floating-rate payments, based on notional principal amounts.

Leverage ratio - Tier 1 risk-based capital divided by adjusted average total assets.

Net interest margin - Annualized taxable-equivalent net interest income divided by average earning assets.

Nondiscretionary assets under administration - Assets we hold for our customers/clients in a non-discretionary, custodial capacity. We do not include these assets on our Consolidated Balance Sheet.

Noninterest income to total revenue - Noninterest income divided by the sum of net interest income and noninterest income.

Nonperforming assets - Nonperforming assets include nonaccrual loans, troubled debt restructured loans, nonaccrual loans held for sale, and foreclosed assets and other assets. Interest income does not accrue on assets classified as nonperforming.

Nonperforming loans - Nonperforming loans include loans to commercial, lease financing, consumer, commercial real estate and residential mortgage customers as well as troubled debt restructured loans. Nonperforming loans do not include nonaccrual loans held for sale or foreclosed and other assets. Interest income does not accrue on loans classified as nonperforming.

Notional amount - A number of currency units, shares, or other units specified in a derivatives contract.

Recovery - Cash proceeds received on a loan that had previously been charged off. The amount received is credited to the allowance for loan and lease losses.

Return on average capital - Annualized net income divided by average capital.

Return on average assets - Annualized net income divided by average assets.

Return on average common equity - Annualized net income divided by average common shareholders' equity.

Risk-weighted assets - Primarily computed by the assignment of specific risk-weights (as defined by The Board of Governors of the Federal Reserve System) to assets and off-balance sheet instruments.

Securitization - The process of legally transforming financial assets into securities.

Tangible common capital ratio - Common shareholders' equity less goodwill and other intangible assets (excluding mortgage servicing rights) divided by assets less goodwill and other intangible assets (excluding mortgage servicing rights).

Taxable-equivalent interest - The interest income earned on certain 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 interest-earning assets, the interest income earned on tax-exempt assets is increased to make it fully equivalent to interest income on other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement.

Tier 1 risk-based capital - Tier 1 risk-based capital equals: total shareholders' equity, plus trust preferred capital securities, plus certain minority interests that are held by others; less goodwill and certain other intangible assets, less equity investments in nonfinancial companies and less net unrealized holding losses on available-for-sale equity securities. Net unrealized holding gains on available-for-sale equity securities, net unrealized holding gains (losses) on available-for-sale debt securities and net unrealized holding gains (losses) on cash flow hedge derivatives are excluded from total shareholders' equity for tier 1 risk-based capital purposes.

Tier 1 risk-based capital ratio - Tier 1 risk-based capital divided by period-end risk-weighted assets.

Total fund assets serviced - Total domestic and offshore fund investment assets for which we provide related processing services. We do not include these assets on our Consolidated Balance Sheet.

Total return swap - A non-traditional swap where one party agrees to pay the other the "total return" of a defined underlying asset (*e.g*., loan), usually in return for receiving a stream of LIBOR based cash flows. The total returns of the asset, including interest and any default shortfall, are passed through to the counterparty. The counterparty is therefore assuming the credit and economic risk of the underlying asset.

Total risk-based capital - Tier 1 risk-based capital plus qualifying senior and subordinated debt, other minority interest not qualified as tier 1, and the allowance for loan and lease losses, subject to certain limitations.

Total risk-based capital ratio - Total risk-based capital divided by period-end risk-weighted assets.

Transaction deposits - The sum of money market and interest-bearing demand deposits and demand and other noninterest-bearing deposits.

Yield curve (shape of the yield curve, flat yield curve) - A graph showing the relationship between the yields on financial instruments or market indices of the same credit quality with different maturities. For example, a "normal" or "positive" yield curve exists when long-term bonds have higher yields than short-term bonds. A "flat" yield curve exists when yields are the same for short-term and long-term bonds. A "steep" yield curve exists when yields on long-term bonds are significantly higher than on short-term bonds.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

We make statements in this Report, and we may from time to time make other statements, regarding our outlook or expectations for earnings, revenues, expenses and/or other matters regarding or affecting PNC that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "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. 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.

In addition to factors that we have disclosed in our 2004 Annual Report on Form 10-K and in other reports that we file with the SEC and those that we discuss elsewhere in this Report, our forward-looking statements are subject to, among others, the following risks and uncertainties, which could cause actual results or future events to differ materially from those that we anticipated in our forward-looking statements or from our historical performance:

- changes in political, economic or industry conditions, the interest rate environment, or the financial and capital markets (including as a result of actions of the Federal Reserve Board affecting interest rates, the money supply, or otherwise reflecting changes in monetary policy), which could affect: (a) credit quality and the extent of our credit losses; (b) the extent of funding of our unfunded loan commitments and letters of credit; (c) our allowances for loan and lease losses and unfunded loan commitments and letters of credit; (d) demand for our credit or fee-based products and services; (e) our net interest income; (f) the value of assets under management and assets serviced, of private equity investments, of other debt and equity investments, of loans held for sale, or of other on-balance sheet or off-balance sheet assets; or (g) the availability and terms of funding necessary to meet our liquidity needs;
- the impact on us of legal and regulatory developments, including the following: (a) the resolution of legal proceedings or regulatory and other governmental inquiries; (b) increased litigation risk from recent regulatory and other governmental developments; (c) the results of the regulatory examination process, our failure to satisfy the requirements of agreements with governmental agencies, and regulators' future use of supervisory and enforcement tools; (d) legislative and regulatory reforms, including changes to tax and pension laws; and (e) changes in accounting policies and principles, with the impact of any such developments possibly affecting our ability to operate our businesses or our financial condition or results of operations or our reputation, which in turn could have an impact on such matters as business generation and retention, our ability to attract and retain management, liquidity and funding;
- the impact on us of changes in the nature and extent of our competition;
- the introduction, withdrawal, success and timing of our business initiatives and strategies;
- customer acceptance of our products and services, and our customers' borrowing, repayment, investment and deposit practices;
- the impact on us of changes in the extent of customer or counterparty delinquencies, bankruptcies or defaults, which could affect, among other things, credit and asset quality risk and our provision for credit losses;
- the ability to identify and effectively manage risks inherent in our businesses;
- how we choose to redeploy available capital, including the extent and timing of any share repurchases and acquisitions or other investments in our businesses;
- the impact, extent and timing of technological changes, the adequacy of intellectual property protection, and costs associated with obtaining rights in intellectual property claimed by others;

- the timing and pricing of any sales of loans or other financial assets held for sale;
- our ability to obtain desirable levels of insurance and to successfully submit claims under applicable insurance policies;
- the relative and absolute investment performance of assets under management; and
- the extent of terrorist activities and international hostilities, increases or continuations of which may adversely affect the economy and financial and capital markets generally or us specifically.

Our future results are likely to be affected significantly by the results of the implementation of our One PNC initiative, as discussed in this Report. Generally, the amounts of our anticipated cost savings and revenue enhancements are based to some extent on estimates and assumptions regarding future business performance and expenses, and these estimates and assumptions may prove to be inaccurate in some respects. Some or all of the above factors may cause the anticipated expense savings and revenue enhancements from that initiative not to be achieved in their entirety, not to be accomplished within the expected time frame, or to result in implementation charges beyond those currently contemplated or some other unanticipated adverse impact. Furthermore, the implementation of cost savings ideas may have unintended impacts on our ability to attract and retain business and customers, while revenue enhancement ideas may not be successful in the marketplace or may result in unintended costs. Assumed attrition required to achieve workforce reductions may not come in the right places or at the right times to meet planned goals.

In addition, we grow our business from time to time by acquiring other financial services companies. Acquisitions in general present us with a number of risks and uncertainties related both to the acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing. In particular, acquisitions may be substantially more expensive to complete (including the integration of the acquired company) and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected. As a regulated financial institution, our pursuit of attractive acquisition opportunities could be negatively impacted due to regulatory delays or other regulatory issues. Regulatory and/or legal issues of an acquired business may cause reputational harm to PNC following the acquisition and integration of the acquired business into ours and may result in additional future costs and expenses arising as a result of those issues. Recent acquisitions, including our acquisition of Riggs National Corporation, continue to present the post-closing risks and uncertainties described above.

You can find additional information on the foregoing risks and uncertainties and additional factors that could affect the results anticipated in our forward-looking statements or from our historical performance in our 2004 Annual Report on Form 10-K and in other reports that we file with the SEC. You can access our SEC reports on the SEC's website at www.sec.gov or on or through the PNC corporate website at www.pnc.com.

Also, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical performance relating to our majority-owned subsidiary BlackRock, Inc. are discussed in more detail in BlackRock's filings with the SEC, accessible on the SEC's website and on or through BlackRock's website at www.blackrock.com.

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CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except per share data Unaudited	Three months ended September 30 2005	Three months ended September 30 2004	Nine months ended September 30 2005	Nine months ended September 30 2004
INTEREST INCOME				
Loans and fees on loans	$ 718	$ 516	$ 1,942	$ 1,496
Securities available for sale and held to maturity	219	139	589	414
Other	58	30	169	99
Total interest income	995	685	2,700	2,009
INTEREST EXPENSE				
Deposits	270	121	676	332
Borrowed funds	166	73	425	211
Total interest expense	436	194	1,101	543
Net interest income	559	491	1,599	1,466
Provision for (recoveries of) credit losses	16	13	(3)	33
Net interest income less provision for credit losses	543	478	1,602	1,433
NONINTEREST INCOME				
Asset management	364	239	1,012	744
Fund servicing	218	204	657	608
Service charges on deposits	73	65	199	187
Brokerage	56	52	168	166
Consumer services	75	66	215	196
Corporate services	127	100	351	353
Equity management gains	36	16	80	58
Net securities gains (losses)	(2)	16	(37)	45
Trading	47	16	108	69
Other	119	64	258	233
Total noninterest income	1,113	838	3,011	2,659
NONINTEREST EXPENSE				
Compensation	545	500	1,505	1,303
Employee benefits	86	76	255	227
Net occupancy	86	68	231	203
Equipment	73	72	221	216
Marketing	30	19	75	63
Other	336	246	904	774
Total noninterest expense	1,156	981	3,191	2,786
Income before minority and noncontrolling interests and income taxes	500	335	1,422	1,306
Minority and noncontrolling interests in income (loss) of consolidated entities	14	(13)	29	5
Income taxes	152	90	423	411
Net income	$ 334	$ 258	$ 970	$ 890
EARNINGS PER COMMON SHARE				
Basic	$ 1.16	$ .92	$ 3.40	$ 3.16
Diluted	$ 1.14	$ .91	$ 3.35	$ 3.13
AVERAGE COMMON SHARES OUTSTANDING				
Basic	289	281	285	281
Diluted	292	283	288	284

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except par value **Unaudited**	**September 30 2005**	**December 31 2004**
ASSETS		
Cash and due from banks	$ 3,474	$ 3,230
Federal funds sold and resale agreements	907	1,635
Other short-term investments, including trading securities	2,553	1,848
Loans held for sale	2,377	1,670
Securities available for sale and held to maturity	20,658	16,761
Loans, net of unearned income of $856 and $902	50,510	43,495
Allowance for loan and lease losses	(634)	(607)
Net loans	49,876	42,888
Goodwill	3,470	3,001
Other intangible assets	755	354
Other	9,171	8,336
Total assets	$ 93,241	$ 79,723
LIABILITIES		
Deposits		
Noninterest-bearing	$ 14,099	$ 12,915
Interest-bearing	46,115	40,354
Total deposits	60,214	53,269
Borrowed funds		
Federal funds purchased	1,477	219
Repurchase agreements	2,054	1,376
Bank notes and senior debt	3,475	2,383
Subordinated debt	4,506	4,050
Commercial paper	3,447	2,251
Other borrowed funds	3,415	1,685
Total borrowed funds	18,374	11,964
Allowance for unfunded loan commitments and letters of credit	79	75
Accrued expenses	2,637	2,406
Other	3,025	4,032
Total liabilities	84,329	71,746
Minority and noncontrolling interests in consolidated entities	595	504
SHAREHOLDERS' EQUITY		
Preferred stock (a)		
Common stock - $5 par value		
Authorized 800 shares, issued 353 shares	1,764	1,764
Capital surplus	1,358	1,265
Retained earnings	8,814	8,273
Deferred compensation expense	(64)	(51)
Accumulated other comprehensive loss	(200)	(54)
Common stock held in treasury at cost: 62 and 70 shares	(3,355)	(3,724)
Total shareholders' equity	8,317	7,473
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$ 93,241	$ 79,723

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

See accompanying Notes To Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

Nine months ended September 30 - in millions **Unaudited**	**2005**	**2004**
OPERATING ACTIVITIES		
Net income	$ 970	$ 890
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for (recoveries of) credit losses	(3)	33
Depreciation, amortization and accretion	277	226
Deferred income taxes	35	33
Securities transactions	37	(45)
Valuation adjustments	(5)	(35)
Net change in		
Loans held for sale	(692)	(186)
Other short-term investments	(561)	(1,039)
Other	(1,030)	252
Net cash (used) provided by operating activities	(972)	129
INVESTING ACTIVITIES		
Net change in		
Loans	(1,949)	(2,381)
Federal funds sold and resale agreements	1,218	722
Repayment of securities	3,121	2,845
Sales		
Securities	11,627	8,297
Loans	7	5
Foreclosed and other nonperforming assets	13	16
Purchases		
Securities	(18,136)	(11,411)
Loans	(2,271)	(2,404)
Cash received from acquisitions and divestitures	263	584
Cash paid for acquisitions	(609)	(371)
Other	(217)	(197)
Net cash used by investing activities	(6,933)	(4,295)
FINANCING ACTIVITIES		
Net change in		
Noninterest-bearing deposits	(1,169)	569
Interest-bearing deposits	4,366	3,071
Federal funds purchased	1,257	1,789
Repurchase agreements	368	484
Commercial paper	1,196	(421)
Other short-term borrowed funds	198	280
Sales/issuances		
Bank notes and senior debt	1,873	500
Subordinated debt	494	6
Other long-term borrowed funds	1,551	352
Common stock	138	129
Repayments/maturities		
Bank notes and senior debt	(750)	(300)
Subordinated debt	(351)	(200)
Other long-term borrowed funds	(466)	(1,370)
Acquisition of treasury stock	(127)	(261)
Cash dividends paid	(429)	(425)
Net cash provided by financing activities	8,149	4,203
NET INCREASE IN CASH AND DUE FROM BANKS	244	37
Cash and due from banks at beginning of period	3,230	2,968
Cash and due from banks at end of period	$ 3,474	$ 3,005
CASH PAID FOR		
Interest	$ 1,040	$ 538
Income taxes	363	369
NON-CASH ITEMS		
Transfer from (to) loans to (from) loans held for sale, net	10	(44)
Transfer from loans to other assets	12	18

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS

We are one of the largest diversified financial services companies in the United States, operating businesses engaged in:

- Consumer banking,
- Institutional banking,
- Asset management, and
- Global fund processing services.

We provide many of our products and services nationally and others in our primary geographic markets located in Pennsylvania, New Jersey, Delaware, Ohio, Kentucky and the greater Washington, D.C. region. We also provide certain asset management and global fund processing services internationally. We are subject to intense competition from other financial services companies and are subject to regulation by various domestic and international authorities.

NOTE 1 ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION

Our unaudited interim consolidated financial statements include the accounts of the parent company and its subsidiaries, most of which are wholly owned, and certain partnership interests and variable interest entities. We prepared these interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”). We have eliminated all significant intercompany accounts and transactions. We have also reclassified certain prior period amounts to conform with the 2005 presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

In our opinion, the interim consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods.

When preparing these interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2004 Annual Report on Form 10-K.

BUSINESS COMBINATIONS

We record the net assets of companies that we acquire at their estimated fair value at the date of acquisition and we include the results of operations of the acquired business in our consolidated income statement from the date of acquisition. We recognize as goodwill the excess of the purchase price over the estimated fair value of the net assets acquired.

USE OF ESTIMATES

We prepare the interim consolidated financial statements using financial information available at the time, which requires us to make estimates and assumptions that affect the amounts reported. Actual results will differ from these estimates and the differences may be material to the consolidated financial statements.

REVENUE RECOGNITION

We earn net interest and noninterest income from various sources, including:

- Lending,
- Securities portfolio,
- Investment management and fund servicing,
- Customer deposits,
- Loan servicing,
- Brokerage services, and
- Securities and derivatives trading activities including foreign exchange.

We also earn revenue from selling loans and securities, and we recognize income or loss from certain private equity activities. We also earn fees and commissions from:

- Issuing loan commitments, standby letters of credit and financial guarantees,
- Selling various insurance products,
- Providing treasury management services, and
- Participating in certain capital markets transactions.

We recognize revenue from loan servicing, securities and derivatives and foreign exchange trading, and securities underwriting activities as they are earned based on contractual terms, as transactions occur or as services are provided. Revenue earned on interest-earning assets is recognized based on the effective yield of the financial instrument. Service charges on deposit accounts are recognized as charged. Brokerage fees and gains on the sale of securities and certain derivatives are recognized on a trade-date basis.

We recognize asset management and fund servicing fees primarily as the services are performed. Asset management fees are generally based on a percentage of the fair value of the assets under management and performance fees are generally based on a percentage of the returns on such assets. Fund servicing fees are primarily based on a percentage of the fair value of the fund assets and the number of shareholder accounts we service.

We recognize revenue from the sale of loans upon closing of the transaction. We record private equity income or loss based on changes in the valuation of the underlying investments or when we dispose of our interest.

In certain circumstances, revenue is reported net of associated expenses in accordance with applicable accounting guidance and industry practice.

LOANS AND LEASES

Loans are stated at the principal amounts outstanding, net of unearned income and premium or discount on loans purchased. Interest income related to loans other than nonaccrual loans is accrued based on the principal amount outstanding and credited to interest income as earned using the interest method. Significant loan fees are deferred and accreted to interest income over the respective lives of the loans. Loan origination costs are not deferred and are included in noninterest expense. The net impact of this practice compared with full accrual of fees and amortization of costs is not material to our consolidated results of operations.

We also provide financing for various types of equipment, aircraft, energy and power systems, and rolling stock through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Leveraged leases, a form of financing lease, are carried net of nonrecourse debt. We recognize income over the term of the lease using methods that approximate the interest method. Lease residual values are reviewed for impairment on at least an annual basis. Gains or losses on the sale of leased assets are included in other noninterest income while valuation adjustments on lease residuals are included in other noninterest expense.

NONPERFORMING ASSETS

Nonperforming assets include:

- Nonaccrual loans,
- Troubled debt restructurings,
- Nonaccrual loans held for sale, and
- Foreclosed assets.

Other than consumer loans, we generally classify loans and loans held for sale as nonaccrual when we determine that the collection of interest or principal is doubtful or when a default of interest or principal has existed for 90 days or more, unless the loans are well secured and in the process of collection. When interest accrual is discontinued, accrued but uncollected interest credited to income in the current year is reversed and unpaid interest accrued in the prior year, if any, is charged against the allowance for loan and lease losses. We classify home equity loans as nonaccrual at 120 days past due and home equity lines of credit as nonaccrual at 180 days past due and record them at the lower of cost or market value, less liquidation costs, unless the loans are well-secured and in the process of collection. Loans well-secured by residential real estate, including home equity and home equity lines of credit, are classified as nonaccrual at 12 months past due. We charge off loans other than consumer loans based on the facts and circumstances of the individual loan. Consumer loans that are not well-secured or in the process of collection are generally charged-off in the month they become 120 days past due for closed-end loans and 180 days past due for revolving lines of credit.

A loan is categorized as a troubled debt restructuring in the period of restructuring if a significant concession is granted due to deterioration in the financial condition of the borrower.

Nonperforming loans are generally not returned to performing status until the obligation is brought current and the borrower has performed in accordance with the contractual terms for a reasonable period of time and collection of the contractual principal and interest is no longer doubtful.

Nonaccrual commercial and commercial real estate loans and troubled debt restructurings are designated as impaired loans. We recognize interest collected on these loans on the cash basis or cost recovery method.

Foreclosed assets are comprised of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. These assets are recorded on the date acquired at the lower of the related loan balance or market value of the collateral less estimated disposition costs. We estimate market values primarily based on appraisals when available or quoted market prices on liquid assets. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or the current market value less estimated disposition costs. Valuation adjustments on these assets and gains or losses realized from disposition of such property are reflected in noninterest expense.

ALLOWANCE FOR LOAN AND LEASE LOSSES

We maintain the allowance for loan and lease losses at a level that we believe to be adequate to absorb estimated probable credit losses inherent in the loan portfolio. The allowance is increased by the provision for credit losses, which is charged against operating results, and decreased by the amount of charge-offs, net of recoveries. Our determination of the adequacy of the allowance is based on periodic evaluations of the credit portfolio and other relevant factors. This evaluation is inherently subjective as it requires material estimates, all of which may be susceptible to significant change, including, among others:

- Expected default probabilities,
- Loss given default,
- Exposure at default,
- Amounts and timing of expected future cash flows on impaired loans,
- Value of collateral,
- Estimated losses on consumer loans and residential mortgages, and
- General amounts for historical loss experience, economic conditions, potential estimation or judgmental errors, losses and inherent risks in the various credit portfolios.

In determining the adequacy of the allowance for loan and lease losses, we make specific allocations to impaired loans, to pools of watchlist and nonwatchlist loans and to consumer and residential mortgage loans. We also allocate reserves to provide coverage for probable losses not covered in specific, pool and consumer reserve methodologies related to qualitative and measurement factors. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Specific allocations made to significant impaired loans are determined in accordance with Statement of Financial Accounting Standards No. (“SFAS”) 114, “Accounting by Creditors for Impairment of a Loan,” with impairment measured generally based on the present value of the loan’s expected cash flows, the loan’s observable market price or the fair value of the loan’s collateral. We establish a specific allowance on all other impaired loans based on the loan’s loss given default credit risk rating.

Allocations to loan pools are developed by business segment based on probability of default and loss given default risk ratings by using historical loss trends and our judgment concerning those trends and other relevant factors. These factors may include, among others:

- Actual versus estimated losses,
- Regional and national economic conditions, and
- Business segment and portfolio concentrations.

Loss factors are based on industry and/or internal experience and may be adjusted for significant factors that, based on our judgment, affect the collectibility of the portfolio as of the balance sheet date. Consumer and residential mortgage loan allocations are made at a total portfolio level based on historical loss experience adjusted for portfolio activity.

While our pool reserve methodologies strive to reflect all risk factors, there continues to be a certain element of uncertainty associated with, but not limited to, potential estimation errors and imprecision in the estimation process due to the inherent lag of information. We provide additional reserves that are designed to provide coverage for expected losses attributable to such risks. In addition, these incremental reserves also include factors which may not be directly measured in the determination of specific or pooled reserves. These factors include:

- Industry concentration and conditions,
- Credit quality trends,
- Recent loss experience in particular sectors of the portfolio,
- Experience, ability and depth of lending management,
- Changes in risk selection and underwriting standards, and
- Bank regulatory considerations.

Stock-Based Compensation

We did not recognize stock-based employee compensation expense related to stock options before 2003 under prior GAAP.

Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS 123, “Accounting for Stock-Based Compensation,” as amended by SFAS 148, “Accounting for Stock-Based Compensation-Transition and Disclosure,” prospectively to all employee awards granted, modified or settled after January 1, 2003. We did not restate results for prior years upon our adoption of SFAS 123. Since we adopted SFAS 123 prospectively, the cost related to stock-based employee compensation included in net income for the three months and nine months ended September 30, 2005 and 2004 is less than what we would have recognized if we had applied the fair value based method to all awards since the original effective date of the standard.

The following table shows the effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123, as amended, to all outstanding and unvested awards in each period.

Pro Forma Net Income And Earnings Per Share

In millions, except for per share data	Three months ended Sept. 30 2005	Three months ended Sept. 30 2004	Nine months ended Sept. 30 2005	Nine months ended Sept. 30 2004
Net income as reported	$ 334	$ 258	$ 970	$ 890
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	16	9	39	25
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(18)	(13)	(44)	(39)
Pro forma net income	$ 332	$ 254	$ 965	$ 876
Earnings per share				
Basic-as reported	$ 1.16	$ .92	$ 3.40	$ 3.16
Basic-pro forma	$ 1.15	$ .90	$ 3.38	$ 3.11
Diluted-as reported	$ 1.14	$ .91	$ 3.35	$ 3.13
Diluted-pro forma	$ 1.13	$ .90	$ 3.33	$ 3.08

For purposes of computing stock option expense and pro forma results, we estimated the fair value of stock options and employee stock purchase plan shares using the Black-Scholes option pricing model. The model requires the use of numerous assumptions, many of which are very subjective. Therefore, the pro forma results are estimates of results of operations as if compensation expense had been recognized for all stock-based compensation awards and are not indicative of the impact on future periods.

We used the following assumptions in the option pricing model to determine 2005 and 2004 stock option expense.

Option Pricing Assumptions

Weighted-average for the nine months ended September 30	2005	2004
Risk-free interest rate	3.8%	3.4%
Dividend yield	3.8%	3.6%
Volatility	25.9%	28.9%
Expected life	4.9 yrs.	5.0 yrs.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2005, the Emerging Issues Task Force ("EITF") of the Financial Accounting Standards Board ("FASB") issued EITF Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." EITF 04-5 provides that the general partner(s) in a limited partnership is presumed to control the limited partnership, unless the limited partners possess either substantive participating rights or the substantive ability to dissolve the limited partnership or otherwise remove the general partner(s) without cause ("kick-out rights"). Kick-out rights are substantive if they can be exercised by a simple majority of the limited partners voting interests. The guidance applies to limited partnerships formed or modified after June 29, 2005, and to existing limited partnerships no later than January 1, 2006. We currently do not believe that EITF 04-5 will have a material impact on our consolidated financial statements.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections – a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 generally requires retrospective application to prior periods' financial statements of all voluntary changes in accounting principle and changes required when a new pronouncement does not include specific transition provisions. This standard applies to PNC beginning January 1, 2006. We do not expect the adoption of SFAS 154 to have a significant impact on our consolidated financial statements.

In September 2004, the FASB issued FASB Staff Position ("FSP") EITF Issue 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue 03-1," which deferred the effective date of the recognition and measurement provisions of EITF 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," until further guidance is issued. EITF 03-1 provided guidance for evaluating whether an investment is other-than-temporarily impaired and required disclosures about unrealized losses on available for sale debt and equity securities. In June 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment but intends to issue FSP FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." FSP FAS 115-1 will supersede EITF 03-1 and replace the guidance set forth in paragraphs 10-18 of EITF 03-1 with references to existing FASB, Securities and Exchange Commission ("SEC") and EITF other-than-temporary impairment guidance. The FSP would be effective for fiscal years beginning after December 15, 2005. While we do not expect FSP 115-1 to have a material impact on our consolidated financial statements, the impact, if any, cannot be fully assessed until the final guidance is issued. At September 30, 2005, the total unrealized losses in the securities available for sale portfolio was $280 million compared with total unrealized losses of $125 million at December 31, 2004.

In December 2004, the FASB issued SFAS 123 (Revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R replaces SFAS 123 and supersedes APB 25. SFAS 123R requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. In April 2005, the SEC issued a rule which delays the required effective date to the beginning of an entity's fiscal year which begins after June 15, 2005. Accordingly, we will adopt SFAS 123R effective January 1, 2006, using the modified prospective method of transition. This method requires the provisions of SFAS 123R be applied to new awards and awards modified, repurchased or cancelled after the effective date. Based on our review of the provisions of SFAS 123R and because we previously adopted the fair value recognition provisions of SFAS 123 on January 1, 2003, we do not expect the adoption of the revised standard to have a significant impact on our consolidated financial statements.

The American Jobs Creation Act of 2004 (the "AJCA") created a one-time opportunity for US companies to repatriate undistributed earnings from foreign subsidiaries at a substantially reduced federal tax rate. The reduced rate is achieved via an 85% dividends received deduction. In our case, foreign earnings must be repatriated by December 31, 2005 to qualify for this deduction. FSP 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004", states that when an enterprise completes its evaluation of the repatriation provision, the total effect on income tax expense should be disclosed in the enterprise's financial statements for that period. We do not expect that the impact of the foreign earnings repatriation provision of the AJCA on our consolidated financial statements will be significant.

NOTE 2 ACQUISITIONS

RIGGS NATIONAL CORPORATION

As previously reported, we acquired Riggs National Corporation ("Riggs"), a Washington, D.C. based banking company, effective May 13, 2005. Under the terms of the agreement, Riggs merged into The PNC Financial Services Group, Inc. and PNC Bank, National Association ("PNC Bank, N.A.") acquired substantially all of the assets of Riggs Bank, National Association, the principal banking subsidiary of Riggs. The acquisition gives us a substantial presence on which to build a market leading franchise in the affluent Washington, D.C. metropolitan area. In connection with the acquisition, Riggs shareholders received an aggregate of approximately $297 million in cash and 6.6 million shares of PNC common stock.

Our acquisition of Riggs resulted in $306 million of total cash paid and $184 million of cash and due from banks received.

SSRM HOLDINGS, INC.

Also as previously reported, effective January 31, 2005, our majority-owned subsidiary BlackRock closed the acquisition of SSRM Holdings, Inc. ("SSRM"), the holding company of State Street Research & Management Company and SSR Realty Advisors Inc., from MetLife, Inc. ("MetLife") for an adjusted purchase price of approximately $237 million in cash and approximately 550,000 shares of BlackRock restricted class A common stock. SSRM, through its subsidiaries, actively manages stock, bond, balanced and real estate portfolios for both institutional and individual investors. Substantially all of SSRM's operations were integrated into BlackRock as of the closing date. BlackRock acquired assets under management totaling $50 billion in connection with this transaction.

The stock purchase agreement for the SSRM transaction provides for an additional payment to MetLife on the first anniversary of the closing of the SSRM transaction of up to $75 million based on BlackRock achieving specified retention levels of assets under management and run rate revenue as of the signing date of the stock purchase agreement. In addition, the stock purchase agreement provides for two other contingent payments. On December 31, 2006, MetLife will receive 32.5% of any performance fees earned on a large institutional real estate client. As of September 30, 2005, no performance fees had been earned on this institutional real estate client. On the fifth anniversary of the closing of the SSRM transaction, MetLife could receive an additional payment up to a maximum of $10 million based on BlackRock's retained assets under management associated with the MetLife defined benefit and defined contribution plans. BlackRock is unable to estimate the potential obligations under the contingent payments because it is unable to predict at this time what specific retention levels of run-rate revenue will be on the first anniversary of closing the SSRM transaction, what BlackRock's retained assets under management will be on the fifth anniversary of the closing date of the SSRM transaction, or what performance fees will be earned on the institutional real estate client.

The stock purchase agreement also provided for a hold-back of the initial purchase price payable to MetLife primarily associated with the value of customer accounts which, as of the closing date, had not committed to maintaining their accounts with BlackRock. The amount of the payment due to MetLife will be based on the status of these accounts as of July 31, 2005. BlackRock has estimated the amount of the hold-back payment to be approximately $20 million.

BlackRock's acquisition of SSRM in January 2005 resulted in $248 million of net cash paid.

On January 18, 2005, our ownership in BlackRock was transferred from PNC Bank, N.A. to PNC Bancorp, Inc., our intermediate bank holding company. The transfer was effected primarily to give BlackRock more operating flexibility, particularly in connection with its acquisition of SSRM. As a result of the transfer, certain deferred tax liabilities recorded by PNC were reversed in the first quarter of 2005 in accordance with SFAS 109, "Accounting for Income Taxes." The reversal of deferred tax liabilities increased our earnings by $45 million, or approximately $.16 per diluted share, in the first quarter of 2005.

In January 2005, BlackRock issued a bridge promissory note for $150 million, using the proceeds to facilitate the SSRM acquisition. In February 2005, BlackRock issued $250 million aggregate principal amount of convertible debentures. BlackRock used a portion of the net proceeds from this issuance to retire the bridge promissory note. These convertible debentures are included with bank notes and senior debt on our Consolidated Balance Sheet at September 30, 2005. Note 31 Subsequent Events in our 2004 Form 10-K includes further information on these convertible debentures.

NOTE 3 SECURITIES

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2005 (a)				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$ 4,376		$ (57)	$ 4,319
Mortgage-backed	13,030	$ 1	(188)	12,843
Commercial mortgage-backed	1,663		(27)	1,636
Asset-backed	1,523		(6)	1,517
State and municipal	163	1	(1)	163
Other debt	87		(1)	86
Total debt securities	20,842	2	(280)	20,564
Corporate stocks and other	93	1		94
Total securities available for sale	$ 20,935	$ 3	$(280)	$20,658
December 31, 2004				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
U.S. Treasury and government agencies	$ 4,735		$ (13)	$ 4,722
Mortgage-backed	8,506	$ 9	(82)	8,433
Commercial mortgage-backed	1,380	5	(15)	1,370
Asset-backed	1,910	5	(14)	1,901
State and municipal	175	2	(1)	176
Other debt	33			33
Total debt securities	16,739	21	(125)	16,635
Corporate stocks and other	123	2		125
Total securities available for sale	$ 16,862	$ 23	$(125)	$16,760
SECURITIES HELD TO MATURITY				
Debt securities: Asset-backed	$ 1			$ 1
Total securities held to maturity	$ 1			$ 1

(a) Securities held to maturity at September 30, 2005 totaled less than $1.0 million.

Securities represented 22% of total assets at September 30, 2005 and 21% of total assets at December 31, 2004. The increase in total securities compared with December 31, 2004 was primarily due to the acquisition of Riggs and normal portfolio activity.

At September 30, 2005, the securities available for sale balance included a net unrealized loss of $277 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2004 was a net unrealized loss of $102 million. The increase in the net unrealized loss at September 30, 2005 reflected the impact of increases in interest rates during the first nine months of 2005, partially offset by the sales of securities during the second quarter of 2005 as discussed in our second quarter 2005 Form 10-Q.

We do not believe that any individual unrealized losses as of September 30, 2005 represent an other-than-temporary impairment. The $57 million unrealized losses reported for U.S. Treasury and government agencies were primarily related to obligations of the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”). The $188 million unrealized losses reported for mortgage-backed securities relate primarily to securities issued by Fannie Mae, Freddie Mac and certain private issuers. The majority of the unrealized losses reported are attributable to changes in interest rates and not from the deterioration of the credit quality of the issuer.

We evaluate our portfolio of securities available for sale in light of changing market conditions and other factors and, where appropriate, take steps intended to improve our overall positioning.

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Net unrealized gains and losses in the securities available for sale portfolio are included in shareholders' equity as accumulated other comprehensive income or loss, net of tax.

The expected weighted-average life of securities available for sale was 3 years and 11 months as of September 30, 2005 and 2 years and 8 months at December 31, 2004.

Information relating to securities sold is set forth in the following table:

Securities Sold

Nine months ended September 30 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains (Losses)	Income Tax Expense/ (Benefit)
2005	$11,627	$ 19	$ (56)	$ (37)	$ (13)
2004	8,297	68	(23)	45	16

The carrying value of securities pledged to secure public and trust deposits and repurchase agreements and for other purposes was $10.1 billion at September 30, 2005 and $8.1 billion at December 31, 2004. The fair value of securities accepted as collateral that we are permitted by contract or custom to sell or repledge was $900 million at September 30, 2005 and $1.7 billion at December 31, 2004. The decrease was the result of the termination of a structured resale agreement. Of the permitted amount, all was repledged to others at September 30, 2005 and $.6 billion was repledged to others at December 31, 2004.

NOTE 4 ASSET QUALITY

Nonperforming assets were as follows:

In millions	September 30 2005	December 31 2004
Nonperforming loans (a)	$ 127	$ 143
Nonperforming loans held for sale (b)	1	3
Foreclosed and other assets	28	29
Total nonperforming assets (c)	$ 156	$ 175

(a) Includes a troubled debt restructured loan of $3 million as of December 31, 2004.
(b) Includes troubled debt restructured loans held for sale of $1 million as of September 30, 2005 and $2 million as of December 31, 2004.
(c) Excludes equity management assets carried at estimated fair value of $27 million as of September 30, 2005 and $32 million as of December 31, 2004. These assets included troubled debt restructured assets of $16 million as of September 30, 2005 and $11 million as of December 31, 2004.

Changes in the allowance for loan and lease losses were as follows:

In millions	2005	2004
Allowance at January 1	$607	$ 632
Charge-offs		
Commercial (a)	(44)	(98)
Commercial real estate		(2)
Consumer	(33)	(32)
Residential mortgage	(1)	(3)
Lease financing		(4)
Total charge-offs	(78)	(139)
Recoveries		
Commercial (b)	76	22
Commercial real estate	1	1
Consumer	11	9
Residential mortgage		1
Lease financing	1	5
Total recoveries (b)	89	38
Net recoveries (charge-offs)		
Commercial (b)	32	(76)
Commercial real estate	1	(1)
Consumer	(22)	(23)
Residential mortgage	(1)	(2)
Lease financing	1	1
Total net recoveries (charge-offs) (b)	11	(101)
Provision for (recoveries of) credit losses	(3)	33
Acquired allowance (c)	23	22
Net change in allowance for unfunded loan commitments and letters of credit	(4)	(5)
Allowance at September 30	$634	$ 581

(a) During the first quarter of 2004, we changed our policy for recognizing charge-offs on smaller nonperforming commercial loans. This change resulted in the recognition of an additional $24 million of gross charge-offs for the first quarter of 2004.

(b) Amounts for 2005 reflect a $53 million loan recovery received during the second quarter.

(c) The 2005 acquired allowance related to the Riggs acquisition and the 2004 acquired allowance related to the United National acquisition.

Changes in the allowance for unfunded loan commitments and letters of credit were as follows:

In millions	2005	2004
Allowance at January 1	$75	$91
Net change in allowance for unfunded loan commitments and letters of credit	4	5
Allowance at September 30	$79	$96

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NOTE 5 GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of the changes in goodwill by business for the nine months ended September 30, 2005 follows:

Goodwill

In millions	December 31 2004	Additions/ Adjustments	September 30 2005
Consumer Banking	$ 1,144	$ 320	$ 1,464
Institutional Banking	679	112	791
BlackRock	177	13	190
PFPC	945	24	969
Other	56		56
Total	$ 3,001	$ 469	$ 3,470

We added $433 million of goodwill and $74 million of customer-related intangible assets in connection with our May 2005 acquisition of Riggs. Goodwill arising from the Riggs transaction is reflected in the Consumer Banking and Institutional Banking business segments in the table above. Substantially all of the other intangible assets recorded in connection with the Riggs acquisition are included in the Consumer Banking segment.

BlackRock recorded $12 million of goodwill and $299 million of customer-related intangible assets described below in connection with its January 2005 SSRM acquisition.

Note 2 Acquisitions contains further information on the Riggs and SSRM transactions.

During the third quarter of 2005, PFPC recognized an additional $24 million of goodwill and a corresponding liability in connection with the achievement of the contingent consideration threshold related to its 2003 ADVISORport acquisition. The additional consideration is expected to be paid in 2006.

Our ownership of BlackRock continues to change primarily when BlackRock repurchases its shares in the open market and issues shares for an acquisition or pursuant to its employee compensation plans. We recognize goodwill because BlackRock repurchases its shares at an amount greater than book value and this results in an increase in our percentage ownership interest. The net impact of BlackRock’s stock activity during the first nine months of 2005, including the issuance of shares in the SSRM transaction, did not have a significant impact on goodwill.

The gross carrying amount, accumulated amortization and net carrying amount of other intangible assets by major category consisted of the following:

Other Intangible Assets

In millions	September 30 2005	December 31 2004
Customer-related and other intangibles		
Gross carrying amount	$ 588	$ 214
Accumulated amortization	(130)	(102)
Net carrying amount	$ 458	$ 112
Mortgage and other loan servicing rights		
Gross carrying amount	$ 479	$ 408
Accumulated amortization	(182)	(166)
Net carrying amount	$ 297	$ 242
Total	$ 755	$ 354

Most of our other intangible assets have finite lives and are amortized primarily on a straight-line basis or, in the case of mortgage and other loan servicing rights, on an accelerated basis. At December 31, 2004, we had two indefinite-lived other intangible assets included in “Customer-related and other intangibles” in the table above with a total carrying value of $4 million. In connection with the SSRM acquisition, BlackRock recorded $299 million of management contracts during 2005, of which approximately $235 million are considered to have indefinite lives.

For customer-related intangibles, the estimated remaining useful lives range from approximately one year to 20 years, with a weighted-average remaining useful life of approximately seven years. Our mortgage and other loan servicing rights are amortized primarily over a period of seven to ten years in proportion to the estimated net servicing income from the related loans.

The changes in the carrying amount of goodwill and net other intangible assets for the nine months ended September 30, 2005, are as follows:

Changes in Goodwill and Other Intangibles

In millions	Goodwill	Customer-Related	Servicing Rights
Balance at December 31, 2004	$ 3,001	$ 112	$ 242
Additions/adjustments:			
Riggs acquisition	433	74	
BlackRock acquisition of SSRM	12	299	
Institutional Banking			78
PFPC	24		
Other		1	
Amortization		(28)	(23)
Balance at September 30, 2005	$ 3,470	$ 458	$ 297

Amortization expense on intangible assets for the first nine months of 2005 was $51 million. Amortization expense on existing intangible assets for the remainder of 2005 and

for 2006 through 2010 is estimated to be as follows:

- Remainder of 2005: $21 million,
- 2006: $79 million,
- 2007: $75 million,
- 2008: $69 million,
- 2009: $63 million, and
- 2010: $44 million.

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NOTE 6 VARIABLE INTEREST ENTITIES

As discussed in our 2004 Form 10-K, we are involved with various entities in the normal course of business that may be deemed to be variable interest entities ("VIEs"). We consolidate certain VIEs for which we are the primary beneficiary. These consolidated VIEs and relationships with PNC are described in our 2004 Form 10-K.

At September 30, 2005, the aggregate assets and debt of VIEs that we have consolidated in our financial statements are as follows:

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Debt
September 30, 2005		
Market Street Funding Corporation (a)	$ 3,007	$ 3,007
Partnership interests in low income housing projects	705	705
Other	28	25
Total consolidated VIEs	$ 3,740	$ 3,737
December 31, 2004		
Market Street Funding Corporation	$ 2,167	$ 2,167
Partnership interests in low income housing projects	504	504
Other	13	10
Total consolidated VIEs	$ 2,684	$ 2,681

(a) In October 2005, Market Street Funding Corporation was restructured as a limited liability company and issued a subordinated note to an unrelated third party investor. This transaction resulted in PNC no longer being the primary beneficiary of Market Street Funding Corporation. Consequently, we will no longer consolidate Market Street. See Note 15 Subsequent Events for further information.

We also hold significant variable interests in other VIEs that have not been consolidated because we are not considered the primary beneficiary. Information on these VIEs follows:

Non-Consolidated–VIEs - Significant Variable Interests

In millions	Aggregate Assets	Aggregate Debt	PNC Risk of Loss(b)
September 30, 2005			
Collateralized debt obligations (a)	$ 5,788	$ 5,191	$ 53
Private investment funds (a)	4,487	1,285	6
Other partnership interests in low income housing projects	35	29	3
Total significant variable interests	$ 10,310	$ 6,505	$ 62
December 31, 2004			
Collateralized debt obligations (a)	$ 3,152	$ 2,700	$ 33
Private investment funds (a)	1,872	125	24
Other partnership interests in low income housing projects	37	28	4
Total significant variable interests	$ 5,061	$ 2,853	$ 61

(a) Held by BlackRock.
(b) Includes both PNC's risk of loss and BlackRock's risk of loss, limited to PNC's ownership interest in BlackRock.

We also have subsidiaries that invest in and act as the investment manager for a private equity fund that is organized as a limited partnership as part of our equity management activities. The fund invests in private equity investments to generate capital appreciation and profits. As permitted by FASB Interpretation No. 46 (Revised 2003), "Consolidation of Variable Interest Entities" ("FIN 46R"), we have deferred applying the provisions of the interpretation for this entity pending further action by the FASB. Information on this entity follows:

Investment Company Accounting – Deferred Application

In millions	Aggregate Assets	Aggregate Equity	PNC Risk of Loss
Private Equity Fund			
September 30, 2005	$ 121	$ 121	$ 31
December 31, 2004	$ 78	$ 76	$ 20

NOTE 7 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

Capital securities represent non-voting preferred beneficial interests in the assets of PNC Institutional Capital Trusts A and B, PNC Capital Trusts C and D, the United National Bank Capital Trust I and Capital Statutory Trust II, and the Riggs Capital Trust and Capital Trust II (the "Trusts").

The Riggs Trusts were acquired in May 2005 as part of the Riggs acquisition.

- Riggs Capital Trust was formed in December 1996 when $150 million of 8 5/8% capital securities were issued. These securities are due December 31, 2026, and are redeemable after December 31, 2006 at a premium that declines from 104.313% to par on or after December 31, 2016. Riggs had acquired more than 50% of the capital securities and, therefore, under FIN 46R PNC is deemed to be the primary beneficiary of the Trust. Accordingly, this Trust is included in PNC's consolidated financial statements. The net outstanding capital securities are included as borrowed funds, and the related dividends are included in interest expense.

- Riggs Capital Trust II was formed in March 1997 when $200 million of 8 7/8% capital securities were issued. These securities are due March 15, 2027, and are redeemable after March 15, 2007 at a premium that declines from 104.438% to par on or after March 15, 2017. Riggs had acquired less than 50% of the capital securities and, therefore, under FIN 46R PNC is not deemed to be the primary beneficiary. Accordingly, this Trust is not consolidated into PNC's financial results. Junior subordinated debt of $206.2 million owed by PNC to this Trust is included in PNC's balance sheet, with the related service cost included in interest expense. The acquired capital securities are included as securities available for sale, with the related dividends included in interest income.

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The United Trusts were acquired effective January 2004 as part of the United National Bancorp acquisition. Trust A is a wholly owned finance subsidiary of PNC Bank, N.A., PNC's principal bank subsidiary. All other Trusts are wholly owned finance subsidiaries of PNC.

The obligations of the respective parent of each Trust, when taken collectively, are the equivalent of a full and unconditional guarantee of the obligations of such Trust under the terms of the Capital Securities. Such guarantee is subordinate in right of payment in the same manner as other junior subordinated debt. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the capital securities are redeemable in whole. There are certain restrictions on PNC's overall ability to obtain funds from its subsidiaries. For additional disclosure on these funding restrictions, including an explanation of dividend and inter-company loan limitations, see Note 4 Regulatory Matters in our 2004 Form 10-K.

We have more information on the Trusts in Note 18 Capital Securities Of Subsidiary Trusts in our 2004 Form 10-K.

NOTE 8 CERTAIN EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

Pension and Post-Retirement Plans

As more fully described in our 2004 Form 10-K, we have a noncontributory, qualified defined benefit pension plan covering eligible employees. Retirement benefits are derived from a cash balance formula based on compensation levels, age and length of service. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants.

During the second quarter of 2005, we acquired a frozen defined benefit pension plan as a result of the Riggs acquisition. Plan assets and projected benefit obligations of the Riggs plan were approximately $107 million and $116 million, respectively, at acquisition date. The $9 million funding deficit was recognized as part of the Riggs acquisition purchase price allocation. For determining contribution amounts to the plan, deficits are calculated using ERISA-mandated rules, and on this basis we contributed approximately $16 million to the Riggs plan in September 2005. We plan to integrate the Riggs plan into the PNC plan before the end of 2005.

We also maintain nonqualified supplemental retirement plans for certain employees. All retirement benefits provided under these plans are unfunded and we make any payments to plan participants. We also provide certain health care and life insurance benefits for qualifying retired employees ("post-retirement benefits") through various plans.

The components of our net periodic pension and post-retirement benefit cost for the third quarter and first nine months of 2005 and 2004 were as follows:

Three months ended September 30 In millions	Qualified Pension Plan		Nonqualified Pension Plan		Post-retirement Benefits	
	2005	2004	2005	2004	2005	2004
Service cost	$ 9	$ 7			$ 1	$ 1
Interest cost	18	15	$ 1	$ 1	3	5
Expected return on plan assets	(34)	(25)				
Amortization of prior service cost	(1)	(1)			(2)	(2)
Recognized net actuarial loss	6	5	1	1	1	2
Net periodic cost	$ (2)	$ 1	$ 2	$ 2	$ 3	$ 6

Nine months ended September 30 In millions	Qualified Pension Plan		Nonqualified Pension Plan		Post-retirement Benefits	
	2005	2004	2005	2004	2005	2004
Service cost	$ 25	$ 27	$ 1	$ 1	$ 2	$ 3
Interest cost	48	48	3	3	10	13
Expected return on plan assets	(95)	(84)				
Amortization of prior service cost	(1)	(1)			(5)	(5)
Recognized net actuarial loss	18	17	2	2	3	4
Net periodic cost	$ (5)	$ 7	$ 6	$ 6	$10	$15

2002 BlackRock Long-Term Retention and Incentive Plan

BlackRock's long-term retention and incentive plan ("LTIP") permits the grant of up to $240 million in deferred compensation awards (the "LTIP Awards"), subject to the achievement of certain performance hurdles by BlackRock no later than March 2007. If the performance hurdles are achieved, up to $200 million of the LTIP Awards will be funded with up to 4 million shares of BlackRock Class A common stock to be surrendered by PNC and distributed to LTIP participants in 2007, less income tax withholding. Shares attributable to value in excess of our $200 million LTIP funding requirement will be available to support BlackRock's future long-term retention and incentive programs but are not subject to surrender until the programs are approved by BlackRock's Compensation Committee of its Board of Directors and PNC. In addition, shares distributed to LTIP participants in 2007 will include an option to put such distributed shares back to BlackRock at fair market value. BlackRock will fund the remainder of the LTIP Awards with up to $40 million in cash. BlackRock has granted approximately $231 million in LTIP Awards, net of forfeitures.

The LTIP Awards fully vest at the end of any three-month period beginning on or after January 1, 2005 and ending on or prior to March 30, 2007 during which the average closing price of BlackRock's common stock is at least $62 per share. During the first quarter of 2005, BlackRock's average closing stock price exceeded the $62 threshold. In addition to the stock price threshold, the vesting of awards is contingent on the participants' continued employment with BlackRock for periods ranging from two to five years through the payment date in early 2007.

We reported pretax charges in the first nine months of 2004 totaling $110 million in connection with the LTIP, including $96 million in the third quarter, based upon management's determination that full vesting of the LTIP Awards was probable as of September 30, 2004. Note 22 Stock-Based Compensation Plans included in our 2004 Form 10-K provides additional information on these charges.

We reported pretax expense of $48 million in the first nine months of 2005, including $16 million during the third quarter, related to the LTIP Awards. We expect to report additional pretax charges of approximately $16 million per quarter through December 2006 related to the remaining service period of the LTIP Awards granted.

NOTE 9 FINANCIAL DERIVATIVES

We use a variety of derivative financial instruments to help manage interest rate risk and reduce the effects that changes in interest rates may have on net income, the fair value of assets and liabilities, and cash flows caused by interest rate volatility. These instruments include interest rate swaps, interest rate caps and floors, futures contracts, and total return swaps.

Fair Value Hedging Strategies

We enter into interest rate and total return swaps, interest rate caps and floors, and interest rate futures derivative contracts to hedge designated commercial mortgage loans held for sale, commercial loans, bank notes, senior debt and subordinated debt for changes in fair value primarily due to changes in interest rates. Adjustments related to the ineffective portion of fair value hedging instruments are recorded in interest income, interest expense or noninterest income depending on the hedged item.

Cash Flow Hedging Strategy

We enter into interest rate swap contracts to modify the interest rate characteristics of designated commercial loans from variable to fixed in order to reduce the impact of interest rate changes on future interest income. We are hedging our exposure to the variability of future cash flows for all forecasted transactions for a maximum of 10 years for hedges converting floating-rate commercial loans to fixed. The fair value of these derivatives is reported in other assets or other liabilities and offset in accumulated other comprehensive income for the effective portion of the derivatives. When the hedged transaction culminates, any unrealized gains or losses related to these swap contracts are reclassified from accumulated other comprehensive income and into earnings in the same period or periods during which the hedged forecasted transaction affects earnings and are included in interest income. Ineffectiveness of the strategy, as defined by risk management policies and procedures, if any, is reported in interest income.

During the next twelve months, we expect to reclassify to earnings $2.6 million of pretax net losses, or $1.7 million after-tax, on cash flow hedge derivatives currently reported in accumulated other comprehensive income. This amount could differ from amounts actually recognized due to changes in interest rates and the addition of other hedges subsequent to September 30, 2005. These net gains are anticipated to result from net cash flows on receive fixed interest rate swaps that would impact interest income recognized on the related floating rate commercial loans.

As of September 30, 2005 we have determined that there were no hedging positions where it was probable that certain forecasted transactions may not occur within the originally designated time period.

If a derivative is not effective in accomplishing the hedge objective of offsetting either changes in the fair value or cash flows of the hedged item for the risk being hedged, then any ineffectiveness present in the hedge relationship is recognized in current earnings. The ineffective portion of the change in value of these derivatives resulted in a $2 million net loss for the nine months ended September 30, 2005 compared with net loss of $4 million in the same period of 2004.

Free-Standing Derivatives

To accommodate customer needs, we also enter into financial derivative transactions primarily consisting of interest rate swaps, interest rate caps and floors, and foreign exchange and equity contracts. We manage our market risk exposure from customer positions through transactions with third-party dealers. The credit risk associated with derivatives executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies. We may obtain collateral based on our assessment of the customer. For derivatives not designated as an accounting hedge, the gain or loss is recognized in other noninterest income.

Basis swaps are agreements involving the exchange of payments, based on notional amounts, of two floating rate financial instruments denominated in the same currency, one pegged to one reference rate and the other tied to a second reference rate (*e.g.,* swapping payments tied to one-month LIBOR for payments tied to three-month LIBOR). We use these contracts to mitigate the impact on earnings of exposure to a certain referenced interest rate.

We purchase and sell credit default swaps to mitigate the economic impact of credit losses on specifically identified existing lending relationships or generate revenue. These derivatives typically are based on the change in value, due to changing credit spreads, of publicly-issued bonds.

Interest rate lock commitments for, as well as commitments to buy or sell, mortgage loans that we intend to sell are considered free-standing derivatives. Our interest rate exposure on certain commercial mortgage interest rate lock commitments is economically hedged with pay-fixed interest rate swaps and forward sales agreements. These contracts mitigate the impact on earnings of exposure to a certain referenced rate.

Free-standing derivatives also include positions we take based on market expectations or to benefit from price differentials between financial instruments and the market based on stated risk management objectives.

Derivative Counterparty Credit Risk

By purchasing and writing derivative contracts we are exposed to credit risk if the counterparties fail to perform. Our credit risk is equal to the fair value gain in the derivative contract. We minimize credit risk through credit approvals, limits, monitoring procedures and collateral requirements. We generally enter into transactions with counterparties that carry high quality credit ratings.

We enter into risk participation agreements to share some of the credit exposure with other counterparties related to interest rate derivative contracts or to take on credit exposure to generate revenue. Risk participation agreements entered into prior to July 1, 2003 were considered financial guarantees and therefore not included in derivatives. Agreements entered into subsequent to June 30, 2003 are included in the derivative table that follows. We determine that we meet our objective of reducing credit risk associated with certain counterparties to derivative contracts when the participation agreements share in their proportional credit losses of those counterparties.

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We generally have established agreements with our major derivative dealer counterparties that provide for exchanges of marketable securities or cash to collateralize either party's positions. At September 30, 2005 we held cash and U.S. government and mortgage-backed securities with a fair value of $96 million and pledged U.S. agency and mortgage-backed securities with a fair value of $167 million under these agreements.

The total notional or contractual amounts, estimated net fair value and credit risk for derivatives at September 30, 2005 and December 31, 2004 were as follows:

In millions	September 30, 2005			December 31, 2004		
	Notional amount	Estimated net fair value	Credit risk	Notional amount	Estimated net fair value	Credit risk
ACCOUNTING HEDGES						
Fair value hedges	$ 6,213	$ 107	$ 135	$ 4,155	$ 210	$ 217
Cash flow hedges	2,302	(13)		360	(1)	
Total	$ 8,515	$ 94	$ 135	$ 4,515	$ 209	$ 217
FREE-STANDING DERIVATIVES						
Interest rate contracts	$ 64,693	$ 38	$ 369	$ 52,447	$ 8	$ 385
Equity contracts	2,809	(78)	165	2,186	(29)	123
Foreign exchange contracts	11,587		74	7,245	10	79
Credit contracts	1,464	(4)	2	359	(4)	
Options	49,450	34	187	38,873	(1)	103
Risk participation agreements	349			230		
Commitments related to mortgage- related assets	2,233	(7)	4	782	1	3
Other	429	3	11	375	1	6
Total	$133,014	$ (14)	$ 812	$102,497	$ (14)	$ 699

NOTE 10 EARNINGS PER SHARE

Basic and diluted earnings per common share calculations follow:

In millions, except share and per share data	Three months ended September 30		Nine months ended September 30	
	2005	2004	2005	2004
CALCULATION OF BASIC EARNINGS PER COMMON SHARE				
Net income	$ 334	$ 258	$ 970	$ 890
Less: Preferred dividends declared	1		1	1
Net income applicable to basic earnings per common share	$ 333	$ 258	$ 969	$ 889
Basic weighted-average common shares outstanding *(in thousands)*	288,618	280,810	284,963	281,288
Basic earnings per common share	$ 1.16	$ .92	$ 3.40	$ 3.16
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE (a)				
Net income	$ 334	$ 258	$ 970	$ 890
Less: BlackRock adjustment for common stock equivalents	2		5	3
Net income applicable to diluted earnings per common share	$ 332	$ 258	$ 965	$ 887
Basic weighted-average common shares outstanding *(in thousands)*	288,618	280,810	284,963	281,288
Conversion of preferred stock Series A and B	78	85	79	86
Conversion of preferred stock Series C and D	614	650	623	670
Conversion of debentures	2	11	2	12
Exercise of stock options	1,098	726	1,004	948
Incentive share awards	1,511	540	1,489	544
Diluted weighted-average common shares outstanding (*in thousands)*	291,921	282,822	288,160	283,548
Diluted earnings per common share	$ 1.14	$ .91	$ 3.35	$ 3.13

(a) Excludes stock options considered to be anti-dilutive (in thousands)	10,903	11,225	12,459	10,842

NOTE 11 SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

Activity in shareholders' equity for the first nine months of 2005 follows. Our preferred stock outstanding as of September 30, 2005 and December 31, 2004 totaled less than $.5 million at each date and, therefore, is excluded from the table.

In millions, except per share data	Shares Outstanding Common Stock	Common Stock	Capital Surplus	Retained Earnings	Deferred Compen-sation Expense	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2004	283	$ 1,764	$1,265	$ 8,273	$ (51)	$ (54)	$(3,724)	$7,473
Net income				970				970
Other comprehensive income (loss), net of tax								
Net unrealized securities losses						(114)		(114)
Net unrealized losses on cash flow hedge derivatives						(21)		(21)
Other (a)						(11)		(11)
Comprehensive income								824
Cash dividends declared								
Common ($1.50 per share)				(428)				(428)
Preferred				(1)				(1)
Treasury stock activity	8		73				369	442
Tax benefit of stock option plans			5					5
Stock options granted			21					21
Subsidiary stock transactions			(6)					(6)
Deferred compensation expense					(13)			(13)
Balance at September 30, 2005	291	$ 1,764	$1,358	$ 8,814	$ (64)	$ (200)	$(3,355)	$8,317

A summary of the components of the change in accumulated other comprehensive income (loss) follows:

Nine months ended September 30, 2005 In millions	Pretax Amount	Tax Benefit (Expense)	After- tax Amount
Change in net unrealized securities losses			
Increase in net unrealized losses on securities held at period end	$ (216)	$ 75	$ (141)
Less: Net losses realized in net income (b)	(41)	14	(27)
Change in net unrealized securities losses	(175)	61	(114)
Change in net unrealized losses on cash flow hedge derivatives			
Increase in net unrealized losses on cash flow hedge derivatives	(33)	12	(21)
Less: Net losses realized in net income			
Change in net unrealized losses on cash flow hedge derivatives	(33)	12	(21)
Other (a)	(16)	5	(11)
Other comprehensive income (loss)	$ (224)	$ 78	$ (146)

The accumulated balances related to each component of other comprehensive income (loss) are as follows:

	September 30, 2005		December 31, 2004	
In millions	Pretax	After-tax	Pretax	After-tax
Net unrealized securities losses	$ (277)	$ (180)	$(102)	$ (66)
Net unrealized gains (losses) on cash flow hedge derivatives	(24)	(15)	9	6
Other (a)	(7)	(5)	9	6
Accumulated other comprehensive loss	$ (308)	$ (200)	$ (84)	$ (54)

(a) Consists of interest-only strip valuation adjustments, foreign currency translation adjustments and minimum pension liability adjustments.

(b) The pretax amount represents net unrealized losses at December 31, 2004 that were realized in 2005 when the related securities were sold. This amount differs from net securities losses included in the Consolidated Income Statement primarily because it does not include gains or losses realized on securities that were purchased and then sold during 2005.

NOTE12 LEGAL PROCEEDINGS

Some of our subsidiaries are defendants (or have potential contractual contribution obligations to other defendants) in several pending lawsuits brought during late 2002 and 2003 arising out of the bankruptcy of Adelphia Communications Corporation and its subsidiaries. There also are threatened additional proceedings arising out of the same matters. One of the lawsuits is pending in the United States Bankruptcy Court for the Southern District of New York and is being maintained on Adelphia's behalf as an adversary proceeding by the unsecured creditors' committee and equity committee in Adelphia's consolidated bankruptcy proceeding. The other lawsuits (one of which is a putative consolidated class action) have been brought by holders of debt and equity securities of Adelphia and have been consolidated for pretrial purposes in the United States District Court for the Southern District of New York. These lawsuits arise out of lending and securities underwriting activities engaged in by these PNC subsidiaries together with other financial services companies. In the aggregate, more than 400 other financial services companies and numerous other companies and individuals have been named as defendants in one or more of the lawsuits. Collectively, with respect to some or all of the defendants, the lawsuits allege federal law claims including violations of federal securities and other federal laws, violations of common law duties, aiding and abetting such violations, voidable preference payments, and fraudulent transfers, among other matters. The lawsuits seek unquantified monetary damages, interest, attorneys' fees and other expenses, and a return of the alleged voidable preference and fraudulent transfer payments, among other remedies. We believe that we have defenses to the claims against us in these lawsuits, as well as potential claims against third parties, and intend to defend these lawsuits vigorously. These lawsuits involve complex issues of law and fact, presenting complicated relationships among the many financial and other participants in the events giving rise to these lawsuits, and have not progressed to the point where we can predict the outcome of these lawsuits. It is not possible to determine what the likely aggregate recoveries on the part of the plaintiffs in these matters might be (although we note that the amounts potentially involved in these cases as a group for all defendants could be very significant) or the portion of any such recoveries for which we would ultimately be responsible.

On April 29, 2005, an amended complaint was filed in the putative class action against PNC; PNC Bank, N.A.; our Pension Plan and its Pension Committee in the United States District Court for the Eastern District of Pennsylvania (originally filed in December 2004). The complaint claims violations of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), arising out of the January 1, 1999 conversion of our Pension Plan from a traditional defined benefit formula into a "cash balance" formula, the design and continued operation of the Plan, and other related matters. Plaintiffs seek to represent a class of all current and former employee-participants in and beneficiaries of the Plan as of December 31, 1998 and thereafter. Plaintiffs also seek to represent a subclass of all current and former employee-participants in and beneficiaries of the Plan as of December 31, 1998 and thereafter who were or would have become eligible for an early retirement subsidy under the former Plan at some time prior to the date of the amended complaint. The plaintiffs are seeking unquantified damages and equitable relief available under ERISA, including interest, costs, and attorneys' fees. We filed a motion to dismiss the amended complaint on May 23, 2005, which is currently pending. We believe that we have substantial defenses to the claims against us in this lawsuit and intend to defend it vigorously.

There are several pending judicial or administrative proceedings or other matters arising out of the three 2001 transactions (the "PAGIC transactions") that gave rise to a financial statement restatement that we announced in January 2002. In December 2004, we entered into settlement agreements relating to certain of the lawsuits and other claims arising out of the PAGIC transactions. These pending proceedings and settlement agreements and other related matters are described in Note 5 Legal Proceedings included in Part II, Item 8 of our 2004 Annual Report on Form 10-K and updated in Note 15 Legal Proceedings included in Part I, Item 1 of our first quarter 2005 Form 10-Q. We are making progress towards completing those aspects of the settlement agreements that remain subject to conditions. In particular, the United States District Court for the Western District of Pennsylvania held a hearing on August 4, 2005 in the consolidated class action lawsuit brought on behalf of certain purchasers of our common stock to determine whether to approve the proposed settlement agreement.

In its Form 10-Q for the quarter ended March 31, 2005, Riggs National Corporation ("Riggs") disclosed a number of pending lawsuits. All material lawsuits have been finally resolved or settlement agreements have been reached, in some cases subject to final documentation or court approval. None of the pending settlement amounts where the settlement has not been completed is material to PNC. The pending settlement amount for each of these lawsuits has been reserved upon the recording of our acquisition of Riggs.

As a result of the acquisition of Riggs, PNC is now responsible for Riggs' obligations to provide indemnification to its directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of Riggs. PNC is also now responsible for Riggs' obligations to advance on behalf of covered individuals costs incurred in connection with certain claims or proceedings, subject to written undertakings to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification. Since the acquisition, we have advanced such costs on behalf of covered individuals from Riggs and expect to continue to do so in the future at least with respect to the lawsuits and other legal matters identified in Riggs' first quarter 2005 Form 10-Q.

In connection with industry-wide investigations of practices in the mutual fund industry including market timing, late day trading, employee trading in mutual funds and other matters, several of our subsidiaries have received requests for information and other inquiries from state and federal governmental and regulatory authorities. These subsidiaries are fully cooperating in all of these matters.

In addition to the proceedings or other matters referred to above, PNC and persons to whom we may have indemnification obligations, in the normal course of business, are subject to various other pending and threatened legal proceedings in which claims for monetary damages and other relief are asserted. Management does not anticipate, at the present time, that the ultimate aggregate liability, if any, arising out of such other legal proceedings will have a material adverse effect on our financial position. However, we cannot now determine whether or not any claims asserted against us, whether in such other proceedings or in the matters specifically referred to above, will have a material adverse effect on our results of operations in any future reporting period.

NOTE 13 BUSINESS SEGMENTS

We operate four major businesses engaged in providing banking, asset management and global fund processing products and services. Banking businesses include consumer banking (consumer/small business and wealth management) and institutional banking.

During the third quarter of 2005 we reorganized our banking businesses into two units, Consumer Banking and Institutional Banking, aligning our reporting with our client base and with the organizational changes we made in connection with the One PNC initiative. The Consumer Banking business segment comprises consumer and small business customers. The Institutional Banking business segment includes middle market and corporate customers. Amounts previously reported under Regional Community Banking, Wholesale Banking and PNC Advisors have been reclassified to reflect this new reporting structure. Intercompany eliminations and other adjustments made to combine Regional Community Banking and PNC Advisors for prior periods were not significant. Our Current Report on Form 8-K dated September 30, 2005 contains additional information regarding this new reporting structure.

Assets, revenue and earnings attributable to foreign activities were not material in the periods presented.

Results of individual businesses are presented based on our management accounting practices and our operating structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of individual businesses are not necessarily comparable with similar information for any other company. We refine our methodologies from time to time as our management accounting practices are enhanced and our business and management structure change. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis.

Assets receive a funding charge and liabilities and capital receive a funding credit based on a transfer pricing methodology that incorporates product maturities, duration and other factors. Capital is intended to cover unexpected losses and is assigned to the banking businesses using our risk-based economic capital model. We increased the capital assigned to Consumer Banking to 6% of funds to reflect the capital required for well-capitalized banks and to approximate market comparables for this business. The capital for BlackRock and PFPC reflects legal entity shareholders' equity. BlackRock's capital is consistent with its separate public company financial statement disclosures.

We have allocated the allowances for loan and lease losses and unfunded loan commitments and letters of credit based on our assessment of risk inherent in the loan portfolios. The costs incurred by operations and other support areas not directly aligned with the businesses are allocated primarily based on the use of services.

Total business segment financial results differ from total consolidated results. The impact of these differences is reflected in the "Intercompany Eliminations" and "Other" categories. "Intercompany Eliminations" reflects activities conducted among our businesses that are eliminated in the consolidated results. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as asset and liability management activities, related net securities gains or losses, certain trading activities, equity management activities and minority interest in income of BlackRock, differences between business segment performance reporting and financial statement reporting (GAAP), and corporate overhead.

BUSINESS SEGMENT PRODUCTS AND SERVICES

Consumer Banking provides deposit, lending, brokerage, trust, investment management and cash management services to approximately 2.5 million consumer and small business customers within our primary geographic area. Our customers are serviced through 830 offices in our branch network, the call center located in Pittsburgh and the Internet – *www.pncbank.com*. The branch network is located mainly in Pennsylvania, New Jersey, Ohio, Kentucky, Delaware and the Greater Washington, D.C. area, including Virginia and Maryland. Brokerage services are provided through PNC Investments, LLC, and J.J.B. Hilliard, W.L. Lyons, Inc. Consumer Banking also serves as investment manager and trustee for employee benefit plans and charitable and endowment assets and provides nondiscretionary defined contribution plan services and investment options through its *Vested Interest®* product. These services are provided to individuals and corporations primarily within our primary geographic markets. See Note 2 Acquisitions for further information regarding the 2005 Riggs acquisition.

Institutional Banking provides lending, treasury management, and capital markets-related products and services and commercial loan servicing to mid-sized corporations, government entities and selectively to large corporations. Lending products include secured and unsecured loans, letters of credit and equipment leases. Treasury management services include cash and investment management, receivables management, disbursement services, funds transfer services, information reporting, and global trade services. Capital markets-related products include foreign exchange, derivatives, loan syndications and securities underwriting and distribution. Institutional Banking provides products and services generally within our primary geographic markets and provides certain products and services nationally.

BlackRock is one of the largest publicly traded investment management firms in the United States with approximately $428 billion of assets under management at September 30, 2005. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, cash management and alternative investment products. Mutual funds include the flagship fund families, *BlackRock Funds* and *BlackRock Liquidity Fund*s (formerly BlackRock Provident Institutional Funds). In addition, BlackRock provides risk management, investment system outsourcing and financial advisory services to institutional investors. See Note 2 Acquisitions for further information regarding BlackRock's 2005 SSRM acquisition.

PFPC is among the largest providers of mutual fund transfer agency and accounting and administration services in the United States, offering a wide range of fund processing services to the investment management industry, and providing processing solutions to the international marketplace through its Ireland and Luxembourg operations.

Business Segment Results (a)

Three months ended September 30 In millions	Consumer Banking	Institutional Banking	BlackRock	PFPC	Other	Intercompany Eliminations	Consolidated
2005 Income Statement							
Net interest income (expense)	$ 402	$ 189	$ 19	$ (6)	$ (36)	$ (9)	$ 559
Noninterest income	333	155	301	217	131	(24)	1,113
Total revenue	735	344	320	211	95	(33)	1,672
Provision for (recoveries of) credit losses	14	(1)			3		16
Depreciation and amortization	19	6	8	14	32		79
Other noninterest expense	422	181	213	157	127	(23)	1,077
Earnings before minority and other interests and income taxes	280	158	99	40	(67)	(10)	500
Minority and other interests in income of consolidated entities		(14)	1		27		14
Income taxes	104	54	37	12	(43)	(12)	152
Earnings	$ 176	$ 118	$ 61	$ 28	$ (51)	$ 2	$ 334
Inter-segment revenue	$ 1	$ 2	$ 9	$ 1	$ 20	$ (33)	
Average Assets (b)	$28,788	$ 27,244	$ 1,673	$2,082	$32,940	$ (1,651)	$ 91,076
2004 Income Statement							
Net interest income (expense)	$ 370	$ 178	$ 6	$ (12)	$ (54)	$ 3	$ 491
Noninterest income	303	119	171	202	58	(15)	838
Total revenue	673	297	177	190	4	(12)	1,329
Provision for (recoveries of) credit losses	14	1			(2)		13
Depreciation and amortization	14	6	6	14	17		57
Other noninterest expense	396	160	188	147	46	(13)	924
Earnings before minority and other interests and income taxes	249	130	(17)	29	(57)	1	335
Minority and other interests in income of consolidated entities		(12)			(1)		(13)
Income taxes	91	42	(7)	12	(49)	1	90
Earnings	$ 158	$ 100	$ (10)	$ 17	$ (7)		$ 258
Inter-segment revenue	$ 2	$ 4	$ 7		$ (1)	$ (12)	
Average Assets (b)	$24,954	$ 21,579	$ 1,077	$2,068	$27,512	$ (1,828)	$ 75,362

Nine months ended September 30 In millions	Consumer Banking	Institutional Banking	BlackRock	PFPC	Other	Intercompany Eliminations	Consolidated
2005 Income Statement							
Net interest income (expense)	$ 1,164	$ 544	$ 31	$ (27)	$ (101)	$ (12)	$ 1,599
Noninterest income	937	432	822	664	214	(58)	3,011
Total revenue	2,101	976	853	637	113	(70)	4,610
Provision for (recoveries of) credit losses	43	(53)			7		(3)
Depreciation and amortization	51	17	22	43	69		202
Other noninterest expense	1,233	505	572	477	254	(52)	2,989
Earnings before minority and other interests and income taxes	774	507	259	117	(217)	(18)	1,422
Minority and other interests in income of consolidated entities		(36)	2		63		29
Income taxes	287	171	96	42	(146)	(27)	423
Earnings	$ 487	$ 372	$ 161	$ 75	$ (134)	$ 9	$ 970
Inter-segment revenue	$ 5	$ 5	$ 24	$ 2	$ 34	$ (70)	
Average Assets (b)	$27,372	$ 25,848	$ 1,673	$2,082	$32,004	$ (1,618)	$ 87,361
2004 Income Statement							
Net interest income (expense)	$ 1,095	$ 511	$ 27	$ (36)	$ (131)		$ 1,466
Noninterest income	908	423	537	602	235	$ (46)	2,659
Total revenue	2,003	934	564	566	104	(46)	4,125
Provision for (recoveries of) credit losses	48	(4)			(11)		33
Depreciation and amortization	44	16	16	30	52		158
Other noninterest expense	1,215	474	411	452	122	(46)	2,628
Earnings before minority and other interests and income taxes	696	448	137	84	(59)		1,306

Minority and other interests in income of consolidated entities		(32)	4		33		5
Income taxes	253	145	40	34	(64)	3	411
Earnings	$ 443	$ 335	$ 93	$ 50	$ (28)	$ (3)	$ 890
Inter-segment revenue	$ 8	$ 5	$ 24		$ 9	$ (46)	
AVERAGE ASSETS (b)	$24,188	$ 21,844	$ 1,077	$2,068	$26,844	$ (1,932)	$ 74,089

(a) Certain revenue and expense amounts shown in this table differ from amounts included in the "Business Segments Review" section of Part I, Item 2 of this Form 10-Q due to the presentation in Item 2 of business revenues on a taxable-equivalent basis (except for PFPC) and classification differences related to BlackRock and PFPC. BlackRock income classified as net interest income in the preceding table represents the net of investment income and interest expense as presented in the "Business Segments Review" section. PFPC income classified as net interest income (expense) in the preceding table represents the interest components of other nonoperating income (net of nonoperating expense), debt financing, and fund servicing revenue as disclosed in the "Business Segments Review" section.

(b) Period-end balances for BlackRock and PFPC.

NOTE 14 COMMITMENTS AND GUARANTEES

EQUITY FUNDING COMMITMENTS

We had commitments to make additional equity investments in certain equity management entities of $85 million and in affordable housing limited partnerships of $44 million at September 30, 2005.

STANDBY LETTERS OF CREDIT

We issue standby letters of credit and have risk participations in standby letters of credit and bankers' acceptances issued by other financial institutions, in each case to support obligations of our customers to third parties. If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract, then upon the request of the guaranteed party, we would be obligated to make payment to them. The standby letters of credit and risk participations in standby letters of credit and bankers' acceptances outstanding on September 30, 2005 had terms ranging from less than one year to 9 years. The aggregate maximum amount of future payments we could be required to make under outstanding standby letters of credit and risk participations in standby letters of credit and bankers' acceptances was $6 billion at September 30, 2005.

Assets valued as of September 30, 2005 of approximately $900 million secured certain specifically identified standby letters of credit. Approximately $2 billion in recourse provisions from third parties was also available for this purpose as of September 30, 2005. In addition, a portion of the remaining standby letters of credit and letter of credit risk participations issued on behalf of specific customers is also secured by collateral or guarantees that secure the customers' other obligations to us. The carrying amount of the liability for our obligations related to standby letters of credit and risk participations in standby letters of credit and bankers' acceptances was $53 million at September 30, 2005.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

We enter into standby bond purchase agreements to support municipal bond obligations and enter into certain other liquidity facilities to support individual pools of receivables acquired by unrelated commercial paper conduits. At September 30, 2005, our total commitments under these facilities were $225 million and $242 million, respectively.

INDEMNIFICATIONS

We are a party to numerous acquisition or divestiture agreements under which we have purchased or sold, or agreed to purchase or sell, various types of assets. These agreements can cover the purchase or sale of:

- Entire businesses,
- Loan portfolios,
- Branch banks,
- Partial interests in companies, or
- Other types of assets.

These agreements generally include indemnification provisions under which we indemnify the third parties to these agreements against a variety of risks to the indemnified parties as a result of the transaction in question. When PNC is the seller, the indemnification provisions will generally also provide the buyer with protection relating to the quality of the assets we are selling and the extent of any liabilities being assumed by the buyer. Due to the nature of these indemnification provisions, we cannot quantify the total potential exposure to us resulting from them.

We provide indemnification in connection with securities offering transactions in which we are involved. When we are the issuer of the securities, we provide indemnification to the underwriters or placement agents analogous to the indemnification provided to the purchasers of businesses from us, as described above. When we are an underwriter or placement agent, we provide a limited indemnification to the issuer related to our actions in connection with the offering and, if there are other underwriters, indemnification to the other underwriters intended to result in an appropriate sharing of the risk of participating in the offering. Due to the nature of these indemnification provisions, we cannot quantify the total potential exposure to us resulting from them.

We enter into certain types of agreements that include provisions for indemnifying third parties, such as:

- Agreements relating to providing various servicing and processing functions to third parties,
- Agreements relating to the creation of trusts or other legal entities to facilitate leasing transactions, commercial mortgage-backed securities transactions (loan securitizations) and certain other off-balance sheet transactions,
- Syndicated credit agreements, as a syndicate member,
- Sales of individual loans,
- Arrangements with brokers to facilitate the hedging of derivative and convertible arbitrage activities, and
- Litigation settlement agreements.

Due to the nature of these indemnification provisions, we cannot calculate our aggregate potential exposure under them.

We enter into certain types of agreements, including leases, assignments of leases, and subleases, in which we agree to indemnify third parties for acts by our agents, assignees and/or sublessees, and employees. While we do not believe these indemnification liabilities are material, either individually or in total, we cannot calculate our potential exposure.

We enter into contracts for the delivery of technology service in which we indemnify the other party against claims of patent and copyright infringement by third parties. Due to the nature of these indemnification provisions, we cannot calculate our aggregate potential exposure under this type of indemnification.

We engage in certain insurance activities which require our employees to be bonded. We satisfy this bonding requirement by issuing letters of credit in a total amount of approximately $5 million.

In the ordinary course of business, we enter into contracts with third parties under which the third parties provide services on behalf of PNC. In many of these contracts, we agree to indemnify the third party service provider under certain circumstances. The terms of the indemnity vary from contract to contract and the amount of the indemnification liability, if any, cannot be determined.

We are a general or limited partner in certain asset management and investment limited partnerships, many of which contain indemnification provisions that would require us to make payments in excess of our remaining funding commitments. While in certain of these partnerships the maximum liability to us is limited to the sum of our unfunded commitments and partnership distributions received by us, in the others the indemnification liability is unlimited. As a result, we cannot determine our aggregate potential exposure for these indemnifications.

Pursuant to their bylaws, PNC and its subsidiaries provide indemnification to directors, officers and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of PNC and its subsidiaries. PNC and its subsidiaries also advance on behalf of covered individuals costs incurred in connection with certain claims or proceedings, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification. We generally are responsible for similar indemnifications and advancement obligations that companies we acquire, including Riggs, had to their officers, directors and sometimes employees and agents at the time of acquisition. We advanced such costs on behalf of several such individuals (including some from Riggs) with respect to pending litigation or investigations during the first nine months of 2005. It is not possible for us to determine the aggregate potential exposure resulting from the obligation to provide this indemnity or to advance such costs.

In connection with the lending of securities held by PFPC as an intermediary on behalf of certain of its clients, we provide indemnification to those clients against the failure of the borrowers to return the securities. The market value of the securities lent is fully secured on a daily basis; therefore, the exposure to us is limited to temporary shortfalls in the collateral as a result of short-term fluctuations in trading prices of the loaned securities. At September 30, 2005, the total maximum potential exposure as a result of these indemnity obligations was approximately $5.4 billion, although we held collateral at the time in excess of that amount.

Contingent Payments In Connection With Certain Acquisitions

A number of the acquisition agreements to which we are a party and under which we have purchased various types of assets, including the purchase of entire businesses, partial interests in companies, or other types of assets, require us to make additional payments in future years if certain predetermined goals occur within a specific time period. As some of these provisions do not specify dollar limitations, we cannot quantify our total exposure resulting from these agreements.

Note 15 Subsequent Events

Market Street Funding Corporation

Market Street Funding Corporation (“Market Street”) is a multi-seller asset-backed commercial paper conduit that is owned by an independent third party. Market Street’s activities are limited to the purchase of, or making of, loans secured by interests primarily in pools of receivables from U.S. corporations that desire access to the commercial paper market. Market Street funds the purchases or loans by issuing commercial paper which has been rated A1/P1 by Standard & Poor’s and Moody’s, respectively, and is supported by pool-specific credit enhancement, liquidity facilities and program-level credit enhancement.

PNC Bank, N.A. provides certain administrative services, a portion of the program-level credit enhancement and the majority of liquidity facilities to Market Street in exchange for fees negotiated based on market rates. Credit enhancement is provided in part by PNC Bank, N.A. in the form of a cash collateral account that is funded by a loan facility that expires March 25, 2009. At September 30, 2005, $99 million was outstanding on this facility. Commitments under liquidity arrangements were $4.0 billion as of September 30, 2005.

Under the provisions of FIN 46R, we consolidated Market Street effective July 1, 2003 as we were deemed the primary beneficiary of Market Street.

In early October 2005, Market Street was restructured as a limited liability company and entered into a Subordinated Note Purchase Agreement (“Note”) on October 17, 2005 with an unrelated third party. The principal amount of the Note was $4.1 million and has an original maturity of eight years. The Note bears interest at 18% with any penalty interest/fees charged by Market Street on specific transactions accruing to the benefit of the Note holder. Proceeds from the issuance of the Note were placed in a first loss reserve account that may be used to reimburse any losses incurred by PNC Bank, N.A. or other providers under the liquidity facilities and the credit enhancement arrangements. As a result of issuance of the Note and as required by FIN 46R, we reevaluated whether PNC continued to be the primary beneficiary of Market Street. Based on this analysis, we determined that the Note holder would absorb more than 50% of the expected losses of Market Street and therefore would be the primary beneficiary under the provisions of FIN 46R. As a result, Market Street was deconsolidated from our Consolidated Balance Sheet effective October 17, 2005. At this date, PNC’s maximum exposure to loss related to Market Street was approximately $4.1 billion.

Harris Williams & Co.

On October 11, 2005, we acquired Harris Williams & Co., one of the nation’s largest firms focused on providing merger and acquisition advisory and related services to middle market companies, including private equity firms and private and public companies.

STATISTICAL INFORMATION

THE PNC FINANCIAL SERVICES GROUP, INC.

AVERAGE CONSOLIDATED BALANCE SHEET AND NET INTEREST ANALYSIS

	Nine months ended September 30					
	2005			2004		
Taxable-equivalent basis **Dollars in millions**	**Average Balances**	**Interest Income/Expense**	**Average Yields/Rates**	**Average Balances**	**Interest Income/Expense**	**Average Yields/Rates**
ASSETS						
Interest-earning assets						
Securities available for sale and held to maturity						
Securities available for sale						
Mortgage-backed, asset-backed, and other debt	$ 10,984	$ 347	4.22%	$ 8,861	$ 252	3.79%
U.S. Treasury and government agencies/corporations	7,425	227	4.08	6,457	146	3.01
State and municipal	170	7	5.47	235	12	6.91
Corporate stocks and other	176	10	7.27	247	8	4.27
Total securities available for sale	18,755	591	4.20	15,800	418	3.52
Securities held to maturity				2		6.80
Total securities available for sale and held to maturity	18,755	591	4.20	15,802	418	3.53
Loans, net of unearned income						
Commercial	18,966	829	5.77	16,398	617	4.94
Commercial real estate	2,483	110	5.86	2,156	75	4.57
Consumer	16,173	668	5.52	13,790	529	5.12
Residential mortgage	5,785	226	5.20	3,825	149	5.20
Lease financing	2,985	100	4.49	3,555	120	4.51
Other	484	17	4.54	507	11	2.89
Total loans, net of unearned income	46,876	1,950	5.52	40,231	1,501	4.94
Loans held for sale	2,163	67	4.12	1,591	31	2.54
Federal funds sold and resale agreements	1,100	20	2.37	1,803	23	1.70
Other	3,027	92	4.07	1,487	50	4.53
Total interest-earning assets/interest income	71,921	2,720	5.03	60,914	2,023	4.41
Noninterest-earning assets						
Allowance for loan and lease losses	(634)			(616)		
Cash and due from banks	3,110			2,846		
Other assets	12,964			10,945		
Total assets	$ 87,361			$ 74,089		
LIABILITIES, MINORITY AND NONCONTROLLING INTERESTS, AND SHAREHOLDERS' EQUITY						
Interest-bearing liabilities						
Interest-bearing deposits						
Money market	$ 17,504	272	2.08	$ 15,842	95	.80
Demand	8,172	39	.64	7,869	22	.37
Savings	2,735	13	.62	2,638	7	.37
Retail certificates of deposit	11,225	257	3.07	8,844	178	2.68
Other time	1,569	44	3.69	617	18	3.80
Time deposits in foreign offices	2,303	51	2.91	1,285	12	1.18
Total interest-bearing deposits	43,508	676	2.07	37,095	332	1.19
Borrowed funds						
Federal funds purchased	1,957	45	3.01	2,051	17	1.11
Repurchase agreements	2,282	48	2.75	1,274	10	1.00
Bank notes and senior debt	3,076	76	3.26	2,738	46	2.20
Subordinated debt	3,911	137	4.69	3,516	102	3.85
Commercial paper	2,703	63	3.08	1,868	17	1.20
Other borrowed funds	2,274	56	3.24	1,037	19	2.42
Total borrowed funds	16,203	425	3.47	12,484	211	2.24
Total interest-bearing liabilities/interest expense	59,711	1,101	2.46	49,579	543	1.46
Noninterest-bearing liabilities, minority and noncontrolling interests, and shareholders' equity						
Demand and other noninterest-bearing deposits	13,057			11,838		
Allowance for unfunded loan commitments and letters of credit	80			88		
Accrued expenses and other liabilities	6,115			5,089		
Minority and noncontrolling interests in consolidated entities	523			440		
Shareholders' equity	7,875			7,055		
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$ 87,361			$ 74,089		
Interest rate spread			2.57			2.95
Impact of noninterest-bearing sources			.42			.27
Net interest income/margin		$ 1,619	2.99%		$ 1,480	3.22%

Nonaccrual loans are included in loans, net of unearned income. The impact of financial derivatives used in interest rate risk management is included in the interest income/expense and average yields/rates of the related assets and liabilities. Basis adjustments related to hedged items are included in noninterest-earning assets and noninterest-bearing liabilities. Average balances of securities are based on amortized historical cost (excluding SFAS 115 adjustments to fair value which are included in other assets).

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Statistical Information

The PNC Financial Services Group, Inc.

Average Consolidated Balance Sheet And Net Interest Analysis

Taxable-equivalent basis Dollars in millions	Third Quarter 2005			Second Quarter 2005			Third Quarter 2004		
	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
Assets									
Interest-earning assets									
Securities available for sale and held to maturity									
Securities available for sale									
Mortgage-backed, asset-backed, and other debt	$ 12,154	$ 129	4.26%	$ 11,138	$ 117	4.22%	$ 8,667	$ 85	3.90%
U.S. Treasury and government agencies/corporations	7,960	84	4.24	7,406	77	4.12	6,288	49	3.10
State and municipal	167	2	5.41	171	2	5.20	216	5	10.35
Corporate stocks and other	167	4	8.62	190	3	5.92	201	2	4.37
Total securities available for sale	20,448	219	4.29	18,905	199	4.21	15,372	141	3.67
Securities held to maturity				1		1.84	2		(.70)
Total securities available for sale and held to maturity	20,448	219	4.29	18,906	199	4.21	15,374	141	3.67
Loans, net of unearned income									
Commercial	19,685	307	6.11	19,259	277	5.69	16,915	211	4.87
Commercial real estate	2,947	47	6.28	2,478	36	5.67	2,120	25	4.58
Consumer	16,673	239	5.68	16,195	223	5.53	14,673	187	5.06
Residential mortgage	6,739	89	5.27	5,742	74	5.16	4,354	56	5.16
Lease financing	2,937	33	4.45	2,978	33	4.52	3,182	35	4.38
Other	469	6	4.96	484	6	4.58	507	4	3.02
Total loans, net of unearned income	49,450	721	5.75	47,136	649	5.48	41,751	518	4.89
Loans held for sale	2,390	26	4.33	2,152	26	4.71	1,578	10	2.42
Federal funds sold and resale agreements	423	3	2.92	649	4	2.43	1,283	6	2.07
Other	3,046	33	4.19	3,098	30	4.04	1,746	17	3.92
Total interest-earning assets/interest income	75,757	1,002	5.23	71,941	908	5.03	61,732	692	4.44
Noninterest-earning assets									
Allowance for loan and lease losses	(634)			(655)			(593)		
Cash and due from banks	3,233			3,106			2,851		
Other assets	12,720			13,167			11,372		
Total assets	$ 91,076			$ 87,559			$ 75,362		
Liabilities, Minority And Noncontrolling Interests, And Shareholders' Equity									
Interest-bearing liabilities									
Interest-bearing deposits									
Money market	$ 18,447	113	2.43	$ 17,482	89	2.05	$ 15,916	37	.93
Demand	8,343	15	.71	8,205	13	.62	7,857	8	.39
Savings	2,589	4	.55	2,787	4	.63	2,730	3	.44
Retail certificates of deposit	12,143	99	3.27	11,215	86	3.04	9,100	60	2.64
Other time	2,306	21	3.54	1,484	14	3.82	825	7	3.23
Time deposits in foreign offices	2,061	18	3.40	2,477	18	2.91	1,561	6	1.46
Total interest-bearing deposits	45,889	270	2.33	43,650	224	2.05	37,989	121	1.27
Borrowed funds									
Federal funds purchased	1,704	16	3.48	2,506	19	3.00	1,940	7	1.44
Repurchase agreements	2,137	18	3.16	2,405	17	2.86	1,158	4	1.23
Bank notes and senior debt	3,271	30	3.65	3,288	27	3.21	2,709	16	2.28
Subordinated debt	3,996	50	5.07	3,826	45	4.72	3,411	34	3.89
Commercial paper	3,316	29	3.48	2,438	19	3.07	1,679	6	1.48
Other borrowed funds	2,790	23	3.17	1,867	16	3.40	858	6	3.10
Total borrowed funds	17,214	166	3.79	16,330	143	3.48	11,755	73	2.45
Total interest-bearing liabilities/interest expense	63,103	436	2.73	59,980	367	2.44	49,744	194	1.55
Noninterest-bearing liabilities, minority and noncontrolling interests, and shareholders' equity									
Demand and other noninterest-bearing deposits	13,738			12,987			12,477		
Allowance for unfunded loan commitments and letters of credit	84			78			84		
Accrued expenses and other liabilities	5,408			6,095			5,470		
Minority and noncontrolling interests in consolidated entities	518			526			466		
Shareholders' equity	8,225			7,893			7,121		
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$ 91,076			$ 87,559			$ 75,362		

Interest rate spread		2.50		2.59		2.89
Impact of noninterest-bearing sources		.46		.41		.30
Net interest income/margin	$ 566	2.96%	$ 541	3.00%	$ 498	3.19%

Loan fees for the nine months ended September 30, 2005 and September 30, 2004 were $79 million and $81 million, respectively. Loan fees for the three months ended September 30, 2005, June 30, 2005 and September 30, 2004 were $28 million, $27 million and $26 million, respectively. Interest income includes the effects of taxable-equivalent adjustments using a marginal federal income tax rate of 35% to increase tax-exempt interest income to a taxable-equivalent basis. The taxable-equivalent adjustments for the nine months ended September 30, 2005 and September 30, 2004 were $20 million and $14 million, respectively. The taxable-equivalent adjustments for the three months ended September 30, 2005, June 30, 2005 and September 30, 2004 were $7 million, $7 million and $7 million, respectively.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 12 Legal Proceedings in the Notes To Consolidated Financial Statements under Part I, Item 1, of this Report, which is incorporated in response to this Item by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) On October 11, 2005, PNC completed its acquisition of the outstanding capital stock of HW Holdings, Inc. ("HW"), the parent corporation and sole owner of Harris Williams & Co., a leading mergers and acquisitions advisor to middle market companies. As a portion of the consideration for this acquisition, PNC issued 701,622 shares of PNC common stock to the shareholders of HW.

The issuance by PNC of its common stock to the HW selling shareholders was not a public offering as defined in Section 4(2) of the Securities Act of 1933 due to the limited number of persons involved in the transaction, the size of the offering and the manner of the offering, and therefore qualified for exemption under Section 4(2) of the Securities Act. Further, the selling shareholders agreed to and received share certificates bearing a restrictive legend, which is intended to prevent the shares from being inappropriately redistributed into the market.

(b) Not applicable.

(c) Details of our repurchases of PNC common stock during the third quarter of 2005 are included in the following table:

In thousands, except per share data

2005 period	Total shares purchased (1)	Average price paid per share	Total shares purchased as part of publicly announced programs (2)	Maximum number of shares that may yet be purchased under the programs (2)
July 1 – July 31	115	$54.93	—	19,522
August 1 – August 31	154	$55.81	—	19,522
September 1 – September 30	118	$56.14	—	19,522
Total	387	$55.65	—	

(1) Includes PNC common stock purchased under the program referred to in note (2) to this table, if any, and PNC common stock purchased in connection with our various employee benefit plans.

(2) Our current stock repurchase program, which was authorized as of February 16, 2005, allows us to purchase up to 20 million shares on the open market or in privately negotiated transactions. This program will remain in effect until fully utilized or until modified, superseded or terminated. We did not purchase any shares under this program during the third quarter of 2005.

ITEM 5. OTHER INFORMATION

(a) Entry into and Modification of Material Definitive Agreements

Trust Agreements

On November 3, 2005, PNC Investment Corp., a non-bank subsidiary of PNC, entered into a trust agreement with PNC Bank, National Association ("PNC Bank"), PNC's principal bank subsidiary, establishing a trust commonly known as a rabbi trust with PNC Investment Corp., as settlor, and PNC Bank as trustee. PNC established the new rabbi trust with PNC Bank as trustee as part of the One PNC initiative discussed elsewhere in this Report in order to substantially reduce annual trustee fees currently being paid to Hershey Trust Company for our older existing rabbi trust.

The purpose of the new rabbi trust is to provide a source of funds for payments that PNC and certain of its subsidiaries are or may become obligated to make to former, present and future employee participants under certain specified non-ERISA employee benefit plans, currently our deferred compensation plan and nonqualified supplemental incentive savings plan. We have attached a copy of the trust agreement for this new rabbi trust as Exhibit 10.34 to this Report.

PNC Investment Corp. is also the settlor of a similar rabbi trust under a trust agreement dated December 20, 1999 with the Hershey Trust Company. This older rabbi trust was established for the purpose of providing a source of funds for payments that PNC and certain of its subsidiaries are or may become obligated to make under a number of employee and director plans and agreements to former, present and future employee and director participants in those plans or agreements. Funding of this trust becomes mandatory in the event of a change in control of PNC in order to ensure that payments to participants will not be improperly withheld.

As part of the One PNC initiative, PNC Investment Corp. will transfer substantially all of the assets currently held in the older rabbi trust to PNC Bank as trustee of the new rabbi trust, thus substantially reducing the annual trustee fees payable to Hershey Trust Company for the rabbi trust. The older rabbi trust agreement will, however, remain in effect. Under the terms of that trust agreement, mandatory funding of the trust continues to be required in the event of a change in control of PNC, with the newer rabbi trust transferring any assets it may have at that time to Hershey Trust Company as part of this funding.

The trust agreement with Hershey Trust Company was amended November 3, 2005 to facilitate coordination with the new rabbi trust. We have attached a copy of the amended and restated agreement for the older rabbi trust as Exhibit 10.35 to this Report.

Time Sharing Agreements

Also on November 3, 2005, we entered into new time sharing agreements with James E. Rohr and Joseph C. Guyaux, our CEO and President, respectively, with respect to use of PNC's corporate aircraft. These agreements replace prior agreements in place effective July 15, 2004 between PNC and these executives with respect to our corporate aircraft, with the principal financial terms in the new form of time sharing agreement being unchanged from the prior form. These agreements are used by PNC to provide a means to implement our policy, described in our proxy statement for our 2005 annual meeting of shareholders, that limits the annual incremental cost of perquisites and personal benefits (including personal use of corporate aircraft) for each of our executive officers to $50,000, requiring reimbursement of the company should the cost of such perquisites and personal benefits exceed the cap. These agreements provide a mechanism for obtaining reimbursement of the incremental cost of corporate aircraft use that would otherwise result in one of these executives exceeding that cap while complying with Federal Aviation Administration regulations limiting when a company such as PNC may accept any such reimbursement. For those flights subject to the time sharing agreements, the executive is required to pay PNC the maximum amount permissible under FAA regulations.

We have attached a copy of the new form of time sharing agreement as Exhibit 10.36. Mr. Rohr and Mr. Guyaux have each entered into agreements on this form covering each of PNC's aircraft. We will need to enter into new agreements on this form with respect to any additional executives who become subject to the need to reimburse us for use of our aircraft and to the extent that agreements are required for other PNC corporate aircraft from time to time.

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ITEM 6. EXHIBITS

The following exhibit index lists Exhibits filed, or in the case of Exhibits 32.1 and 32.2 furnished, with this Quarterly Report on Form 10-Q:

EXHIBIT INDEX

3.5	By-Laws of the Corporation, as amended and restated
10.34	Trust Agreement between PNC Investment Corp., as settlor, and PNC Bank, National Association
10.35	Amended and Restated Trust Agreement between PNC Investment Corp., as settlor, and Hershey Trust Company, as trustee
10.36	Form of time sharing agreements between the Corporation and certain executives
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

You can receive copies of these Exhibits electronically at the SEC's home page at www.sec.gov or from the public reference section of the SEC, at prescribed rates, at 100 F Street NE, Room 1580, Washington, D.C. 20549. The Exhibits are also available as part of this Form 10-Q on or through PNC's corporate website at www.pnc.com in the "For Investors" section. Shareholders may also receive copies of Exhibits, without charge, by contacting Shareholder Relations at (800) 843-2206 or via e-mail at investor.relations@pnc.com.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on November 7, 2005 on its behalf by the undersigned thereunto duly authorized.

The PNC Financial Services Group, Inc.

/s/ Richard J. Johnson

Richard J. Johnson
Chief Financial Officer
(Principal Financial Officer)

CORPORATE INFORMATION

THE PNC FINANCIAL SERVICES GROUP, INC.

CORPORATE HEADQUARTERS

The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
(412) 762-2000

STOCK LISTING

The PNC Financial Services Group, Inc. common stock is listed on the New York Stock Exchange under the symbol PNC.

INTERNET INFORMATION

The PNC Financial Services Group, Inc. financial reports and information about its products and services are available on the internet at www.pnc.com.

FINANCIAL INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934. Therefore, we file annual, quarterly and current reports as well as proxy materials with the Securities and Exchange Commission ("SEC"). You may obtain copies of these and other filings, including exhibits, electronically at the SEC's website at www.sec.gov or on or through PNC's corporate website at www.pnc.com in the "For Investors" section. Copies also may be obtained without charge by contacting Shareholder Services at (800) 982-7652 or via e-mail at web.queries@computershare.com.

CORPORATE GOVERNANCE AT PNC

Information about our Board of Directors ("Board") and its committees and corporate governance at PNC is available in the corporate governance section of the "For Investors" page of PNC's corporate website at www.pnc.com. Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics, our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, and Personnel and Compensation Committees (all of which are posted on the PNC website) may do so by sending their requests to Thomas R. Moore, Corporate Secretary, at corporate headquarters at the above address. Copies will be provided without charge to shareholders.

INQUIRIES

For financial services call 1-888-PNC-2265. Individual shareholders should contact Shareholder Services at (800) 982-7652.

Analysts and institutional investors should contact William H. Callihan, Senior Vice President, Director of Investor Relations, at (412) 762-8257 or via e-mail at investor.relations@pnc.com.

News media representatives and others seeking general information should contact Brian Goerke, Director of External Communications, at (412) 762-4550 or via e-mail at corporate.communications@pnc.com.

COMMON STOCK PRICES/DIVIDENDS DECLARED

The table below sets forth by quarter the range of high and low sale and quarter-end closing prices for The PNC Financial Services Group, Inc. common stock and the cash dividends declared per common share.

	High	Low	Close	Cash Dividends Declared
2005 Quarter				
First	$57.57	$50.30	$51.48	$ .50
Second	55.90	49.35	54.46	.50
Third	58.95	53.80	58.02	.50
Total				$ 1.50
2004 Quarter				
First	$59.79	$52.68	$55.42	$ .50
Second	56.00	50.70	53.08	.50
Third	54.22	48.90	54.10	.50
Fourth	57.64	50.70	57.44	.50
Total				$ 2.00

DIVIDEND POLICY

Holders of The PNC Financial Services Group, Inc. common stock are entitled to receive dividends when declared by the Board out of funds legally available. The Board presently intends to continue the policy of paying quarterly cash dividends. However, future dividends will depend on earnings, the financial condition of The PNC Financial Services Group, Inc. and other factors, including applicable government regulations and policies and contractual restrictions.

DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase Plan enables holders of common and preferred stock to purchase additional shares of common stock conveniently and without paying brokerage commissions for service charges. A prospectus and enrollment form may be obtained by contacting Shareholder Services at (800) 982-7652.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, Illinois 60602
(800) 982-7652

Exhibit 3.5

BY-LAWS
OF
THE PNC FINANCIAL SERVICES GROUP, INC.

Amended and Restated effective as of December 14, 2005

Article I. PRINCIPAL OFFICE

The principal office of the Corporation shall be located at One PNC Plaza, Pittsburgh, Pennsylvania.

Article II. SHAREHOLDERS

1. Annual Meeting

1.1 Time and Place.

An annual meeting of the shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held at 11 a.m. on the fourth Tuesday in April of each year, or on such other date or hour as may be fixed by the Board of Directors.

1.2 Nominations and Other Business.

(a) Nominations for the election of directors and other proposals for action at an annual meeting of shareholders may be made only (i) pursuant to the Corporation's notice of such meeting, (ii) by the presiding officer, (iii) by or at the direction of a majority of the Board of Directors, or (iv) by one or more shareholders in accordance with applicable rules of the Securities and Exchange Commission and the provisions of this Section 1.2.

(b) A nomination for the election of a director or a proposal for action at an annual meeting may be made by a shareholder only if written notice of such nomination or proposal has been received by the Secretary of the Corporation at its principal office not later than (i) 90 days prior to such annual meeting (unless a different date for such notice has been stated in the Corporation's most recent proxy materials distributed to shareholders), or (ii) if the annual meeting is to be held on a date other than the fourth Tuesday in April, the close of business on the tenth day following the first public disclosure of the date of such meeting. The first public disclosure of the date of any annual meeting of shareholders shall be when public disclosure of such meeting date is first made in a filing by the Corporation with the Securities and Exchange Commission, in any notice given to the New York Stock Exchange, or in a news release reported by any national news service.

(c) Each such notice from a shareholder shall set forth: (i) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the notice is given (A) the name and address of such shareholder and of such beneficial owner, and (B) the class and number of shares of the Corporation which are owned of record and beneficially by such shareholder and such beneficial owner; and (ii) a representation that the shareholder is a beneficial owner of stock of the Corporation entitled to vote at such meeting and intends to be present at the meeting in person or by proxy to make such nomination or proposal.

(d) Each notice of nomination for the election of a director from a shareholder also shall set forth: (i) the name and address of the person to be nominated; (ii) a description of all arrangements or understandings between the shareholder and the nominee and any other person or persons (naming such person or persons) pursuant to which the nomination is to be made by the shareholder; (iii) such other information regarding the nominee as would be required to be included in proxy materials filed under applicable rules of the Securities and Exchange Commission had the nominee been nominated by the Board of Directors; and (iv) the written consent of the nominee to serve as a director of the Corporation if so elected.

(e) Each notice of a proposal for action at an annual meeting from a shareholder also shall set forth a brief description of the proposal, the reasons for making such proposal, and any direct or indirect interest of the shareholder, or any person on whose behalf the shareholder is acting, in making such proposal.

(f) The presiding officer of the meeting may refuse to permit any nomination for the election of a director or proposal to be made at an annual meeting by a shareholder who has not complied with all of the foregoing procedures.

2. Special Meetings

Special meetings of the shareholders may be called, at any time, only by the Board of Directors, the Chairman of the Board, the President, or a Vice Chairman of the Board. Only business brought before the meeting (a) pursuant to the Corporation's notice of such meeting, (b) by the presiding officer, or (c) by or at the direction of a majority of the Board of Directors, shall be conducted at a special meeting of the shareholders.

3. Place of Meetings

Meetings of the shareholders shall be held at the principal office of the Corporation or at such other place as the Board of Directors may designate.

4. Notice of Meetings

Written notice of every meeting of the shareholders shall be given to each shareholder of record entitled to vote at the meeting at least five days prior to the day

named for the meeting, unless a greater period of notice is required by law. The notice shall state the day, time and place of such meeting and the general nature of the business to be transacted. Notice of a meeting may be waived in writing and attendance at a meeting shall itself constitute a waiver of notice of the meeting.

5. Quorum

The presence, in person or by proxy, of shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purpose of considering such matter. At a duly organized meeting, except as may be otherwise specified in the Articles of Incorporation or provided by law, each matter shall be decided upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

6. Record Date

The Board of Directors may fix a record date not more than ninety days prior to the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights or the date when any change or conversion or exchange of shares will be made or go into effect. Only such shareholders as shall be shareholders of record at the close of business on the record date shall be entitled to notice of, or to vote at such meeting or to receive such allotment of rights or to exercise such rights, as the case may be.

Article III. DIRECTORS

1. Board of Directors

The business and offices of the Corporation shall be managed by the Board of Directors, which shall consist of not less than five nor more than thirty-six members as shall be established from time to time by the Board of Directors.

2. Term of Office

After elected by the shareholders, directors shall hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified.

3. Vacancy

Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors though less than a quorum, and any director so elected shall serve until the next annual meeting of the shareholders and until a successor shall have been elected and qualified.

4. Organization

As soon as practicable after the annual meeting of shareholders at which they were elected, the Board of Directors shall meet for the purpose of electing officers and the transaction of such other business as may be properly brought before the meeting.

5. Regular Meetings

Regular meetings of the Board of Directors may be held without notice at such times and at such places as the Board of Directors, by resolution, shall establish. When a regular meeting falls on a business holiday, it shall be held on the preceding or next following business day, as the Chief Executive Officer shall select.

6. Special Meetings

Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman, or at the written request of any three directors. Notice of special meetings shall be given to each director personally or in writing, or by telephone, not later than during the day immediately preceding the day of such meeting and shall include the general nature of the business to be transacted at the meeting.

7. Quorum

A majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. One or more directors may participate in a meeting of the Board of Directors, or in a meeting of a Committee of the Board of Directors by means of communication facilities enabling all persons participating in the meeting to hear each other.

8. Action Without a Meeting

Any action which may be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent or consents setting forth the action so taken is signed by all the directors and filed with the Corporate Secretary.

9. Compensation of Directors

Directors shall be compensated for their services and reimbursed for their meeting attendance expenses, in such manner and at such time as the Board of Directors may determine.

Article IV. OFFICERS

1. Designation

The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Chairmen, one or more Vice Presidents of whom one or more may be designated Senior Executive Vice President, Executive Vice President or Senior Vice President, a Corporate Secretary, a Treasurer, a Controller, a General Auditor and such other officers, as the Board of Directors, the Chairman, the President, or the Vice Chairman may from time to time designate. The Board of Directors shall designate from among the Chairman of the Board, President, and Vice Chairmen, one of those officers to be the Chief Executive Officer. All officers having the rank of Senior Vice President or higher shall be elected by the Board of Directors and shall hold office during the pleasure of the Board of Directors. All other officers shall be appointed by the Chief Executive Officer, or, in his absence, by such other officer or officers as may be designated by the Board of Directors, and such appointments shall be reported to the Board of Directors.

2. Responsibilities of the Senior Officers

2.1 Chief Executive Officer

The Chief Executive Officer of the Corporation shall preside at all meetings of the shareholders and the Board of Directors, and shall be ex officio a member of all Committees except the Audit Committee, the Nominating and Governance Committee, and the Personnel and Compensation Committee. Subject to the direction of the Board of Directors, the Chief Executive Officer shall have the general supervision of the policies, business and operations of the Corporation, and of the other officers, agents and employees of the Corporation and, except as otherwise provided in these By-Laws or by the Board of Directors, shall have all the other powers and duties as are usually incident to the Chief Executive Officer of a corporation. In the absence of the Chief Executive Officer, his or her rights shall be held and duties shall be performed by such other officer or officers as shall be designated by the Board of Directors.

2.2 Chairman, President and Vice Chairman

The Chairman, the President and the Vice Chairman if not designated as the Chief Executive Officer shall have such duties and powers as may be assigned to them from time to time by the Board of Directors or the Chief Executive Officer.

2.3 Vice Presidents

The Executive Vice Presidents, Senior Vice Presidents and the Vice Presidents, if such are elected, shall have the duties and powers as may from time to time be assigned to them by the Board of Directors, or by the Chief Executive Officer in the absence of any assignment by the Board of Directors. Any reference in these By-Laws to a Vice President will apply equally to an Executive Vice President or a Senior Vice President unless the context requires otherwise.

2.4 Treasurer

The Treasurer shall be responsible for the funding of the Corporation and for all moneys, funds, securities, fidelity and indemnity bonds and other valuables belonging to the Corporation; and shall perform such other duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

2.5 Corporate Secretary

The Corporate Secretary shall: attend the meetings of the shareholders, of the Board of Directors, of the Executive Committee, and of such other Board Committees, if any, as have not appointed another person as secretary of that Committee; keep minutes thereof in suitable minute books; have charge of the corporate records and papers and the corporate seal; have charge of the stock and transfer records of the Corporation; keep a record of all shareholders and give notices of all meetings of shareholders, special meetings of the Board of Directors and of its Committees; and have such other duties as the Board of Directors or the Chief Executive Officer shall assign.

2.6 Controller

The Controller, if a Controller is elected, shall cause to be kept proper records of the transactions of the Corporation; shall be responsible for the preparation of financial and tax reports required of the Corporation; and shall perform such other duties as may be assigned to him or her from time to time by the Board of Directors or by the Chief Executive Officer.

2.7 General Auditor

The General Auditor shall have charge of auditing the books, records and accounts of the Corporation and shall report directly to the Audit Committee of the Board of Directors.

2.8 Assistant Officers

Each assistant officer as shall be elected shall assist in the performance of the duties of the officer to whom he is assistant and shall perform such duties in the absence of the officer. He shall perform such additional duties as the Board of Directors, the Chief Executive Officer, or the officer to whom he is assistant, may from time to time assign to him.

3. Incumbency

Any officer elected by the Board of Directors may be removed by the Board of Directors whenever, in its best judgment, the best interest of the Corporation will be served thereby, without prejudice however to any contract rights the person so removed may have with the Corporation or any of its subsidiaries.

<u>Article V. COMMITTEES</u>

1. Standing Committees

The standing committees of the Board of Directors shall be the Executive Committee, the Audit Committee, the Nominating and Governance Committee, the Personnel and Compensation Committee, and the Risk Committee.

1.1 Executive Committee

The Executive Committee shall consist of its chairman, who shall be the then serving chairman of the Nominating and Governance Committee unless another director is appointed by the Board of Directors upon the recommendation of the Nominating and Governance Committee, the Corporation's Chief Executive Officer, and the then serving chairman of each other standing committee. The committee shall meet at such time or times as may be fixed by the Board of Directors, or upon the call of its chairman or the Chief Executive Officer. In the absence of the committee chairman, the Chief Executive Officer shall act as committee chairman unless the Board of Directors shall appoint some other director to act as committee chairman in such circumstances. In all instances which the committee shall deem necessary or appropriate, the Committee shall have and may exercise all of the powers and authority of the Board of Directors so far as may be permitted by law. All acts done and powers conferred by the committee from time to time shall be deemed to be, and may be certified as being, done and conferred under authority of the Board of Directors.

1.2 Audit Committee

The Board of Directors shall appoint the members of the Audit Committee annually upon the recommendation of the Nominating and Governance Committee. The Committee shall consist of not fewer than three directors and shall satisfy the requirements of Securities and Exchange Commission Rule 10A-3.

1.3 Nominating and Governance Committee

The Board of Directors shall appoint annually, upon the recommendation of the Nominating and Governance Committee, the members of the Nominating and Governance Committee, consisting of not fewer than three directors.

1.4 Personnel and Compensation Committee

The Board of Directors shall appoint annually, upon the recommendation of the Nominating and Governance Committee, the members of the Personnel and Compensation Committee, consisting of not fewer than three directors.

1.5 Risk Committee

The Board of Directors shall appoint annually, upon the recommendation of the Nominating and Governance Committee, the members of the Risk Committee, consisting of not fewer than three directors, including no more than one management director.

1.6 Charters; Committee Members' Independence and Qualifications; Committee Chairmen and Vice Chairmen

The purpose and responsibilities of each standing committee shall be set forth in a written charter approved by the Board of Directors. Each standing committee shall review and reassess the adequacy of its charter annually and recommend to the Board of Directors any proposed changes to its charter. The charters of the Audit , Nominating and Governance, and Personnel and Compensation Committees shall address such matters as may be required by the corporate governance rules of the New York Stock Exchange and shall be published in a manner permitted by such rules.

Each director appointed to Audit, Nominating and Governance, and Personnel and Compensation Committees must have been affirmatively determined by the Board of Directors to be independent under the corporate governance rules of the New York Stock Exchange, and to meet such other standards of independence as may be prescribed by applicable federal banking, securities, and income tax laws and regulations, if any, relating to the duties and responsibilities of the particular committee or committees on which he or she shall serve, and must retain his or her independent status at all times while serving on the committee. Members of the Audit Committee must also possess the experience and qualifications required for audit committee members by the corporate governance rules of the New York Stock Exchange and applicable federal banking laws.

The chairman and vice chairman, if any, of each standing committee shall be appointed by the Board of Directors upon the recommendation of the Nominating and Governance Committee. The chairman and vice chairman, if any, of the Risk Committee must be appointed from among the independent directors then serving on the committee. Each standing committee may delegate to its chairman or vice chairman, if any, such powers and authority as the committee deems appropriate, provided that applicable laws and regulations do not require such powers and authority to be exercised by the committee as a whole or by a subcommittee of at least two committee members.

1.7 Joint Committees of the Corporation's and PNC Bank, National Association's Boards of Directors

Upon appropriate action by the Boards of Directors of the Corporation and PNC Bank, National Association, any committee authorized by these By-Laws other than the Executive Committee may be designated and function as a joint committee of both Boards of Directors. The title and charter of such a committee need not reflect its status as a joint committee unless both Boards of Directors expressly provide otherwise.

2. Other Committees; Subcommittees

The Board of Directors may authorize the establishment of such other committees as it shall deem advisable from time to time and may delegate to such committees such powers and authority as it shall deem appropriate and as shall be permitted by applicable laws and regulations. The Board shall appoint the members of any such other committee or shall determine the manner in which such members shall be appointed. Unless otherwise stated in its charter, each committee shall have the authority to form and to delegate its powers and authority to subcommittees of one or more committee members to the extent permitted by applicable laws and regulations.

3. Minutes

Minutes of the Executive Committee shall be submitted at a regular meeting of the Board of Directors, and any action taken by the Board of Directors with respect thereto shall be entered in the minutes of the Board of Directors. All other committees shall keep minutes of their meetings which shall be accessible to inspection by the Board of Directors at all times.

4. Rules of Procedure

Except as otherwise expressly provided for herein or in the committee's charter, each committee may appoint a secretary, who need not be a director, adopt its own rules of procedure and, unless the Board of Directors has acted with respect thereto, determine the date, place and hour for its meetings. The Committee chairman or vice chairman may call a special meeting or reschedule a regular meeting if they deem it appropriate. In the absence of any other provision herein or in the committee's charter to the contrary, a majority of the members of any committee shall constitute a quorum, and the action of a majority of the members in attendance at a committee meeting shall constitute the action of the body. Notice of meetings shall be given to each committee member personally, or in writing addressed to the address of the director appearing on the books of the Corporation, on or before the day preceding the meeting. Any action which may be taken at a meeting of a committee or subcommittee may be taken without a meeting if a written consent or consents setting forth the action so taken is signed by all members of the committee or subcommittee and filed with the Corporate Secretary.

5. Special Appointments of Committee Members

In the absence or disqualification of any member of a committee, the members thereof present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another director to act at the meeting in place of any absent or disqualified member, provided that said director meets all of the qualifications for a member of that committee as set forth in these By-Laws and in the committee's charter.

Article VI. STOCK CERTIFICATES

1. Signatures

Certificates of stock of the Corporation shall be signed by the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman, or any Vice President and shall be countersigned by the Corporate Secretary, the Treasurer, or any Assistant Corporate Secretary or Assistant Treasurer, and shall be sealed with the seal of the Corporation, which may be a facsimile. Where any such stock certificate is signed manually by a transfer agent or a registrar, the signatures of the officers may be facsimiles.

2. Transfers

The shares of stock of the Corporation shall be transferable only on its books upon surrender of the stock certificate for such shares properly endorsed. The Board of Directors shall have power to appoint one or more Transfer Agents and Registrars for the transfer and registration of certificates of stock of any class, and may require that stock certificates shall be countersigned and registered by one or more such Transfer Agents and Registrars.

3. Lost or Destroyed Certificates

If a stock certificate shall be lost, stolen or destroyed, the shareholder may file with the Corporation an affidavit stating the circumstances of the loss, theft or destruction and may request the issuance of a new certificate. He shall give to the Corporation a bond which shall be in such sum, contain such terms and provisions and have such surety or sureties as the Board of Directors may direct. The Corporation may thereupon issue a new certificate replacing the certificate lost, stolen or destroyed.

Article VII. DIRECTOR LIABILITY LIMITATION AND INDEMNIFICATION

1. Limitation of Director Liability

A director of the Corporation shall, to the maximum extent permitted by the laws of the Commonwealth of Pennsylvania, have no personal liability for monetary damages for any action taken, or any failure to take any action as a director, provided that this Section 1, Article VII shall not eliminate the liability of a director in any case where such elimination is not permitted by law.

2. Indemnification

Each person who at any time is or shall have been a director or officer of the Corporation, or is serving or shall have served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, and his heirs, executors and administrators, shall be indemnified by the Corporation in accordance with and to the full extent permitted by the laws of the Commonwealth of Pennsylvania as in effect at the time of such indemnification. The foregoing right of indemnification shall constitute a contract between the Corporation and each of its directors and officers and shall not be deemed exclusive of other rights to which any director, officer, employee, agent or other person may be entitled in any capacity as a matter of law or under any by-law, agreement, vote of shareholders or directors, or otherwise. If authorized by the Board of Directors, the Corporation may purchase and maintain insurance on behalf of any person to the full extent permitted by the laws of the Commonwealth of Pennsylvania.

The first (1st) paragraph of this Article VII, Section 2 provides indemnification only to persons who at any time are or shall have been (1) directors or officers of the Corporation or (2) directors or officers of the Corporation who are serving or shall have served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (any such person as described in (1) or (2) being a "Covered Person").

In connection with any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative, investigative, legislative or other, including without limitation an action by or in the right of the Corporation, in which a Covered Person was or is involved (as a party, a witness, by being threatened to be made a party, or otherwise) (each a "Proceeding") for which the Covered Person may be entitled to indemnification under this Article VII, Section 2, the Corporation shall pay the expenses (including without limitation attorneys' fees and expenses) incurred by such Covered Person in any such Proceeding in advance of final disposition of such Proceeding (an "advancement of expenses") upon receipt by the Corporation of an undertaking, by or on behalf of such Covered Person, to repay all amounts so advanced if it is ultimately determined by final judicial decision from which there is no further right to appeal that such Covered Person is not entitled to be indemnified for such expenses under this Article VII, Section 2 or otherwise.

The Corporation will not, in connection with a Proceeding (or part thereof) initiated by a Covered Person, advance expenses to such person or, except as provided in the fifth (5th) paragraph of this Article VII, Section 2, indemnify such person pursuant to this Article VII, Section 2 unless the Proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

If a written claim for indemnification or advancement of expenses pursuant to this Article VII, Section 2 is not paid in full by the Corporation within sixty (60) days after such claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of any such claim, and if successful in whole or in part in any such suit, the claimant shall also be entitled to be paid the expenses of prosecuting such suit. It shall be a defense to any such suit (other than a suit to enforce a claim for advancement of expenses where the required

undertaking has been received by the Corporation) that indemnification of the claimant would not be permitted by applicable law, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel or shareholders) to have made a determination prior to the commencement of any suit seeking indemnification or advancement of expenses pursuant to this Article VII, Section 2 that indemnification or advancement of expenses is proper in the circumstances, nor a determination by the Corporation (including its Board of Directors, independent legal counsel or shareholders) that indemnification or advancement of expenses is not proper in the circumstances, shall, in itself, create a presumption that the claimant is not entitled to indemnification or advancement of expenses pursuant to this Article VII, Section 2 or be a defense to any such suit.

If any provision or provisions of this Article VII, Section 2 are held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VII, Section 2 (including without limitation each portion of any paragraph of this Article VII, Section 2 containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) will not in any way be affected or impaired thereby; and (2) to the full extent possible, the provisions of this Article VII, Section 2 (including without limitation each such portion of any paragraph of this Article VII, Section 2 containing any such provision held to be invalid, illegal or unenforceable) will be construed so as to give effect to the intent manifested by the provision or provisions held invalid, illegal or unenforceable.

If a claimant is entitled to indemnification pursuant to the provisions of this Article VII, Section 2 for some or a portion of the expense, liability and loss incurred or suffered by such person in connection with any Proceeding but not for the total amount thereof, the Corporation shall indemnify the claimant for the portion thereof to which the claimant is entitled.

The rights to indemnification and advancement of expenses set forth in this Article VII, Section 2: (1) shall be contract rights and such rights shall continue as to a person who has ceased to be a Covered Person and shall inure to the benefit of a Covered Person’s heirs, executors, administrators and legal representatives; and (2) shall not be deemed exclusive of any other rights to which any director, officer, employee, agent or other person may be entitled in any capacity as a matter of law or under any charter provision, by-law, agreement, vote of shareholders or directors, or otherwise. Any repeal, amendment or modification of this Article VII, Section 2 or adoption of any other provision of the By-Laws or Articles of Incorporation of the Corporation which has the effect of limiting the rights set forth in this Article VII, Section 2 shall operate prospectively only and shall not affect any rights or obligations with respect to actions, omissions, circumstances or events occurring prior to the adoption of any such repeal, amendment or modification. Each Covered Person shall be deemed to be serving as such in reliance on the provisions of this Article VII, Section 2. Nothing in this Article VII, Section 2 shall require the Corporation to take any action that would be prohibited by applicable law.

3. Indemnification of Employees and Agents

The Corporation may provide indemnification and advancement of expenses to any employee or agent of the Corporation up to the full extent of the provisions of Article VII, Section 2 of these By-Laws with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Article VIII. APPLICATION OF STATUTORY ANTI-TAKEOVER PROVISIONS

The following provisions of Title 15 of the Pennsylvania consolidated statutes shall not be applicable to the Corporation: (1) Subchapter G of Chapter 25; and (2) Subchapter H of Chapter 25.

Article IX. EXERCISE OF AUTHORITY DURING EMERGENCIES

The Board of Directors or the Executive Committee may from time to time adopt resolutions authorizing certain persons and entities to exercise authority on behalf of this Corporation in time of emergency, and in the time of emergency any such resolutions will be applicable, notwithstanding any provisions as to the contrary contained in these By-Laws.

Article X. CHARITABLE CONTRIBUTIONS

The Board of Directors may authorize contributions to community funds, or to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare in such sums as the Board of Directors may deem expedient and in the interest of the Corporation.

Article XI. AMENDMENTS

These By-Laws may be altered, amended, added to or repealed by a vote of a majority of the Board of Directors at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.

Exhibit 10.34

TRUST AGREEMENT

Between

PNC INVESTMENT CORP.,
as Settlor

and

PNC BANK, NATIONAL ASSOCIATION,
as Trustee

TRUST AGREEMENT

This Trust Agreement ("Trust Agreement") is made as of the 3rd day of November, 2005, by and between PNC INVESTMENT CORP., a corporation duly established and existing under the laws of the State of Delaware (the "Company"), and PNC BANK, NATIONAL ASSOCIATION, a national bank organized under the laws of the United States, with an office in Pittsburgh, Pennsylvania (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company, its parent corporation, The PNC Financial Services Group, Inc. (the "Parent Corporation"), and certain of its subsidiaries and affiliates (the Parent Corporation and the Company's certain subsidiaries and affiliates collectively referred to as the "Employers") are or may become obligated under the employee benefit plans and agreements listed on Attachment A hereto (the "Plans") to make payments to certain former, present and future employees (collectively, the "Participants"); and

WHEREAS, the Company is the Settlor of an existing trust agreement between the Company and the Hershey Trust Company established for the purpose of providing a source of funds for payments to Participants (hereinafter referred to as the "PNC Investment Corp. Benefit Funding Trust I"); and

WHEREAS, the Company desires to establish a second, separate trust to which certain of the assets of the existing trust at Hershey Trust Company may be transferred or delivered, and to which other contributions may be made by the Company or the Parent Corporation from time to time to provide a source of funds for payments to Participants; and

WHEREAS, the Company has been duly authorized and directed to establish such a separate trust with PNC Bank, National Association, as trustee.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants contained herein and intending to be legally bound hereby, the Company and the Trustee hereby covenant and agree as follows:

SECTION I

TRUST FUND

1.1 Name of Trust

The trust fund referred to herein shall be known as the PNC INVESTMENT CORP. BENEFIT FUNDING TRUST II.

1.2 Establishment of Trust Fund

A trust fund (the “Trust Fund” or “Trust”) is hereby established with the Trustee consisting of such sums of money and such other property (including insurance policies) as may be acceptable to the Trustee as from time to time shall be paid or delivered to the Trustee in accordance with the terms hereof and for the purposes hereof. All cash or other property so received, together with the income therefrom, shall be held, managed and administered by the Trustee pursuant to the terms of this Trust Agreement without distinction between principal and income.

The Trust is intended to be a “grantor trust,” within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the “Code”).

As and if directed by the Company or the “Representative” (as defined in Section II of this Trust Agreement), the Trustee will record a separate account within the Trust for the Company and each Employer, as applicable, and the Trustee will value not only the assets of the Trust as a whole, but also the assets of each account attributable to the Company and each Employer. For federal income tax purposes, the Company and each Employer will be deemed to be the grantor of its separate account; provided, however, that because the Company and each Employer are members of the same consolidated return group, a single Form 1041 may be issued to the Parent Corporation. Payments are to be made from the account in the Trust of the Company or the Employer employing the employee to whom payments are made. In the absence of direction by the Company or the Representative, the Trustee shall have no duty to record a separate account within the Trust for the Company and each Employer as applicable.

The insolvency of the Company and each Employer is considered separately so that, in the event that one Employer, but not the Company or the other Employers becomes insolvent, the assets in the account of the insolvent Employer will be identified and held for the benefit of that Employer’s creditors.

For accounting purposes only, separate accounts may be established for individual Participants in the Plans. Monies allocated to any such individual accounts shall be distributable only to the Participants for whom the accounts are established (or to the beneficiaries of such Participants) pursuant to the provisions of the applicable Plan.

The Trust Fund shall be held separate and apart from other funds of the Company and shall be used exclusively for the purpose of assuring payment by the Company and the Employers of future obligations of the Company and the Employers arising under the Plans, except to the extent otherwise set forth herein.

1.3 Description of Trust

The Company represents and agrees that the Trust established under this Trust Agreement is intended to fund only the Plans. The Trust is, and is intended to be, a depository arrangement with the Trustee for the setting aside of cash and other assets of the Company as and when it so determines in its sole discretion for the purpose of satisfying future obligations

under the Plans. The Company represents that each Plan is an excess benefit plan (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), a benefit arrangement for a select group of management or highly compensated active and/or former employees (within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA) or is not covered by ERISA. The Company further represents that the Plans are not qualified under Section 401 of the Code and, therefore, are not subject to the Code's requirements applicable to tax-qualified plans.

1.4 Revocability

The Trust shall be revocable by the Company, and Participants shall have no right to any part of the Trust Fund; provided, however, that upon the Trustee's receipt of notice pursuant to Section 3.1(b) below that a "CIC Trigger Event" or a "Change in Control" (both as defined in Section XVII of this Trust Agreement) has occurred, the Trustee shall promptly deliver any assets in the Trust Fund to Hershey Trust Company (or any successor thereto), as trustee of the PNC Investment Corp. Benefit Funding Trust I.

1.5 Acceptance by the Trustee

The Trustee accepts the Trust established under this Trust Agreement on the terms and subject to the provisions set forth herein, and agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

SECTION II

AUTHORITY

A designated "Representative" appointed by the Company shall have the authority to act on behalf of the Company, subject to the terms hereof. In its sole discretion, the Representative may designate one or more individuals to act on its behalf. The Trustee shall be entitled to deal with the Representative until notified otherwise by the Company. The Company shall provide the Trustee with a certified list of the names and specimen signatures of its Representative, or any individuals designated by the Representative to act on its behalf, and shall also notify the Trustee in writing, from time to time, of any changes to the names so provided.

2.1 Distributions from Trust Fund

The Trustee shall make payments (including the payment of Trust expenses) and other disbursements from the Trust Fund only upon the express written instructions of the Representative or as expressly authorized by the terms of this Trust Agreement. Such payments may be made either directly to the person or persons specified in such written instructions or as expressly authorized by the terms of this Trust Agreement, or deposited in a checking account maintained on behalf of the Trust Fund for the purpose of making payments or disbursements in accordance with the provisions of the Plans.

2.2 Indemnification

To the extent permitted by law, the Trustee shall be indemnified and saved harmless by the Company from and against any and all liability to which the Trustee may be subjected in carrying out its duties under this Trust Agreement, including all expenses reasonably incurred in its defense, except to the extent it is judicially determined that any loss or damage is directly attributable to the Trustee's (a) failure to exercise the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims, (b) negligence or willful misconduct, or (c) violation of applicable law.

2.3 Trustee Responsibility for Payments When Company or Employer Is (or Is Deemed to Be) Insolvent

(a) If at any time the Trustee has actual knowledge, or has determined in accordance with Section 2.3(c) below, that the Company or an Employer is insolvent under the standards set forth in Section 2.3(b) below, the Trustee shall hold for the benefit of, or deliver upon the order of a court of competent jurisdiction, any undistributed portion of the Company's or the Employer's Trust Fund account to satisfy the claims of the Company's or the Employer's general creditors.

(b) The Company or an Employer shall be considered insolvent for purposes of this Trust Agreement if (i) it is unable to pay its debts as they become due or (ii) it is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(c) The Company agrees that its Chief Executive Officer or General Counsel, as from time to time acting, shall have the duty to inform the Trustee of the Company's or an Employer's insolvency. The Chief Executive Officer or General Counsel may discharge such obligation through a Representative. If the Company or a person claiming to be a creditor of the Company or an Employer alleges in writing to the Trustee that the Company or an Employer has become insolvent, the Trustee shall independently determine, within 30 days after receipt of such notice, whether the Company or the Employer is insolvent in accordance with the standards therefor established in this Trust Agreement, and pending such determination, shall discontinue all payments from the Trust Fund. The Company shall cooperate with the Trustee in its investigation. The Trustee may refuse any request for an analysis of insolvency if such request is received within 90 days of its concluding a prior analysis. The Trustee shall resume payments in accordance with the terms of this Trust Agreement only after the Trustee has determined that the Company or the Employer is not insolvent (or is no longer insolvent, if the Trustee initially determined the Company or the Employer to be insolvent). Nothing in this Trust Agreement shall in any way diminish any rights of any Participant to pursue his or her rights as a general creditor of the Company or an Employer with respect to benefits under the terms of the Plans.

(d) Unless the Trustee has received notice or otherwise has actual knowledge of the Company's or an Employer's insolvency or alleged insolvency, the Trustee shall have no duty to inquire as to whether the Company or an Employer is insolvent.

(e) If the Trustee discontinues payments to a person from the Trust Fund pursuant to Section 2.3(b) above and subsequently resumes such payments, the first payment to such person following the discontinuance shall include the aggregate amount of all payments which would have been made to such person in accordance with the terms of the Plan during such period, less the aggregate amount of such payments to each person made by or on behalf of the Company or an Employer during such period, as certified in writing to the Trustee by the Representative.

SECTION III

EFFECT OF A CIC TRIGGER EVENT OR A CHANGE IN CONTROL

3.1 Delivery of Trust Fund Assets to PNC Investment Corp. Benefit Funding Trust I.

(a) Upon Trustee's receipt of notice pursuant to Section 3.1(b) below that a "CIC Trigger Event" (as defined in Section XVII of this Trust Agreement) or a Change in Control (if no CIC Trigger Event precedes the Change in Control) has occurred, the Trustee shall promptly deliver any assets of the Trust Fund to Hershey Trust Company (or any successor thereto), as trustee of the PNC Investment Corp. Benefit Funding Trust I.

(b) The Chief Executive Officer or the General Counsel of the Parent Corporation (or one of their designated representatives) shall promptly notify the Trustee in writing of the occurrence of any of the following: a CIC Trigger Event, a Change in Control, or the cessation of a Change in Control Period (all as defined in Section XVII of this Trust Agreement). After a Change in Control and during the existence of a Change in Control Period, the Trustee shall not act upon any direction from the Company, any Employer (including the Parent Corporation) or the Representative that is contrary to the provisions of Section 3.1(a) above.

(c) The Trustee shall be fully protected in acting in accordance with the provisions of this Section 3.1, except as otherwise required by law.

(d) The Company shall provide the Trustee with copies of all of the Plan documents, including any amendments thereto.

3.2 Payments to the Company

(a) Subject to Section 2.3 above, prior to a Change in Control and other than during the existence of a Change in Control Period, the Company or the Representative may direct the Trustee to pay all or a portion of the Trust Fund to the Company or as the Company or the Representative may otherwise direct. Subject to Sections 1.4, 2.3 and 3.1 above, after a Change in Control and during the existence of a Change in Control Period, neither the Company, any Employer (including the Parent Corporation) nor the Representative shall have any power to direct the Trustee to return to the Company or to pay to others (other than general creditors of the Company or any Employer) any portion of the Trust Fund.

(b) Notwithstanding the foregoing provisions of Section 3.2 and other than after a Change in Control or during a Change in Control Period, the Representative may, at any time within 60 days of the date of any payment made by the Company to Participants in satisfaction of the Company's or the Employers' obligations under the Plans, direct the Trustee to reimburse the Company for such payments.

3.3 Disputes Between Participant and Trustee

It is recognized that a Participant may dispute the amount of benefit paid by the Trustee under one or more Plans, or may assert a right to receive a benefit payment when the Company or the Trustee determines that no payment is due to the Participant under one or more Plans. In either such event, the Trustee shall promptly notify the Company of the dispute so that the Company can promptly notify the Participant to assert any such claim in accordance with the claims procedure set forth in the applicable Plan or Plans. Resolution of all disputes shall be made in accordance with the claims procedure set forth in the applicable Plan or Plans, and the Participant shall have no separate right to resolution of a dispute under a Plan or the Plans by virtue of this Trust Agreement.

3.4 Insufficiency of Trust Fund

If, as of the date of any payment of Plan benefits from the Trust Fund, the Trustee determines that the Trust Fund is insufficient to provide for the payment to Participants of the full amount of their Plan benefits to be paid as of such date, the Trustee shall seek and shall be entitled to conclusively rely upon written instructions from the Representative with respect to the payment of such benefits. At all times the Company and the Employers shall continue to be fully liable for the payment of all Plan benefits notwithstanding any insufficiency of the Trust Fund.

SECTION IV

INVESTMENT OF THE TRUST FUND

4.1 General

Except as otherwise provided herein, the Trustee shall invest and reinvest the assets of the Trust Fund in accordance with the written directions of the Representative or its designate.

4.2 Appointment of Investment Managers by the Company

Before a Change in Control and other than during a Change in Control Period, the Company or the Representative, in their sole discretion, may appoint one or more investment managers (including the Trustee) to manage and control the assets of the Trust Fund (the "Investment Managers"). Any Investment Manager so appointed shall be either: (a) an investment adviser registered as such under the Investment Advisers Act of 1940, as amended;

(b) a bank, as defined in that Act; (c) an insurance company qualified to perform investment management services under the laws of more than one state; or (d) a subsidiary or affiliate of the Company authorized to perform investment management services. Any Investment Manager shall certify in writing that it is qualified to act in such capacity, and acknowledge that it assumes the fiduciary duties established by this Trust Agreement.

4.3 Allocation of Assets by the Company for Investment

Before a Change in Control and other than during a Change in Control Period, the Company or the Representative shall direct the manner of allocation among Investment Managers of assets of the Trust Fund, and may direct the transfer of assets between Investment Managers on reasonable notice to the Trustee and any affected Investment Manager. An Investment Manager designated to manage assets allocated to it shall have exclusive authority to manage, acquire and dispose of such assets subject to any investment policy that may, from time to time, be established by the Representative or the Company.

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal, an act or omission of an Investment Manager, where such act or omission would be a breach of the fiduciary responsibility of such Investment Manager, the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of such Investment Manager or by reason of its failure to exercise any power or authority with respect to allocated assets because of the failure of the Investment Manager to issue proper and timely directions to the Trustee.

4.4 Investment Powers of Trustee

In addition to any power granted under any statute or laws pertaining to the investment of trust assets, the Trustee’s investment powers shall include, but shall not be limited to, the investment of trust assets in the following:

(a) bonds or other obligations of the United States of America, and any agencies thereof, or any bonds or other obligations which are directly or indirectly guaranteed by the United States, or any agency thereof;

(b) open-end or closed-end investment companies that offer investment funds, the assets of which correspond to those described under (a) above with at least $10 billion under management;

(c) savings accounts, certificates of deposit and other types of time deposits with any financial institution or quasi-financial institution whose combined capital and surplus is not less than $1 billion, including the Trustee’s banking department; and

(d) to the extent permitted by applicable law, any collective, common or pooled trust fund operated by the Trustee, the assets of which primarily correspond to those described under (a) above, but which also may include bonds or obligations of non-governmental issuers which are rated among the top three ratings categories of any nationally recognized rating agency. The

provisions of any such collective, common or pooled investment trust shall be incorporated herein by reference during, but only during the period that any portion of this Trust Fund is a part of such trust.

The Trustee shall exercise the powers set forth in this Section 4.5 only in accordance with the directions of the Representative or its designee.

4.5 Administrative Powers of the Trustee

The Trustee is authorized and empowered to:

(a) sell, exchange, convey, transfer or otherwise dispose of, any property, real or personal, held in the Trust Fund and to make any sale by private contract or public auction, and for cash or credit, or partly for cash and partly for credit, and no person dealing therewith shall be bound to see the application of the purchase money or to inquire into the validity, expediency or propriety of any such sale or disposition;

(b) vote in person or by proxy any stocks, bonds or other securities held in the Trust Fund, without any obligation to inquire as to or follow the wishes of the Company or the Representative with respect to such voting;

(c) exercise any rights appurtenant to any such stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise rights or options to subscribe for or purchase additional stocks, bonds or other securities, and to make any and all necessary payments with respect to such conversion or exercise;

(d) join in, dissent from or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties of which the Trust Fund may hold stocks, bonds or other securities or in which it may be interested, upon such terms and conditions as may be deemed advisable, to pay any expenses, assessments or subscriptions in connection therewith, and to accept any securities or property, whether or not trustees would be authorized to invest in such securities or property, which may be issued upon any such reorganization, recapitalization, consolidation, sale or merger and thereafter to hold the same without any duty to sell;

(e) borrow or raise monies from any lender, excluding the Trustee in its corporate capacity, if permitted by law, for the benefit of the Trust Fund and in conjunction with its duties under this Trust Agreement, in such amount and upon such terms and conditions as may be deemed advisable; and for any sums so borrowed to issue promissory notes and to secure the repayments thereof by mortgaging or pledging all or any part of the Trust Fund except any common, collective or pooled trust units which may be held in the Trust Fund; and no person lending money to the Trust Fund shall be bound to see to the application of the money loaned or to inquire into the validity, expediency or propriety of any such borrowing;

(f) cause any investment of the Trust Fund to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, or to retain such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that all such investments are part of the Trust Fund;

(g) purchase or otherwise acquire and make payment therefor from the Trust Fund any bond or other form of guarantee or surety required by any authority having jurisdiction over this Trust Fund and its operation, or believed to be in the best interests of the Trust Fund, except the Trustee or Investment Manager may not obtain any insurance whose premium obligation extends to the Trust Fund which would protect the Trustee or Investment Manager against their liability for breach of fiduciary duty;

(h) defend against or participate in any legal actions involving the Trust Fund in the manner and to the extent it deems advisable, the costs of any such defense or participation to be borne by the Trust Fund unless paid by the Company; provided, however, that the Trustee or Investment Manager shall not be entitled to costs if either shall have committed a breach of fiduciary duty;

(i) compromise, compound and settle any debt or obligation due to the Trust Fund and to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default or otherwise enforce any such obligation; or

(j) enforce any right, obligation or claim in its absolute discretion and in general to protect in any way the interest of the Trust Fund, either before or after default with respect to any such right, obligation or claim, and in case it shall consider such action in the best interest of the Trust Fund, in its absolute discretion to abstain from the enforcement of any right, obligation or claim and to abandon any property, whether real or personal, which at any time may be held by it.

The Trustee shall at all times be authorized and empowered to exercise all of the powers listed in this Section 4.6; provided that the Trustee shall exercise the powers described in clauses (b), (d), (e), (h), (i) and (j) of this Section 4.6 only if it has not received direction from the Representative, otherwise it shall be obligated to follow the direction of the Representative.

SECTION V

DIVERSIFICATION

The Company or its Representative shall be solely responsible for the manner in which investments of the Trust Fund are prudently diversified.

The Trustee shall have no liability or responsibility for the diversification of the investments of the Trust Fund: (a) held in any account under the direction of an Investment Manager; or (b) when the Trust Fund is managed in accordance with the written directions of the Representative or its designee.

SECTION VI

FIDUCIARY RESPONSIBILITY

The Representative, the Trustee, and any designated Investment Manager shall, to the extent that each or any of them are charged with the responsibility for the investment management of assets of the Trust Fund, discharge their duties as provided in this Trust Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with the like aims and by diversifying the investments held hereunder so as to minimize the risk of large losses, unless under the circumstances, it would clearly not be prudent to do so; provided, however, that the Representative, the Trustee, or any designated Investment Manager does not guarantee (a) the Trust Fund in any manner against investment loss or depreciation in asset value or (b) the adequacy of the Trust Fund to meet and discharge all or any liabilities of the Plans.

The Representative, the Trustee, or any designated Investment Manager may, in its discretion, keep such portion of the Trust Fund in cash or cash balances as it may deem reasonably necessary from time to time, and shall keep such portion of the Trust Fund in cash or cash balances as may be required to meet contemplated payments from the Trust Fund. No liability shall accrue for any interest on any cash balances so maintained.

The Representative, or the Trustee is specifically authorized to appoint ministerial agents as to part or all of the Trust Fund and functions incident thereto where, in its sole discretion, such delegation is necessary, appropriate or desirable to facilitate the operations of the Trust Fund and consistent with the purposes of the Trust Fund.

SECTION VII

TAXES AND TRUSTEE’S COMPENSATION

7.1 Trustee’s Compensation

The Trustee shall be entitled to such reasonable compensation for services rendered as mutually agreed upon in writing with the Company, and shall be reimbursed for all reasonable expenses (except those arising from a breach of fiduciary duty) incurred by the Trustee as a result of the performance of its duties hereunder, including, but not limited to, legal and accounting expenses incurred as a result of disbursements and payments made by the Trustee, and reasonable compensation for agents, counsel or other services rendered to the Trustee by third parties, and expenses incident thereto. Any such compensation, and reimbursement for any such expenses shall be paid by the Trust Fund to the Trustee, unless paid by the Company.

7.2 Taxes

The Trustee shall notify the Representative of any tax assessments that it receives on any property held in the Trust Fund, and, unless notified to the contrary by the Representative within 90 days, shall either pay or pay over to the Company funds sufficient to cover such assessments if so directed by the Representative. If the Representative notifies the Trustee within said period that such assessments are invalid or that they should be contested, the Trustee shall take whatever action is indicated in the notice received from the Representative, including contesting the assessment or litigating any claims.

Notwithstanding anything herein to the contrary, the Company shall at all times be responsible for the payment and reporting of taxes due on the income and gains of the Trust Fund, and for the withholding, payment, and reporting of any and all taxes withheld from payments from the Trust Fund to Participants under the Plans (or to their designated beneficiaries). The Trustee shall notify the Company or its Representative of the income and gains of the Trust Fund in order to facilitate the Company's responsibilities in regard to such payment and reporting of taxable income of the Trust Fund. The Trustee shall pay over to the Company such sums as may be required for payment of withholding tax obligations with respect to benefit payments under the Plans made by the Trustee from the Trust Fund; provided, however, that no amounts shall be paid from the Trust Fund with respect to withholding tax obligations other than those that arise as of the date of actual payment of benefits from the Trust Fund to a Participant. The Company shall notify the Trustee of any and all amounts to be withheld from any payments to be made to individual Participants (or to their designated beneficiaries) and issue directions to the Trustee regarding payment over to the Company of such sums so withheld. The Trustee shall have no duty or obligation to determine the actual taxable income to be paid by the Company on the income and gains of the Trust Fund, or of any amount of federal, state, or local income taxes to be withheld, reported, or paid by, or on behalf, of any Participant or their designated beneficiaries. However, it shall be the duty of the Trustee to file, or cause to be filed, any fiduciary tax return that may be required under Section 671 of the Code.

SECTION VIII

BOOKS, RECORDS AND ACCOUNTS

The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder (including those transactions related to accounts under the management of a designated Investment Manager) and all such accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by any person designated by the Representative within a reasonable time period following the close of each fiscal year of the Trust Fund, and within 120 days, or such other agreed upon time, following the removal or resignation of the Trustee or the termination of the Trust, the Trustee shall file with the Representative a certified written report setting forth all investments, receipts and disbursements, and other transactions effected during the fiscal year, or other period from the

close of the preceding report to the date of such removal, resignation or termination, including a description of all securities and investments then held in the Trust Fund, and such other information customarily provided by the Trustee.

Upon the expiration of 180 days following the close of a fiscal year of the Trust Fund for which an annual accounting is filed, or 90 days from the date of filing of any interim accounting, the Trustee shall, to the extent permitted by law, be forever released and discharged from any liability or accountability to anyone for clerical errors apparent on the face of such accounting.

No Participant or beneficiary under the Plans, shall have the right to demand or be entitled to any accounting by the Trustee, other than those to which they may be entitled under the law.

Notwithstanding any other provision hereof or of the Plans, the Trustee shall not be subject to any liability for any act or omission, regardless of its nature, after three years following the date on which a plaintiff had actual knowledge of such act or omission; provided, however, that in the case of fraud or concealment the Trustee may be held liable at any time within six years after the date of discovery of such error or omission.

The Trustee shall determine the fair market value of the Trust Fund in its customary manner at such times as may be required by the Representative, or in order to carry out the provisions of the Plans.

All records and accounts maintained by the Trustee with respect to the Trust Fund shall be preserved for such period as may be required under any applicable law. Upon the expiration of any such retention period, the Trustee shall have the right to destroy such records and accounts after first notifying the Company or the Representative in writing of its intention, and transferring to the Company or to the Representative any such books, records, and accounts as requested. The Trustee shall have the right to preserve all books, records, or accounts in original form, or on microfilm, magnetic tape, or any other similar process.

SECTION IX

RESIGNATION AND REMOVAL OF TRUSTEE

The Trustee may be removed by the Company at any time upon written notice to the Trustee to that effect. The Trustee may resign as Trustee of the Trust Fund upon written notice to that effect delivered to the Company.

Such removal or resignation shall become effective as of the last day of the month which coincides with or next follows the expiration of 90 days from the date of the delivery of such written notice, unless an earlier or later date is agreed upon by the Company and the Trustee. Notwithstanding the foregoing provisions, after a Change in Control or during the existence of a Change in Control Period, such removal or resignation shall not be effective until after the delivery of Trust Fund assets to Hershey Trust Company (or any successor thereto) in accordance with Section 3.1 above.

In the event of removal or resignation, a successor trustee shall be appointed by the Company to become Trustee as of the time such removal or resignation becomes effective. No successor trustee appointed hereunder shall be held responsible or liable for the acts or omissions of its predecessor trustee.

Upon the appointment of a successor trustee, the retiring Trustee shall endorse, transfer, assign, convey and deliver to the successor trustee all of the funds, securities and other property then held by it in the Trust Fund, except such amounts as it may consider necessary to cover its compensation and its expenses in connection with the settlement of its accounts and the delivery of the Trust Fund to the successor trustee. The balance remaining of any amount so reserved shall be transferred and paid over to the successor trustee promptly upon settlement of its accounts, subject to the right of the retiring Trustee to retain any property deemed unsuitable by it for transfer until such time as transfer can be made.

Nothing herein shall be construed to deny the Trustee the right to a settlement of its accounts either by: (a) a receipt and release executed by the Company; or (b) settlement by order of a court of competent jurisdiction.

SECTION X

AMENDMENT AND TERMINATION

10.1 Prior to a Change in Control and Other Than During a Change in Control Period

Prior to a Change in Control and other than during a Change in Control Period, the Company may from time to time amend, in whole or in part, any or all of the provisions of this Trust Agreement without the consent of any Participant; provided, however, that (a) no amendment shall be made to this Trust Agreement or the Plans that will cause this Trust Agreement, the Plans or the assets of the Trust Fund to be governed by or subject to Part 2, 3 or 4 of Title I of ERISA, (b) no amendment will be made that will cause the assets of the Trust Fund to be taxable to Participants prior to the distribution of benefits therefrom, (c) no amendment shall increase the duties or responsibilities of the Trustee, unless the Trustee consents thereto in writing, (d) no amendment will be made that would in any way prevent the Trustee from delivering assets of the Trust to the Company in accordance with the terms hereof, and (e) no amendment will be made that would in any way prevent the Trustee from delivering assets of the Trust to the Hershey Trust Company (or any successor thereto), as trustee of the PNC Investment Corp. Benefit Funding Trust I, in accordance with Section 3.1.

10.2 Following a Change in Control or During a Change in Control Period

Following a Change in Control and during the existence of a Change in Control Period, this Trust Agreement may not be amended in any way that would prevent the Trustee from delivering assets of the Trust to the Hershey Trust Company (or any successor thereto) as trustee of the PNC Investment Corp. Benefit Funding Trust I, in accordance with Section 3.1.

10.3 Compliance with ERISA and the Code

Notwithstanding anything in this Section X to the contrary, this Trust Agreement and the Plans shall be amended from time to time (without the consent of any Participant) to (a) maintain the "unfunded" status of the Plans for purposes of ERISA and the Code, (b) maintain the Trust as a "grantor trust" for purposes of the Code, (c) ensure that contributions to the Trust by the Company will not result in the recognition of income by Participants and that income and gains of the Trust Fund will not constitute taxable income to the Trust or Participants and (d) ensure that benefits paid to Participants from the Trust Fund will be deductible by the Company in the year of payment (but only to the extent that any such amendment does not result in a material detriment to Participants).

10.4 Execution of Amendments

The Company and the Trustee shall execute such amendments to this Trust Agreement as shall be necessary to give effect to any amendment made pursuant to this Article X.

10.5 Winding Up

To the extent not revoked in accordance with the provisions of this Trust Agreement, the Trust shall remain in existence until the earlier of: (a) the first date on which both (i) all assets of the Trust are delivered to the Hershey Trust Company (or any successor thereto) as trustee of the PNC Investment Corp. Benefit Funding Trust I, in accordance with Section 3.1, and (ii) the Trustee receives written notice pursuant to Section 3.1 that a Change in Control has occurred; or (b) the date on which the Plans are terminated and all benefits payable thereunder are paid to Participants or their designated beneficiaries.

In the event that the Plans are so terminated, upon payment of or provision for all such benefits pursuant to the terms of the Plans, this Trust Fund shall be terminated and any assets remaining in the Trust Fund shall be distributed to the Company, pursuant to the directions of the Representative.

In making such distribution, the Trustee shall presume that such distribution is in full compliance with, and is not in violation of, any applicable law regulating the termination of the Plans, and the Trustee may require the Company or the Representative to furnish it with evidence that such distribution does not violate any applicable law. The Company shall assume all liability of any kind whatsoever arising from any such distribution made by the Trustee to the Company or at the direction of the Representative as a result of the termination of the Plans, and shall indemnify and save harmless from any attempt to impose any liability on the Trustee with respect to such distributions.

In no event shall this Trust continue for a period longer than 21 years following the date of death of the last surviving individual who is a Participant in any of the Plans on the date of execution of this Trust Agreement.

SECTION XI

CONSOLIDATION OR MERGER

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee is a party, or any corporation succeeding to the trust business of the Trustee, shall become the successor of the Trustee hereunder, without the execution or filing of any instrument or the performance of any further act on the part of the parties thereto.

SECTION XII

SPENDTHRIFT TRUST

The rights, benefits, and payments of any Participant or designated beneficiary payable under the Plans and the assets of the Trust Fund shall not be subject in any manner to anticipation, sale, assignment, alienation, transfer, pledge, encumbrance, or charge, voluntary or involuntary, by any Participant or beneficiary. Any attempt by a Participant or beneficiary to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. The assets of the Trust Fund shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant or beneficiary entitled to benefits under the Plans and such benefits shall not be considered an asset of a Participant or a beneficiary in the event of his or her insolvency or bankruptcy.

SECTION XIII

PARTICIPATING EMPLOYERS

13.1 Adoption of Trust by Affiliated Employers

The Company's establishment of this Trust shall be deemed to be for the benefit of the Company and its subsidiaries or affiliates in connection with its subsidiaries or affiliates whose employees are or may become Participants in the Plans.

13.2 Actions by Affiliates

Any subsidiary or affiliate whose employees are or may become Participants in the Plans is deemed to be a party to the Trust, and no further action is required by any subsidiary or affiliate of the Company in connection with the establishment or operation of the Trust.

13.3 Company Amends on Behalf of All Subsidiaries or Affiliates.

The Company shall have the right to amend the Trust Agreement on behalf of all of its subsidiaries or affiliates that are deemed to be parties to the Trust pursuant to Section 13.2.

SECTION XIV

CHOICE OF LAW

This Trust Agreement shall be construed and enforced, to the extent possible, according to the laws of the Commonwealth of Pennsylvania, without regard to conflict of laws rules, and all provisions hereof shall be administered according to the laws of said state and any federal laws, regulations or rules which may from time to time be applicable.

SECTION XV

NECESSARY PARTIES; THIRD-PARTY BENEFICIARIES

(a) To the extent permitted by law, prior to a Change in Control and other than during the existence of a Change in Control Period, only the Trustee and the Company shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(b) To the extent permitted by law, upon the occurrence of a Change in Control and during the existence of a Change in Control Period, only the Trustee, the Company and the Parent Corporation shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(b) Participants in the Plans are intended to be third-party beneficiaries of this Trust Agreement and shall be entitled to enforce the terms of this Trust Agreement to the same extent as a party hereto.

SECTION XVI

SUCCESSORS TO THE COMPANY AND THE EMPLOYERS

In addition to any obligations imposed by law upon any successor(s) to the Company and the Employers, the Company and the Employers shall be obligated to require any successor(s) (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company and the Employers to expressly assume and agree to perform this Trust Agreement in the same manner and to the same extent that the Company and the Employers would be required to perform it if no such succession had taken place; in the event of such a succession, references to "Company" and "Employers" herein shall thereafter be deemed to include such successor(s).

SECTION XVII

DEFINITIONS

17.1 A "Change in Control" means a change of control of the Parent Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Parent Corporation is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Parent Corporation and its subsidiaries, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of the Parent Corporation representing 20% or more of the combined voting power of the Parent Corporation's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of such voting power shall not be considered a Change in Control if the Board of Directors of the Parent Corporation (the "Board") approves such acquisition either prior to or immediately after its occurrence;

(b) the Parent Corporation consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Parent Corporation (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Parent Corporation outstanding immediately prior thereto continuing

to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power immediately after such Fundamental Transaction of (i) the Parent Corporation's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of the Parent Corporation approve a plan of complete liquidation or winding-up of the Parent Corporation or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Parent Corporation's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by the Parent Corporation's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Parent Corporation's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of the Parent Corporation or any of its subsidiaries shall not by itself constitute a "Change in Control."

17.2 "CIC Failure" means the following:

(a) with respect to a CIC Trigger Event described in Section 17.4(a), the Parent Corporation's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Trigger Event described in Section 17.4(b), the proxy contest fails to replace or remove a majority of the members of the Board.

17.3 "Change in Control Period" means a period beginning on the date of a CIC Trigger Event and ending on the earlier of the date of a CIC Failure or the occurrence of a Change in Control; provided, however, that a Change in Control Period shall not terminate on the date a CIC Failure occurs with respect to the first CIC Trigger Event if, subsequent to the commencement of the Change in Control Period, another CIC Trigger Event occurs and a CIC Failure has not yet occurred with respect to that CIC Trigger Event.

17.4 “CIC Trigger Event” means the occurrence of either of the following:

(a) the Board or the Parent Corporation’s shareholders approve a transaction described in subsection (b) of the definition of Change in Control contained in Section 17.1 hereof; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

17.5 “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act and shall also include any syndicate or group deemed to be a “person” under Section 13(d)(3) of the Exchange Act.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused their duly authorized officers to execute and deliver this Trust Agreement as of the day and year first above noted.

PNC INVESTMENT CORP.

/s/ Maria C. Shaffer

Maria C. Shaffer
Vice President and Controller

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Dana Luksic

Dana Luksic
Vice President

Accepted and agreed to, intending to be legally bound, by The PNC Financial Services Group, Inc. with respect to its obligations hereunder.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: /s/ James S. Gehlke

James S. Gehlke
Vice President, Corporate Retirement Plans

ATTACHMENT "A"

PLANS

The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan

The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan

This schedule may be updated from time to time by written notice from the Representative to the Trustee, other than during a Change in Control Period or after a Change in Control as defined in Section XVII of the Trust Agreement.

Exhibit 10.35

AMENDED AND RESTATED

TRUST AGREEMENT

Between

PNC INVESTMENT CORP.,
as Settlor

and

HERSHEY TRUST COMPANY,
as Trustee

AMENDED AND RESTATED TRUST AGREEMENT

This Amended and Restated Trust Agreement ("Trust Agreement") is made as of the 3rd day of November, 2005, by and between PNC INVESTMENT CORP., a corporation duly established and existing under the laws of the State of Delaware (the "Company") and HERSHEY TRUST COMPANY, a trust company organized under the laws of the Commonwealth of Pennsylvania (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company, its parent corporation, The PNC Financial Services Group, Inc. (the "Parent Corporation"), and certain of its subsidiaries and affiliates (the Parent Corporation and the Company's certain subsidiaries and affiliates collectively referred to as the "Employers") are or may become obligated under the employee benefit plans and agreements listed on Attachment A hereto (the "Plans") to make payments to certain former, present and future employees and directors (collectively, the "Participants"); and

WHEREAS, for purposes of ensuring that such payments will not be improperly withheld in the event of a Change in Control of the Parent Corporation, the Company has been directed to establish a grantor trust (the "Trust") to provide for the funding of benefit obligations under the Plans; and

WHEREAS, the Company and the Trustee have previously entered into that certain Trust Agreement dated December 20, 1999, and now mutually desire to amend and restate that Agreement as set forth herein.

NOW, THEREFORE, in consideration of the promises and of the mutual covenants contained herein and intending to be legally bound hereby, the Company and the Trustee hereby covenant and agree as follows:

SECTION I

TRUST FUND

1.1 Name of Trust

The trust fund referred to herein shall be known as the PNC INVESTMENT CORP. BENEFIT FUNDING TRUST I.

1.2 Establishment of Trust Fund

A trust fund (the "Trust Fund" or "Trust") is hereby established with the Trustee consisting of such sums of money and such other property (including insurance policies) as may

be acceptable to the Trustee as from time to time shall be paid or delivered to the Trustee in accordance with the terms hereof and for the purposes hereof. All cash or other property so received, together with the income therefrom, shall be held, managed and administered by the Trustee pursuant to the terms of this Trust Agreement without distinction between principal and income.

The Trust is intended to be a "grantor trust," within the meaning of Section 671 of the Internal Revenue Code of 1986, as amended (the "Code").

The Trustee will record a separate account within the Trust for the Company and each Employer, as applicable, and the Trustee will value not only the assets of the Trust as a whole, but also the assets of each account attributable to the Company and each Employer. For federal income tax purposes, the Company and each Employer will be deemed to be the grantor of its separate account; provided, however, that because the Company and each Employer are members of the same consolidated return group, a single Form 1041 may be issued to the Parent Corporation. Payments are to be made from the account in the Trust of the Company or the Employer employing the employee to whom payments are made.

The insolvency of the Company and each Employer is considered separately so that, in the event that one Employer, but not the Company or the other Employers becomes insolvent, the assets in the account of the insolvent Employer will be identified and held for the benefit of that Employer's creditors.

For accounting purposes only, separate accounts may be established for individual Participants in the Plans. Monies allocated to any such individual accounts shall be distributable only to the Participants for whom the accounts are established (or to the beneficiaries of such Participants) pursuant to the provisions of the applicable Plan.

The Trust Fund shall be held separate and apart from other funds of the Company and shall be used exclusively for the purpose of assuring payment by the Company and the Employers of future obligations of the Company and the Employers arising under the Plans, except to the extent otherwise set forth herein.

1.3 Description of Trust

The Company represents and agrees that the Trust established under this Trust Agreement is intended to fund only the Plans. The Trust is, and is intended to be, a depository arrangement with the Trustee for the setting aside of cash and other assets of the Company as and when it so determines in its sole discretion and as required by the terms of Section 3.1 hereof, for the purpose of satisfying future obligations under the Plans. The Company represents that each Plan is an excess benefit plan (within the meaning of Section 3(36) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), a benefit arrangement for a select group of management or highly compensated active and/or former employees (within the meaning of Sections 201(2), 301(a) (3) and 401(a) (1) of ERISA) or is not covered by ERISA. The Company further represents that the Plans are not qualified under Section 401 of the Code and, therefore, are not subject to the Code's requirements applicable to tax-qualified plans.

1.4 Revocability

The Trust shall be revocable by the Company, and Participants shall have no right to any part of the Trust Fund; provided, however, that the Trust may not be revoked during a "Change in Control Period" (as defined in Section XVII of this Trust Agreement) or after a "Change in Control" (as defined in Section XVII of this Trust Agreement).

1.5 Acceptance by the Trustee

The Trustee accepts the Trust established under this Trust Agreement on the terms and subject to the provisions set forth herein, and agrees to discharge and perform fully and faithfully all of the duties and obligations imposed upon it under this Trust Agreement.

SECTION II

AUTHORITY

A designated "Representative" appointed by the Company shall have the authority to act on behalf of the Company, subject to the terms hereof. In its sole discretion, the Representative may designate one or more individuals to act on its behalf. The Trustee shall be entitled to deal with the Representative until notified otherwise by the Company. The Company shall provide the Trustee with a certified list of the names and specimen signatures of its Representative, or any individuals designated by the Representative to act on its behalf, and shall also notify the Trustee in writing, from time to time, of any changes to the names so provided.

2.1 Distributions from Trust Fund

The Trustee shall make payments (including the payment of Trust expenses) and other disbursements from the Trust Fund only upon the express written instructions of the Representative or as expressly authorized by the terms of this Trust Agreement. Such payments may be made either directly to the person or persons specified in such written instructions or as expressly authorized by the terms of this Trust Agreement, or deposited in a checking account maintained on behalf of the Trust Fund for the purpose of making payments or disbursements in accordance with the provisions of the Plans.

2.2 Indemnification

To the extent permitted by law, the Company shall fully indemnify and hold the Trustee harmless from any liability and expense incident to any act or omission by reason of the Trustee's reliance upon, and compliance with, written instructions issued by the Representative not in contravention of the terms of the Plans.

2.3 Trustee Responsibility for Payments When Company or Employer Is (or Is Deemed to Be) Insolvent

(a) If at any time the Trustee has actual knowledge, or has determined in accordance with Section 2.3(c) below, that the Company or an Employer is insolvent under the standards set forth in Section 2.3(b) below, the Trustee shall hold for the benefit of, or deliver upon the order of a court of competent jurisdiction, any undistributed portion of the Company's or the Employer's Trust Fund account to satisfy the claims of the Company's or the Employer's general creditors.

(b) The Company or an Employer shall be considered insolvent for purposes of this Agreement if (i) it is unable to pay its debts as they become due or (ii) it is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(c) The Company agrees that its Chief Executive Officer or General Counsel, as from time to time acting, shall have the duty to inform the Trustee of the Company's or an Employer's insolvency. The Chief Executive Officer or General Counsel may discharge such obligation through a Representative. If the Company or a person claiming to be a creditor of the Company or an Employer alleges in writing to the Trustee that the Company or an Employer has become insolvent, the Trustee shall independently determine, within 30 days after receipt of such notice, whether the Company or the Employer is insolvent in accordance with the standards therefor established in this Trust Agreement, and pending such determination, shall discontinue all payments from the Trust Fund. The Company shall cooperate with the Trustee in its investigation. The Trustee may refuse any request for an analysis of insolvency if such request is received within 90 days of its concluding a prior analysis. The Trustee shall resume payments in accordance with the terms of this Trust Agreement only after the Trustee has determined that the Company or the Employer is not insolvent (or is no longer insolvent, if the Trustee initially determined the Company or the Employer to be insolvent). Nothing in this Trust Agreement shall in any way diminish any rights of any Participant to pursue his or her rights as a general creditor of the Company or an Employer with respect to benefits under the terms of the Plans.

(d) Unless the Trustee has received notice or otherwise has actual knowledge of the Company's or an Employer's insolvency or alleged insolvency, the Trustee shall have no duty to inquire as to whether the Company or an Employer is insolvent.

(e) If the Trustee discontinues payments to a person from the Trust Fund pursuant to Section 2.3(b) above and subsequently resumes such payments, the first payment to such person following the discontinuance shall include the aggregate amount of all payments which would have been made to such person in accordance with the terms of the Plan during such period, less the aggregate amount of such payments to each person made by or on behalf of the Company or an Employer during such period, as certified in writing to the Trustee by the Representative.

SECTION III

EFFECT OF A CIC TRIGGER EVENT OR A CHANGE IN CONTROL

3.1 Contributions to the Trust

(a) Upon the occurrence of a "CIC Trigger Event" (as defined in Section XVII of this Agreement) or a Change in Control (if no CIC Trigger Event precedes the Change in Control), the Parent Corporation shall deliver to the Trustee to be held in trust hereunder an amount of cash, marketable securities (valued at fair market value), insurance policies or a combination thereof (the "Required Contribution") equal to the amount that, together with any amounts already held by the Trust Fund, will be sufficient to provide for the obligations of the Company and the Employers under the Plans. Such amount shall be determined by the Parent Corporation in its discretion, but shall not be less than such amount as would be determined (i) using an annual interest rate assumption of 6%, (ii) using the UP-84 mortality table for benefits payable under the Plans three or more years after the date of the Required Contribution and no mortality assumption for benefits payable less than three years from the date of the Required Contribution, (iii) assuming that, for purposes of determining the amount to be transferred to the Trust with respect to those Plans that are agreements (the "CIC Agreements") providing for the payment of benefits in the event of certain terminations of employment following a Change in Control, that all Participants who are covered by such agreements are terminated without "Cause" (as defined in such agreements) by the Company as of the first day of the applicable "Coverage Period" (as defined in the agreements) and (iv) assuming that, for purposes of determining the amount to be transferred to the Trust with respect to each Plan that is not a CIC Agreement, that each Participant terminates employment with the Company and the Employers as of the earliest date as of which the Participant is entitled to begin receiving benefits under each such Plan (assuming the Participant terminated employment as of such date). If such Required Contribution is made as the result of a CIC Trigger Event, such Required Contribution, as adjusted for income and losses, shall be returned to the Parent Corporation upon the written request of the Parent Corporation; provided, however, that the Required Contribution may not be returned to the Parent Corporation during the existence of a Change in Control Period or after a Change in Control. To satisfy all or any portion of its obligation to make the Required Contribution, the Parent Corporation may direct the trustee(s) of another trust or trusts established for purposes similar to this Trust to deliver assets of such trust(s) to Trustee.

(b) At twelve-month intervals commencing twelve months after the date a Required Contribution is made pursuant to Section 3.1(a) hereof, unless a Change in Control Period has ceased to exist and no Change in Control has occurred, the Parent Corporation shall recalculate the Required Contribution that would be required to be delivered pursuant to Section 3.1(a) hereof assuming a CIC Trigger Event occurred as of the end of the month immediately preceding such twelve-month interval date. If the amount so calculated exceeds the fair market value of the Trust Fund's assets, the Parent Corporation shall promptly (and in no event later than seven days from the date of such twelve-month interval date) pay to the Trustee an amount in cash (or marketable securities or any combination thereof) equal to such excess.

(c) The Chief Executive Officer or the General Counsel of the Parent Corporation (or one of their designated representatives) shall promptly notify the Trustee in writing of the occurrence of any of the following: a CIC Trigger Event, a Change in Control, or the cessation of a Change in Control Period (all as defined in Section XVII of this Trust Agreement). After a Change in Control and during the existence of a Change in Control Period: (i) this Trust shall be irrevocable, as provided in Section 3.2; (ii) all payments due in accordance with the provisions of the Plans, as determined by the Trustee in its reasonable judgment, shall be made directly by the Trustee to Participants; and (iii) the Trustee shall not act upon any direction from the Company, any Employer (including the Parent Corporation) or the Representative that is contrary to the foregoing provisions.

(d) The Trustee shall be fully protected in making such payments from time to time in accordance with the provisions of this Section 3.1 and shall be charged with no responsibility whatsoever respecting the application of such monies, except as otherwise required by law.

(e) The Company shall provide the Trustee with copies of all of the Plan documents, including any amendments thereto.

3.2 Payments to the Company

(a) Subject to Section 2.3 above, prior to a Change in Control and other than during the existence of a Change in Control Period, the Company or the Representative may direct the Trustee to pay all or a portion of the Trust Fund to the Company. After a Change in Control and during the existence of a Change in Control Period, neither the Company, any Employer (including the Parent Corporation) nor the Representative shall have any power to direct the Trustee to return to the Company or to pay to others (other than Participants, their beneficiaries or the general creditors of the Company or any Employer) any portion of the Trust Fund prior to the complete satisfaction of the Company's or the Employers' obligations to Participants and their beneficiaries under the terms of the Plans.

(b) Notwithstanding the provisions of Section 3.2(a), if after a Change in Control or during a Change in Control Period, the Parent Corporation determines that a portion of the Trust Fund will never be required to satisfy such obligations assuming that the Trust Fund earns a zero rate of return, such portion may be returned to the Parent Corporation if (i) the Trustee is directed to make such payment by the Company or the Representative and (ii) the Trustee has satisfied itself that the amount remaining in the Trust Fund will be sufficient to pay or provide for all future benefits under the Plans using such assumptions as it deems appropriate in its sole discretion; provided, however, that no amounts may be returned to the Parent Corporation pursuant to this Section 3.2 prior to the third anniversary of the date of a Change in Control.

(c) Notwithstanding the foregoing provisions of Section 3.2, the Representative may, at any time within 60 days of the date of any payment made by the Company to Participants in satisfaction of the Company's or the Employers' obligations under the Plans, direct the Trustee to reimburse the Company for such payments; provided, however, that such reimbursement shall be made to the Company only to the extent that (i) all amounts due and payable under the Plans

have been paid in full and (ii) the Trustee determines that the reimbursement of such amounts will not impair the ability of the Trust to fully fund future benefit payments under the Plans using such assumptions as it deems appropriate in its sole discretion.

3.3 Disputes Between Participant and Trustee

It is recognized that a Participant may dispute the amount of benefit paid by the Trustee under one or more Plans, or may assert a right to receive a benefit payment when the Trustee determines that no payment is due to the Participant under one or more Plans. In either such event, the Trustee shall gather information from all sources it may deem appropriate (including the Company) and shall permit the Participant to make a written submission. After consideration of all such materials, the Trustee shall provide the Participant with its decision as rendered in its reasonable judgment. If such decision is adverse to the Participant's claim, the decision shall be accompanied by a written explanation of the basis for the Trustee's decision. The Trustee's decision shall be final and binding. During the period that the Trustee is considering the claim, the Trustee shall make payment of only the amount of benefits (if any) as to which there is no dispute. If the Trustee then reaches a decision that the Participant's benefits should have been increased, it shall make a single sum payment equal to the excess of the revised benefit amount over the amount actually paid together with simple interest at a rate of 9% per annum from each benefit payment date to the date of the lump sum payment.

3.4 Insufficiency of Trust Fund

If, as of the date of any payment of Plan benefits from the Trust Fund, the Trustee determines that the Trust Fund is insufficient to provide for the payment to Participants of the full amount of their Plan benefits to be paid as of such date, the amount of Plan benefits paid to each Participant from the Trust Fund as of such date shall be reduced in proportion to the ratio which the aggregate fair market value of the Trust Fund bears to the aggregate amount otherwise payable at that time to each such Participant. At all times the Company and the Employers shall continue to be fully liable for the payment of all Plan benefits notwithstanding any insufficiency of the Trust Fund.

SECTION IV

INVESTMENT OF THE TRUST FUND

4.1 General

Except as otherwise provided herein, the Trustee shall invest and reinvest the assets of the Trust Fund in accordance with the written directions of the Representative or its designate.

4.2 Appointment of Investment Managers by the Company

Before a Change in Control and other than during a Change in Control Period, the

Company or the Representative, in their sole discretion, may appoint one or more investment managers (including the Trustee) to manage and control the assets of the Trust Fund (the "Investment Managers"). Any Investment Manager so appointed shall be either: (a) an investment adviser registered as such under the Investment Advisers Act of 1940, as amended; (b) a bank, as defined in that Act; (c) an insurance company qualified to perform investment management services under the laws of more than one state; or (d) a subsidiary or affiliate of the Company authorized to perform investment management services. Any Investment Manager shall certify in writing that it is qualified to act in such capacity, and acknowledge that it assumes the fiduciary duties established by this Trust Agreement.

4.3 Allocation of Assets by the Company for Investment

Before a Change in Control and other than during a Change in Control Period, the Company or the Representative shall direct the manner of allocation among Investment Managers of assets of the Trust Fund, and may direct the transfer of assets between Investment Managers on reasonable notice to the Trustee and any affected Investment Manager. An Investment Manager designated to manage assets allocated to it shall have exclusive authority to manage, acquire and dispose of such assets subject to any investment policy that may, from time to time, be established by the Representative or the Company.

Unless the Trustee participates knowingly in, or knowingly undertakes to conceal, an act or omission of an Investment Manager, where such act or omission would be a breach of the fiduciary responsibility of such Investment Manager, the Trustee shall be under no liability for any loss of any kind which may result by reason of any action taken by it in accordance with any direction of such Investment Manager or by reason of its failure to exercise any power or authority with respect to allocated assets because of the failure of the Investment Manager to issue proper and timely directions to the Trustee.

4.4 Investment Responsibility of the Trustee

After a Change in Control and during any Change in Control Period, the Trustee shall have responsibility for the management and control of the assets of the Trust Fund, subject to any investment policy (a "Pre-CIC Investment Policy") established by the Company or the Representative prior to the commencement of the Change in Control Period or the Change in Control (if no Change in Control Period precedes the Change in Control). After a Change in Control and during any Change in Control Period, the Trustee may continue to retain or terminate the services of any Investment Manager previously appointed by the Company or the Representative, and in its sole discretion, exercise the powers described in Sections 4.2 and 4.3 hereof (without regard to the limitation on the exercise all of such powers by the Company or the Representative to periods prior to a Change in Control and other than during a Change in Control Period) subject to the terms of any Pre-CIC Investment Policy.

4.5 Investment Powers of Trustee

In addition to any power granted under any statute or laws pertaining to the investment of trust assets, the Trustee's investment powers shall include, but shall not be limited to, the investment of trust assets in the following:

(a) bonds or other obligations of the United States of America, and any agencies thereof, or any bonds or other obligations which are directly or indirectly guaranteed by the United States, or any agency thereof;

(b) open-end or closed-end investment companies that offer investment funds, the assets of which correspond to those described under (a) above with at least $10 billion under management;

(c) savings accounts, certificates of deposit and other types of time deposits with any financial institution or quasi-financial institution whose combined capital and surplus is not less than $1 billion, including the Trustee's banking department; and

(d) to the extent permitted by applicable law, any collective, common or pooled trust fund operated by the Trustee, the assets of which primarily correspond to those described under (a) above, but which also may include bonds or obligations of non-governmental issuers which are rated among the top three ratings categories of any nationally recognized rating agency. The provisions of any such collective, common or pooled investment trust shall be incorporated herein by reference during, but only during the period that any portion of this Trust Fund is a part of such trust.

Prior to a Change in Control and other than during any Change in Control Period, the Trustee shall exercise the powers set forth in this Section 4.5 only in accordance with the directions of the Representative or its designee. After a Change in Control and during any Change in Control Period the Trustee shall have full discretion to exercise the powers set forth in this Section 5, subject to the terms of any Pre-CIC Investment Policy.

4.6 Administrative Powers of the Trustee

The Trustee is authorized and empowered to:

(a) sell, exchange, convey, transfer or otherwise dispose of, any property, real or personal, held in the Trust Fund and to make any sale by private contract or public auction, and for cash or credit, or partly for cash and partly for credit, and no person dealing therewith shall be bound to see the application of the purchase money or to inquire into the validity, expediency or propriety of any such sale or disposition;

(b) vote in person or by proxy any stocks, bonds or other securities held in the Trust Fund, without any obligation to inquire as to or follow the wishes of the Company or the Representative with respect to such voting;

(c) exercise any rights appurtenant to any such stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise rights or options to subscribe for or purchase additional stocks, bonds or other securities, and to make any and all necessary payments with respect to such conversion or exercise;

(d) join in, dissent from or oppose the reorganization, recapitalization, consolidation, sale or merger of corporations or properties of which the Trust Fund may hold stocks, bonds or other securities or in which it may be interested, upon such terms and conditions as may be deemed advisable, to pay any expenses, assessments or subscriptions in connection therewith, and to accept any securities or property, whether or not trustees would be authorized to invest in such securities or property, which may be issued upon any such reorganization, recapitalization, consolidation, sale or merger and thereafter to hold the same without any duty to sell;

(e) borrow or raise monies from any lender, excluding the Trustee in its corporate capacity, if permitted by law, for the benefit of the Trust Fund and in conjunction with its duties under this Trust Agreement, in such amount and upon such terms and conditions as may be deemed advisable; and for any sums so borrowed to issue promissory notes and to secure the repayments thereof by mortgaging or pledging all or any part of the Trust Fund except any common, collective or pooled trust units which may be held in the Trust Fund; and no person lending money to the Trust Fund shall be bound to see to the application of the money loaned or to inquire into the validity, expediency or propriety of any such borrowing;

(f) cause any investment of the Trust Fund to be registered in, or transferred into, the Trustee's name or the names of a nominee or nominees, or to retain such investment unregistered or in a form permitting transfer by delivery, provided that the books and records of the Trustee shall at all times show that all such investments are part of the Trust Fund;

(g) purchase or otherwise acquire and make payment therefor from the Trust Fund any bond or other form of guarantee or surety required by any authority having jurisdiction over this Trust Fund and its operation, or believed to be in the best interests of the Trust Fund, except the Trustee or Investment Manager may not obtain any insurance whose premium obligation extends to the Trust Fund which would protect the Trustee or Investment Manager against their liability for breach of fiduciary duty;

(h) defend against or participate in any legal actions involving the Trust Fund in the manner and to the extent it deems advisable, the costs of any such defense or participation to be borne by the Trust Fund unless paid by the Company; provided, however, that the Trustee or Investment Manager shall not be entitled to costs if either shall have committed a breach of fiduciary duty;

(i) compromise, compound and settle any debt or obligation due to the Trust Fund and to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default or otherwise enforce any such obligation; or

(j) enforce any right, obligation or claim in its absolute discretion and in general to protect in any way the interest of the Trust Fund, either before or after default with respect to any such right, obligation or claim, and in case it shall consider such action in the best interest of the Trust Fund, in its absolute discretion to abstain from the enforcement of any right, obligation or claim and to abandon any property, whether real or personal, which at any time may be held by it.

The Trustee shall at all times be authorized and empowered to exercise all of the powers listed in this Section 4.6; provided that, prior to a Change in Control and other than during the existence of a Change in Control Period the Trustee shall exercise the powers described in clauses (b), (d), (e), (h), (i) and (j) of this Section 4.6 only if it has not received direction from the Representative, otherwise it shall be obligated to follow the direction of the Representative.

SECTION V

DIVERSIFICATION

Prior to a Change in Control and other than during the existence of a Change in Control Period, the Company or its Representative shall be solely responsible for the manner in which investments of the Trust Fund are prudently diversified. After a Change in Control and during the existence of a Change in Control Period, the Trustee shall be responsible for the manner in which Trust Fund investments are prudently diversified, subject to any Pre-CIC Investment Policy.

The Trustee shall have no liability or responsibility for the diversification of the investments of the Trust Fund: (a) held in any account under the direction of an Investment Manager or (b) when the Trust Fund is managed in accordance with the written directions of the Representative or its designee.

SECTION VI

FIDUCIARY RESPONSIBILITY

The Representative, the Trustee, and any designated Investment Manager shall, under those circumstances where each or any of them are charged with the responsibility for the investment management of assets of the Trust Fund, discharge their duties as provided in this Trust Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with the like aims and by diversifying the investments held hereunder so as to minimize the risk of large losses, unless under the circumstances, it would clearly not be prudent to do so; provided, however, that the Representative, the Trustee, or any designated Investment Manager does not guarantee (a) the Trust Fund in any manner against investment loss or depreciation in asset value or (b) the adequacy of the Trust Fund to meet and discharge all or any liabilities of the Plans.

The Representative, the Trustee, or any designated Investment Manager may, in its discretion, keep such portion of the Trust Fund in cash or cash balances as it may deem reasonably necessary from time to time, and shall keep such portion of the Trust Fund in cash or cash balances as may be required to meet contemplated payments from the Trust Fund. No liability shall accrue for any interest on any cash balances so maintained.

The Representative, or the Trustee is specifically authorized to appoint ministerial agents as to part or all of the Trust Fund and functions incident thereto where, in its sole discretion, such delegation is necessary, appropriate or desirable to facilitate the operations of the Trust Fund and consistent with the purposes of the Trust Fund.

SECTION VII

TAXES AND TRUSTEE'S COMPENSATION

7.1 Trustee's Compensation

The Trustee shall be entitled to such reasonable compensation for services rendered as mutually agreed upon in writing with the Company, and shall be reimbursed for all reasonable expenses (except those arising from a breach of fiduciary duty) incurred by the Trustee as a result of the performance of its duties hereunder, including, but not limited to, legal and accounting expenses incurred as a result of disbursements and payments made by the Trustee, and reasonable compensation for agents, counsel or other services rendered to the Trustee by third parties, and expenses incident thereto. Any such compensation and reimbursement for any such expenses shall be paid by the Trust Fund to the Trustee, unless paid by the Company.

7.2 Taxes

The Trustee shall notify the Representative of any tax assessments that it receives on any property held in the Trust Fund, and, unless notified to the contrary by the Representative within 90 days, shall either pay or pay over to the Company funds sufficient to cover such assessments if so directed by the Representative. If the Representative notifies the Trustee within said period that such assessments are invalid or that they should be contested, the Trustee shall take whatever action is indicated in the notice received from the Representative, including contesting the assessment or litigating any claims.

Notwithstanding anything herein to the contrary, the Company shall at all times be responsible for the payment and reporting of taxes due on the income and gains of the Trust Fund, and for the withholding, payment, and reporting of any and all taxes withheld from payments from the Trust Fund to Participants under the Plans (or to their designated beneficiaries). The Trustee shall notify the Company or its Representative of the income and gains of the Trust Fund in order to facilitate the Company's responsibilities in regard to such payment and reporting of taxable income of the Trust Fund. The Trustee shall pay over to the Company such sums as may be required for payment of withholding tax obligations with respect to benefit payments under the Plans made by the Trustee from the Trust Fund; provided, however, that no amounts shall be paid from the Trust Fund with respect to withholding tax obligations other than those that arise as of the date of actual payment of benefits from the Trust

Fund to a Participant. The Company shall notify the Trustee of any and all amounts to be withheld from any payments to be made to individual Participants (or to their designated beneficiaries) and issue directions to the Trustee regarding payment over to the Company of such sums so withheld. The Trustee shall have no duty or obligation to determine the actual taxable income to be paid by the Company on the income and gains of the Trust Fund, or of any amount of federal, state, or local income taxes to be withheld, reported, or paid by, or on behalf, of any Participant or their designated beneficiaries. However, it shall be the duty of the Trustee to file, or cause to be filed, any fiduciary tax return that may be required under Section 671 of the Code.

SECTION VIII

BOOKS, RECORDS AND ACCOUNTS

The Trustee shall keep accurate and detailed accounts of all investments, receipts and disbursements and other transactions hereunder (including those transactions related to accounts under the management of a designated Investment Manager) and all such accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by any person designated by the Representative within a reasonable time period following the close of each fiscal year of the Trust Fund, and within 120 days, or such other agreed upon time, following the removal or resignation of the Trustee or the termination of the Trust, the Trustee shall file with the Representative a certified written report setting forth all investments, receipts and disbursements, and other transactions effected during the fiscal year, or other period from the close of the preceding report to the date of such removal, resignation or termination, including a description of all securities and investments then held in the Trust Fund, and such other information customarily provided by the Trustee.

Upon the expiration of 180 days following the close of a fiscal year of the Trust Fund for which an annual accounting is filed, or 90 days from the date of filing of any interim accounting, the Trustee shall, to the extent permitted by law, be forever released and discharged from any liability or accountability to anyone for clerical errors apparent on the face of such accounting.

No Participant or beneficiary under the Plans shall have the right to demand or be entitled to any accounting by the Trustee, other than those to which they may be entitled under the law.

Notwithstanding any other provision hereof or of the Plans, the Trustee shall not be subject to any liability for any act or omission, regardless of its nature, after three years following the date on which a plaintiff had actual knowledge of such act or omission; provided, however, that in the case of fraud or concealment the Trustee may be held liable at any time within six years after the date of discovery of such error or omission.

The Trustee shall determine the fair market value of the Trust Fund in its customary manner at such times as may be required by the Representative, or in order to carry out the provisions of the Plans.

All records and accounts maintained by the Trustee with respect to the Trust Fund shall be preserved for such period as may be required under any applicable law. Upon the expiration of any such retention period, the Trustee shall have the right to destroy such records and accounts after first notifying the Company or the Representative in writing of its intention, and transferring to the Company or to the Representative any such books, records, and accounts as requested. The Trustee shall have the right to preserve all books, records, or accounts in original form, or on microfilm, magnetic tape, or any other similar process.

SECTION IX

RESIGNATION AND REMOVAL OF TRUSTEE

The Trustee may be removed by the Company at any time upon written notice to the Trustee to that effect; provided, however, that after a Change in Control or during the existence of a Change in Control Period the Trustee may not be removed by the Company without the written consent of at least 75% of the Participants as of the date of removal who were Participants as of the day preceding the Change in Control or the commencement of the Change in Control Period (if removal or the Trustee is to occur during a Change in Control Period). The Trustee may resign as Trustee of the Trust Fund upon written notice to that effect delivered to the Company. Such removal or resignation shall become effective as of the last day of the month which coincides with or next follows the expiration of 90 days from the date of the delivery of such written notice, unless an earlier or later date is agreed upon by the Company and the Trustee.

In the event of removal or resignation, a successor trustee shall be appointed by the Company to become Trustee as of the time such removal or resignation becomes effective; provided, however, that after a Change in Control and during the existence of a Change in Control Period any appointment of a successor trustee must be approved in writing by at least 75% of the Participants as of the date of appointment who were Participants as of the day preceding the Change in Control or the commencement of the Change in Control Period (if the appointment is to occur during the Change in Control Period). No successor trustee appointed hereunder shall be held responsible or liable for the acts or omissions of its predecessor trustee.

Upon the appointment of a successor trustee, the retiring Trustee shall endorse, transfer, assign, convey and deliver to the successor trustee all of the funds, securities and other property then held by it in the Trust Fund, except such amounts as it may consider necessary to cover its compensation and its expenses in connection with the settlement of its accounts and the delivery of the Trust Fund to the successor trustee. The balance remaining of any amount so reserved shall be transferred and paid over to the successor trustee promptly upon settlement of its accounts, subject to the right of the retiring Trustee to retain any property deemed unsuitable by it for transfer until such time as transfer can be made.

Nothing herein shall be construed to deny the Trustee the right to a settlement of its accounts either by: (a) a receipt and release executed by the Company or (b) settlement by order of a court of competent jurisdiction.

SECTION X

AMENDMENT AND TERMINATION

10.1 Prior to a Change in Control and Other Than During a Change in Control Period

Prior to a Change in Control and other than during a Change in Control Period, the Company may from time to time amend, in whole or in part, any or all of the provisions of this Trust Agreement without the consent of any Participant; provided, however, that (a) no amendment shall be made to this Trust Agreement or the Plans that will cause this Trust Agreement, the Plans or the assets of the Trust Fund to be governed by or subject to Part 2, 3 or 4 of Title I of ERISA, (b) no amendment will be made that will cause the assets of the Trust Fund to be taxable to Participants prior to the distribution of benefits therefrom and (c) no amendment shall increase the duties or responsibilities of the Trustee, unless the Trustee consents thereto in writing.

10.2 Following a Change in Control or During a Change in Control Period

Following a Change in Control and during the existence of a Change in Control Period, this Trust Agreement may be amended (subject to the restrictions set forth in Section 10.1) only with the prior written consent of 75% of the Participants as of the date of the amendment who were Participants immediately preceding the Change in Control or the Change in Control Period (if the amendment occurs during a Change in Control Period). Upon receipt of a request from the Company for an amendment, the Trustee shall be responsible for attempting to secure such consents in a timely fashion, and unless ordered by a court of competent jurisdiction, shall not reveal to the Company or to any other person any information concerning such consents, except whether the required majority has been achieved.

10.3 Compliance with ERISA and the Code

Notwithstanding anything in this Section X to the contrary, this Trust Agreement and the Plans shall be amended from time to time (without the consent of any Participant) to (a) maintain the “unfunded” status of the Plans for purposes of ERISA and the Code, (b) maintain the Trust as a “grantor trust” for purposes of the Code, (c) ensure that contributions to the Trust by the Company will not result in the recognition of income by Participants and that income and gains of the Trust Fund will not constitute taxable income to the Trust or Participants and (d) ensure that benefits paid to Participants from the Trust Fund will be deductible by the Company in the year of payment (but only to the extent that any such amendment does not result in a material detriment to Participants).

10.4 Execution of Amendments

The Company and the Trustee shall execute such amendments to this Trust Agreement as shall be necessary to give effect to any amendment made pursuant to this Article X.

10.5 Winding Up

To the extent not revoked in accordance with the provisions of this Trust Agreement, the Trust Fund shall remain in existence until the Plans are terminated and all benefits payable thereunder are paid to Participants or their designated beneficiaries. In the event that the Plans are so terminated, upon payment of or provision for all such benefits pursuant to the terms of the Plans, this Trust Fund shall be terminated and any assets remaining in the Trust Fund shall be distributed to the Company, pursuant to the directions of the Representative.

In making such distribution, the Trustee shall presume that such distribution is in full compliance with, and is not in violation of, any applicable law regulating the termination of the Plans, and the Trustee may require the Company or the Representative to furnish it with evidence that such distribution does not violate any applicable law. The Company shall assume all liability of any kind whatsoever arising from any such distribution made by the Trustee to the Company or at the direction of the Representative as a result of the termination of the Plans, and shall indemnify and save harmless from any attempt to impose any liability on the Trustee with respect to such distributions.

In no event shall this Trust continue for a period longer than 21 years following the date of death of the last surviving individual who is a Participant in any of the Plans on the date of execution of this Trust Agreement.

SECTION XI

CONSOLIDATION OR MERGER

Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee is a party, or any corporation succeeding to the trust business of the Trustee, shall become the successor of the Trustee hereunder, without the execution or filing of any instrument or the performance of any further act on the part of the parties thereto.

SECTION XII

SPENDTHRIFT TRUST

The rights, benefits, and payments of any Participant or designated beneficiary payable under the Plans and the assets of the Trust Fund shall not be subject in any manner to anticipation, sale, assignment, alienation, transfer, pledge, encumbrance, or charge, voluntary or involuntary, by any Participant or beneficiary. Any attempt by a Participant or beneficiary to anticipate, alienate, sell, transfer, assign, pledge, encumber, or charge the same shall be void. The assets of the Trust Fund shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements, or torts of any Participant or beneficiary entitled to benefits under the Plans and such benefits shall not be considered an asset of a Participant or a beneficiary in the event of his or her insolvency or bankruptcy.

SECTION XIII

PARTICIPATING EMPLOYERS

13.1 Adoption of Trust by Affiliated Employers

The Company may from time to time consent to the participation in this Trust by any of its subsidiaries or affiliates (referred to above as the “Employers”). The Company may require, as a condition of the joining of the Trust by any such entity, that such entity take such action as is necessary to establish that any plan arrangement or agreement which such entity maintains (or is a party to) meets the criteria described in Section 1.3, and may adopt a supplement or supplements to this Trust setting forth the identity of the plan, arrangement or agreement involved and special rules, if any, as to the interests of persons covered by such other plan.

13.2 Actions by Affiliates

Any subsidiary or affiliate participating hereunder shall become a party to the Trust and become an “Employer” hereunder when its Board of Directors delivers a resolution to the Company approving such action along with an adoption agreement, in the form prescribed by the Representative, executed by its officers. A copy thereof shall be filed with the Trustee. Any such Employer shall contribute its allocable share to the cost of maintaining and administering the Trust so long as it remains a party to the Trust.

13.3 Company Amends on Behalf of All Employers

The Company shall have the right to amend the Trust Agreement on behalf of all Employers. However, all of the other provisions of this Trust Agreement (specifically including, but not limited to, Sections 1.3, 2.3 and 3.3) shall apply to the separate share of the Trust Fund attributable to an Employer, *mutatis mutandis*.

13.4 Any Employer May Terminate

The right is reserved by each Employer to terminate the Trust with respect to its separate account within the Trust; provided, however, that after a Change in Control and during the existence of a Change in Control Period, an Employer may not terminate the Trust with respect

to Participants who were Participants immediately prior to the CIC Trigger Event or the Change in Control (if no CIC Trigger Event precedes the Change in Control). In the event that any Employer shall withdraw or shall be deemed to have withdrawn from participation in all of the Plans, the Representative shall instruct the Trustee in writing as to the disposition to be made pursuant to the Plans of that portion of the Trust Fund held for employees of such Employer. Any corporation into which an Employer may merge, or with which it may be consolidated, or any corporation resulting from such merger or consolidation or which otherwise succeeds to substantially all of the assets of such entity shall be and shall continue as that entity for all purposes of this Trust Agreement without the execution or filing of any additional instrument or the performance of any further act; provided, that it continues to meet the definition of "Employer" as set forth in this Trust Agreement.

SECTION XIV

CHOICE OF LAW

This Trust Agreement shall be construed and enforced, to the extent possible, according to the laws of the Commonwealth of Pennsylvania, without regard to conflicts of laws rules, and all provisions hereof shall be administered according to the laws of said state and any federal laws, regulations or rules which may from time to time be applicable.

SECTION XV

NECESSARY PARTIES; THIRD-PARTY BENEFICIARIES

(a) To the extent permitted by law, prior to a Change in Control and other than during the existence of a Change in Control Period, only the Trustee and the Company shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(b) To the extent permitted by law, upon the occurrence of a Change in Control and during the existence of a Change in Control Period, only the Trustee, the Company and the Parent Corporation shall be necessary parties in any application to the courts for an interpretation of this Trust Agreement or for an accounting by the Trustee, and no Participant or designated beneficiary under the Plans, or other person having an interest in the Trust Fund, shall be entitled to any notice or service of process. Any final judgment entered in such an action or proceedings shall, to the extent permitted by law, be conclusive upon all persons claiming under this Trust Agreement or the Plans.

(c) Participants in the Plans are intended to be third-party beneficiaries of this Trust Agreement and shall be entitled to enforce the terms of this Trust Agreement to the same extent as a party hereto.

SECTION XVI

SUCCESSORS TO THE COMPANY AND THE EMPLOYERS; COUNTERPARTS

16.1 In addition to any obligations imposed by law upon any successor(s) to the Company and the Employers, the Company and the Employers shall be obligated to require any successor(s) (whether direct or indirect, by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business and/or assets of the Company and the Employers to expressly assume and agree to perform this Trust Agreement in the same manner and to the same extent that the Company and the Employers would be required to perform it if no such succession had taken place; in the event of such a succession, references to “Company” and “Employers” herein shall thereafter be deemed to include such successor(s).

16.2 This Trust Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties. A facsimile of a signature page shall be deemed to be an original signature page.

SECTION XVII

DEFINITIONS

17.1 A “Change in Control” means a change of control of the Parent Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not the Parent Corporation is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Parent Corporation and its subsidiaries, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of the Parent Corporation representing 20% or more of the combined voting power of the Parent Corporation’s then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of such voting power shall not be considered a Change in Control if the Board of Directors of the Parent Corporation (the “Board”) approves such acquisition either prior to or immediately after its occurrence;

(b) the Parent Corporation consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Parent Corporation (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Parent Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 60% of the combined voting power immediately after such Fundamental Transaction of (i) the Parent Corporation's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of the Parent Corporation approve a plan of complete liquidation or winding-up of the Parent Corporation or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Parent Corporation's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by the Parent Corporation's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Parent Corporation's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of the Parent Corporation or any of its subsidiaries shall not by itself constitute a "Change in Control."

17.2 "CIC Failure" means the following:

(a) with respect to a CIC Trigger Event described in Section 17.4(a), the Parent Corporation's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Trigger Event described in Section 17.4(b), the proxy contest fails to replace or remove a majority of the members of the Board.

17.3 "Change in Control Period" means a period beginning on the date of a CIC Trigger Event

and ending on the earlier of the date of a CIC Failure or the occurrence of a Change in Control; provided, however, that a Change in Control Period shall not terminate on the date a CIC Failure occurs with respect to the first CIC Trigger Event if, subsequent to the commencement of the Change in Control Period, another CIC Trigger Event occurs and a CIC Failure has not yet occurred with respect to that CIC Trigger Event.

17.4 "CIC Trigger Event" means the occurrence of either of the following:

(a) the Board or the Parent Corporation's shareholders approve a transaction described in subsection (b) of the definition of Change in Control contained in Section 17.1 hereof; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

17.5 "Person" shall have the meaning given in Section 3(a) (9) of the Exchange Act and shall also include any syndicate or group deemed to be a "person" under Section 13(d)(3) of the Exchange Act.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused their duly authorized officers to execute and deliver this Trust Agreement as of the day and year first above noted.

PNC INVESTMENT CORP.

/s/ Randall C. King

HERSHEY TRUST COMPANY

By: /s/ Lise M. Shehan

Accepted and agreed to, intending to be legally bound, by The PNC Financial Services Group, Inc. with respect to its obligations hereunder.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: /s/ James S. Gehlke

ATTACHMENT “A”

PLANS

The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan

The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan

The PNC Financial Services Group, Inc. ERISA Excess Pension Plan

The PNC Financial Services Group, Inc. Key Executive Equity Program

The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan

The PNC Financial Services Group, Inc. Director’s Deferred Compensation Plan

The PNC Financial Services Group, Inc. Directors Retirement Plan

The PNC Financial Services Group, Inc. Outside Directors Deferred Stock Unit Plan

Pittsburgh National Bank Deferred Director’s Fees

All Change in Control Severance Agreements entered into between The PNC Financial Services Group, Inc., on the one hand, and individual executives of The PNC Financial Services Group, Inc., on the other hand.

This schedule may be updated from time to time by written notice from the Representative to the Trustee, other than during a Change in Control Period or after a Change in Control as defined in Section XVII of this Amended and Restated Trust Agreement.

**FORM OF TIME SHARING AGREEMENT BETWEEN
THE CORPORATION AND CERTAIN EXECUTIVES**

TIME SHARING AGREEMENT

This Time Sharing Agreement (the "**Agreement**") is effective as of__________ by and between The PNC Financial Services Group, Inc., a Pennsylvania corporation, with offices at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, PA 15222-2707 ("**Lessor**"), and ____________________, with a business address of____________________ ("**Lessee**");

RECITALS

WHEREAS, Lessor is the owner [lessee] of that certain__________ aircraft bearing the United States Registration Number N______ and Manufacturer's Serial Number ______ (being referred to as "**N______**" or "**Aircraft**");

WHEREAS, Lessor employs a fully qualified flight crew to operate the Aircraft; and

WHEREAS, Lessor and Lessee desire to lease said Aircraft with flight crew on a non-exclusive time-sharing basis as defined in Section 91.501 (c) (1) of the Federal Aviation Regulations ("**FAR**");

The parties agree as follows:

1. Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR 91.501 (c) (1) and to provide a fully qualified flight crew for all operations. This Agreement shall commence on a date to be specified by Lessor and communicated to the Lessee in writing (the "**Effective Date**"), and continue for the remaining portion of the Calendar Year ("**Calendar Year**" being defined as the period beginning January 1st of each year and ending December 31st of the same year). Thereafter, this Agreement may be renewed by Lessor upon the designation of a new Effective Date (the "**New Effective Date**"), in each subsequent Calendar Year, in which case this Agreement shall continue on from the New Effective Date for the remaining portion of that Calendar Year. Except as otherwise provided in Section 9, either party may at any time terminate this Agreement upon thirty (30) days written notice to the other party.

2. Lessee shall pay Lessor the actual expenses of each flight conducted under this Agreement, but **NO MORE THAN** the actual expenses of each specific flight as authorized by FAR Part 91.501 (d). Such expenses will include:

(a) Fuel, oil, lubricants, and other additives;

(b) Travel expenses of the crew, including food, lodging and ground transportation;

(c) Hangar and tie down costs away from the Aircraft's base of operation;

(d) Insurance obtained for the specific flight;

(e) Landing fees, airport taxes, and similar assessments;

(f) Customs, foreign permit, and similar fees directly related to the flight;

(g) In-flight food and beverages;

(h) Passenger ground transportation; and

(i) Flight planning and weather contract services.

3. Lessor will pay all expenses related to the operation of the Aircraft when incurred, and will provide an invoice to Lessee for the expenses enumerated in paragraph 2 above within ten business days of the last day of the month in which any flight or flights for the account of Lessee occur. Lessee shall pay Lessor for said expenses within thirty (30) calendar days of receipt of the invoice therefor.

4. Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible, and in any case, at least twenty-four (24) hours in advance of Lessee's planned departure. Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times, Lessee shall provide at least the following information for each proposed flight at some time prior to scheduled departure as required by the Lessor or Lessor's flight crew:

(a) proposed departure point;

(b) destination;

(c) date and time of flight;

(d) the number of anticipated passengers;

(e) the nature and extent of luggage and/or cargo to be carried;

(f) the date and time of return flight, if any; and

(g) any other information concerning the proposed flight that may be pertinent or required by Lessor or Lessor's flight crew.

5. Lessor shall have final authority over the scheduling of the Aircraft; provided, that Lessor will use its best efforts to accommodate Lessee's needs and to avoid conflicts in scheduling, consistent with the Lessor's use of the Aircraft in connection with its business operations. Lessor shall have no obligation under this Agreement to arrange for or to provide air travel in the event that the Aircraft is unavailable to satisfy Lessee's requests for flight time.

6. Lessor shall be solely responsible for securing repairs, maintenance, preventive maintenance and required or otherwise necessary inspections of the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No repair, period of maintenance, preventive maintenance, or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said repair, maintenance, or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. The pilot in command shall have final and complete authority to delay or cancel any flight for any reason or condition which in his judgment would compromise the safety of the flight. No such action of the pilot in command shall create or support any liability for loss, injury, damage, or delay to Lessee or any other person.

7. Lessor shall employ, pay for and provide to Lessee a qualified flight crew for each flight undertaken under this Agreement.

8. In accordance with applicable FAR, the qualified flight crew provided by Lessor will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. Lessee specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action which in the considered judgment of the

pilot in command is necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage, or delay to Lessee or any other person. The parties further agree that Lessor shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement when such failure is caused by the demands of the Lessor's business operations requiring its use of the Aircraft, government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, or acts of God.

9. At all times during the term of this Lease, Lessor shall maintain the following insurance coverages from insurance carriers acceptable to Lessee:

(a) Aircraft Physical Damage insurance in an amount at least equal to the fair market value of the aircraft; and

(b) Aircraft Liability Insurance – Combined Single Limit Bodily Injury and Property Damage, Including Passengers, of at least $100,000,000 for each occurrence. Such coverage shall:

i. Be primary, non-contributing with any insurance maintained by Lessee;

ii. Name Lessee and his guests as additional insureds;

iii. Expressly waive subrogation against Lessee; and

iv. Provide at least thirty (30) days advance written notice to Lessee of any material changes, cancellation, or non-renewal.

Lessor shall furnish Lessee with duly executed certificates evidencing all required insurance coverages, limits and requirements, together with satisfactory evidence of the premium payment as

of the effective date of this Agreement. Lessor shall provide certificates of insurance upon each renewal no less than thirty (30) days prior to coverage expiration. Lessee's acceptance of such certificates is not to be construed as any waiver of Lessee's rights to the insurance required. Further, if Lessee fails for any reason to receive certificates or other evidence of insurance from Lessor, such failure shall not be deemed a waiver of required coverage. Lessee retains the right to terminate this Agreement immediately if Lessor fails to provide adequate and proper evidence of required insurance.

Lessor shall also bear the cost of paying any deductible amount on any policy of insurance in the event of a claim or loss.

Each liability policy shall be primary without right of contribution from any other insurance which is carried by Lessee or Lessor and shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

Lessor warrants that this Agreement has been reviewed by the insurance carrier for each policy of insurance on the Aircraft and that the relevant terms and conditions of this Agreement are acceptable to each such carrier.

10. Lessee warrants that:

(a) He will use the Aircraft for and on account of his and his guests' personal travel needs and will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire; and

(b) He will refrain from incurring any mechanics or other lien and shall not attempt to convey, mortgage, assign or lease the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien.

11. For purposes of this Agreement, the permanent base of operation of the Aircraft shall be 25 Allegheny County Airport, West Mifflin, PA 15122.

12. Neither this Agreement nor any party's interest herein shall be assignable. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their representatives and successors. This Agreement constitutes the entire understanding between the parties, and any change or modification must be in writing and signed by both parties.

13. All communications and notices provided for herein shall be in writing and shall become effective when delivered by facsimile transmission (to Lessor at __________ or to Lessee at__________) or by Federal Express or other overnight courier or four (4) days following deposit in the United States mail, with correct postage for first-class mail prepaid, addressed to Lessor or Lessee at their respective addresses set forth above, or else as otherwise directed by the other party from time to time in writing.

14. This Agreement is entered into under, and is to be construed in accordance with, the laws of the Commonwealth of Pennsylvania and the applicable FAR.

15. TRUTH IN LEASING STATEMENT

THE AIRCRAFT, A__________, MANUFACTURER'S SERIAL NO.______, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N______, HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS LEASE.

THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. DURING THE DURATION OF THIS LEASE, THE PNC FINANCIAL SERVICES GROUP, INC. 249 FIFTH AVENUE, PITTSBURGH, PA 15222-2707, IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE "INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS" ATTACHED HERETO IN EXHIBIT A ARE INCORPORATED HEREIN BY REFERENCE.

THE UNDERSIGNED, AS A DULY AUTHORIZED OFFICER OF THE PNC FINANCIAL SERVICES GROUP, INC., 249 FIFTH AVENUE, PITTSBURGH, PA 15222-2707, CERTIFIES THAT IT IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

SIGNATURE BLOCK IS ON THE FOLLOWING PAGE

IN WITNESS WHEREOF, the parties have executed this Agreement, intending to be legally bound.

THE PNC FINANCIAL SERVICES GROUP, INC. - Lessor

By: ______________________________

Name: ______________________________

Title: ______________________________

Date: ______________________________

______________________________ - Lessee

____

Date: ___________

EXHIBIT A
INSTRUCTIONS FOR COMPLIANCE WITH “TRUTH IN LEASING” REQUIREMENTS

1. Mail a copy of the lease to the following address via certified mail, return receipt requested, immediately upon execution of the lease (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed):

   Federal Aviation Administration
   Aircraft Registration Branch
   ATTN: Technical Section
   P.O. Box 25724
   Oklahoma City, Oklahoma 73125

2. Telephone the nearest Flight Standards District Office at least forty-eight hours prior to the first flight under this lease.

3. Carry a copy of the lease in the aircraft at all times.

EXHIBIT 12.1

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges

Dollars in millions	Nine Months Ended September 30, 2005	Year Ended December 31 2004	2003	2002	2001	2000
Earnings						
Pretax income from continuing operations before adjustments for minority interest (1)	$ 1,406	$ 1,735	$ 1,568	$ 1,821	$ 564	$ 1,848
Fixed charges excluding interest on deposits	472	357	346	432	762	1,032
Subtotal	1,878	2,092	1,914	2,253	1,326	2,880
Interest on deposits	676	484	457	659	1,229	1,653
Total	$ 2,554	$ 2,576	$ 2,371	$ 2,912	$ 2,555	$ 4,533
Fixed charges						
Interest on borrowed funds	$ 425	$ 298	$ 258	$ 315	$ 645	$ 914
Interest component of rentals	47	58	59	58	53	50
Amortization of notes and debentures		1	1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts			28	58	63	67
Subtotal	472	357	346	432	762	1,032
Interest on deposits	676	484	457	659	1,229	1,653
Total	$ 1,148	$ 841	$ 803	$ 1,091	$ 1,991	$ 2,685
Ratio of earnings to fixed charges						
Excluding interest on deposits	3.98x	5.86x	5.53x	5.22x	1.74x	2.79x
Including interest on deposits	2.22	3.06	2.95	2.67	1.28	1.69

(1) As defined in Item 503(d) of Regulation S-K.

EXHIBIT 12.2

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges and Preferred Stock Dividends

Dollars in millions	Nine Months Ended September 30, 2005	Year Ended December 31 2004	2003	2002	2001	2000
Earnings						
Pretax income from continuing operations before adjustments for minority interest (1)	$ 1,406	$ 1,735	$ 1,568	$ 1,821	$ 564	$ 1,848
Fixed charges and preferred stock dividends excluding interest on deposits	473	358	347	433	782	1,062
Subtotal	1,879	2,093	1,915	2,254	1,346	2,910
Interest on deposits	676	484	457	659	1,229	1,653
Total	$ 2,555	$ 2,577	$ 2,372	$ 2,913	$ 2,575	$ 4,563
Fixed charges						
Interest on borrowed funds	$ 425	$ 298	$ 258	$ 315	$ 645	$ 914
Interest component of rentals	47	58	59	58	53	50
Amortization of notes and debentures		1	1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts			28	58	63	67
Preferred stock dividend requirements	1	1	1	1	20	30
Subtotal	473	358	347	433	782	1,062
Interest on deposits	676	484	457	659	1,229	1,653
Total	$ 1,149	$ 842	$ 804	$ 1,092	$ 2,011	$ 2,715
Ratio of earnings to fixed charges and preferred stock dividends						
Excluding interest on deposits	3.97x	5.85x	5.52x	5.21x	1.72x	2.74x
Including interest on deposits	2.22	3.06	2.95	2.67	1.28	1.68

(1) As defined in Item 503(d) of Regulation S-K.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

I have reviewed this report on Form 10-Q for the quarter ended September 30, 2005 of The PNC Financial Services Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2005

/s/ James E. Rohr

James E. Rohr
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Richard J. Johnson, certify that:

I have reviewed this report on Form 10-Q for the quarter ended September 30, 2005 of The PNC Financial Services Group, Inc.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2005

/s/ Richard J. Johnson

Richard J. Johnson
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report on Form 10-Q for the quarter ended September 30, 2005 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, James E. Rohr, Chairman and Chief Executive Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ James E. Rohr

James E. Rohr
Chairman and Chief Executive Officer
November 7, 2005

EXHIBIT 32.2

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q for the quarter ended September 30, 2005 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, Richard J. Johnson, Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ Richard J. Johnson

Richard J. Johnson
Chief Financial Officer
November 7, 2005