UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 March 31, 2006

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Check one:.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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 April 28, 2006, there were 295,992,848 shares of the registrant's common stock ($5 par value) outstanding.

The PNC Financial Services Group, Inc.
Cross-Reference Index to 2006 First 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 March 31 2006	 2005
FINANCIAL PERFORMANCE		
Revenue		
Net interest income *(taxable-equivalent basis)* (a)	$563	$512
Noninterest income	1,185	974
Total revenue	$1,748	$1,486
Net income	$354	$354
Per common share		
Diluted earnings	$1.19	$1.24
Cash dividends declared (b)	$.50	$.50
SELECTED RATIOS		
Net interest margin	2.95%	3.02%
Noninterest income to total revenue	68	66
Efficiency	67	68
Return on		
Average common shareholders' equity	16.67%	19.17%
Average assets	1.56	1.72

See page 30 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 assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than a taxable investment. To provide more meaningful comparisons of yields and margins for all earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income 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 on the Consolidated Income Statement to net interest income on a taxable-equivalent basis (in millions):

	Three months ended March 31 2006	 2005
Net interest income, GAAP basis	$556	$506
Taxable-equivalent adjustment	7	6
Net interest income, taxable-equivalent basis	$563	$512

(b) Our Board of Directors approved a quarterly cash dividend payable April 24, 2006 of $.55 per common share, an increase of 10% from the dividend paid in the first quarter of 2006.

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Unaudited	March 31 2006	December 31 2005	March 31 2005
BALANCE SHEET DATA (dollars in millions, except per share data)			
Assets	$93,257	$91,954	$83,359
Loans	49,521	49,101	44,674
Allowance for loan and lease losses	597	596	600
Securities	21,529	20,710	18,449
Loans held for sale	2,266	2,449	2,067
Deposits	60,899	60,275	55,169
Borrowed funds	16,440	16,897	14,514
Shareholders’ equity	8,781	8,563	7,579
Common shareholders’ equity	8,774	8,555	7,571
Book value per common share	29.70	29.21	26.78
Common shares outstanding (millions)	295	293	283
Loans to deposits	81%	81%	81%
ASSETS UNDER MANAGEMENT (billions)	$504	$494	$432
FUND ASSETS SERVICED (billions)			
Accounting/administration net assets	$750	$835	$745
Custody assets	383	476	462
CAPITAL RATIOS			
Tier 1 risk-based	8.8%	8.3%	8.7%
Total risk-based	12.5	12.1	12.6
Leverage	7.6	7.2	7.3
Tangible common equity	5.2	5.0	5.3
Common shareholders’ equity to assets	9.4	9.3	9.1
ASSET QUALITY RATIOS			
Nonperforming assets to loans, loans held for sale and foreclosed assets	.40%	.42%	.35%
Nonperforming loans to loans	.37	.39	.29
Net charge-offs to average loans *(for the three months ended)*	.15	.33	.11
Allowance for loan and lease losses to loans	1.21	1.21	1.34
Allowance for loan and lease losses to nonperforming loans	328	314	458

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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 with Items 6, 7, 8 and 9A of our 2005 Annual Report on Form 10-K ("2005 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 1A and 7 of our 2005 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, perhaps materially, from those anticipated in the forward-looking statements included in this Report or from historical performance. See Note 13 Segment Reporting 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 retail banking, corporate and 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 greater Washington, DC 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 revenue 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 February 15, 2006, we announced that BlackRock and Merrill Lynch had entered into a definitive agreement pursuant to which Merrill Lynch will contribute its investment management business to BlackRock in exchange for newly issued BlackRock common and preferred stock. Upon the closing of this transaction, which we expect to occur on or around September 30, 2006, BlackRock's assets under management would increase to approximately $1 trillion and Merrill Lynch would own 65 million shares, or approximately 49%, of the combined company. At the closing of the transaction, we expect to continue to own approximately 44 million shares of BlackRock common stock, representing an ownership interest of approximately 34%. In addition, upon closing, the carrying value of our investment in BlackRock would increase, based on the price of BlackRock stock at the time of announcement of this transaction and other factors, resulting in our recognizing an after-tax gain we currently estimate to be approximately $1.6 billion. This gain would significantly enhance our capital position and our tangible common equity ratio.

This transaction must be approved by BlackRock shareholders and is subject to obtaining appropriate regulatory and other approvals. We currently control more than 80% of the voting interest in BlackRock and will vote our interest in support of the transaction.

Additional information on this transaction is included in Note 2 Acquisitions in the Notes To Consolidated Financial Statements in this Report. To the extent that statements we make in this Report about our expectations for future results include results from BlackRock, those expectations do not give any effect to the impact to PNC from the change in accounting for PNC's interest in BlackRock that would take place when BlackRock and Merrill Lynch close this transaction.

THE ONE PNC INITIATIVE

As further described in our 2005 Form 10-K, the One PNC initiative began in January 2005 and 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 mid-2007 from this initiative.

PNC plans to achieve approximately $300 million of cost savings initiatives through a combination of workforce reduction and other efficiencies. Of the approximately 3,000 positions to be eliminated, approximately 2,100 had been eliminated as of March 31, 2006. We estimate that these changes will result in employee severance and other implementation costs of approximately $74 million, including $54 million recognized during the second half of 2005 and $5 million recognized during the first quarter of 2006. We expect that the remaining charges of approximately $15 million will be incurred later in 2006 and early 2007. 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 are progressing according to plan.

We realized a net pretax financial benefit from the One PNC program of approximately $60 million in the first quarter of 2006. We expect to capture approximately $265 million in value by the end of 2006 as originally planned.

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,
- The level of 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 in the remainder of 2006 will depend, among other things, upon:

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

SUMMARY FINANCIAL RESULTS

In millions, except per share data	Three months ended March 31, 2006	March 31, 2005
Net income	**$354**	$354
Diluted earnings per share	**$1.19**	$1.24
Return on		
Average common shareholders' equity	**16.67%**	19.17%
Average assets	**1.56%**	1.72%

Results for the first quarter of 2005 reflected the impact of the reversal of deferred tax liabilities that benefited earnings by $45 million, or $.16 per diluted share, in that quarter related to our transfer of ownership in BlackRock from PNC Bank, National Association ("PNC Bank, N.A.") to PNC Bancorp, Inc. that occurred in January 2005.

Our first quarter 2006 performance included the following accomplishments:

- Apart from the impact of the first quarter 2005 tax benefit referred to above, net income for the first quarter of 2006 improved compared with the prior year first quarter, driven by strong performance from Retail Banking, BlackRock and PFPC,
- Average deposits for the first quarter increased $7.6 billion, or 14%, compared with the first quarter of 2005,
- Average loans increased $5.2 billion , or 12%, compared with the prior year first quarter, and
- Asset quality remained very strong.

In addition, in April 2006, we announced a 10% increase to our second quarter cash dividend on common stock, to $.55 per share, reflecting our commitment to improving shareholder return and our confidence in PNC's profitability.

BALANCE SHEET HIGHLIGHTS

Total assets were $93.3 billion at March 31, 2006. Total average assets were $92.1 billion for the first quarter of 2006 compared with $83.4 billion for the first quarter of 2005. This increase was primarily attributable to an $8.5 billion increase in interest-earning assets. An increase of $5.2 billion in average loans was the primary factor for the increase in average interest-earning assets. In addition, average total securities increased $4.0 billion in the first quarter of 2006 compared with the prior year period. We do not expect balance sheet growth to continue at this pace.

Average total loans were $49.1 billion for the first quarter of 2006 and $44.0 billion in the first quarter of 2005. This increase was driven by continued improvements in market loan demand and targeted sales efforts across our banking businesses, as well as our expansion into the greater Washington, DC area that began in the second quarter of 2005. The increase in average total loans reflected growth in residential mortgages of approximately $2.4 billion, commercial loans of approximately $1.6 billion, and commercial real estate loans of approximately $1.0 billion. In addition, average loans for the first quarter of 2005 included $2.1 billion related to Market Street Funding ("Market Street") which was deconsolidated in October 2005. Loans represented 64% of average interest-earning assets for the first quarter of 2006 and 65% for the first quarter of 2005.

Average securities totaled $20.9 billion for the first quarter of 2006 and $16.9 billion for the first quarter of 2005. Of this increase, $3.4 billion was attributable to increases in mortgage-backed, asset-backed, and other debt securities. The higher average securities balances also reflected our expansion into the greater Washington, DC area. Securities comprised 27% of average interest-earning assets for the first quarter of 2006 and 25% for the first quarter of 2005.

Average total deposits were $61.0 billion for the first quarter of 2006, an increase of $7.6 billion over the first quarter of 2005. 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. Similar to its impact on average loans and securities described above, our expansion into the greater Washington, DC area also contributed to the increase in average total deposits. Average total deposits represented 66% of average total assets for the first quarter of 2006 and 64% for the first quarter of 2005. Average transaction deposits were $40.8 billion for the first quarter of 2006 compared with $37.0 billion for the first quarter of 2005.

Average borrowed funds were $15.8 billion for the first quarter of 2006 and $15.0 billion for the first quarter of 2005. The following contributed to this increase:

- Various issuances of senior and subordinated bank notes and Federal Home Loan Bank ("FHLB") advances throughout 2005, and
- An increase in federal funds purchased.

These increases were partially offset by senior bank note maturities in March 2006 and May 2005, subordinated debt maturities in April 2005 and a significant decline in commercial paper due to the deconsolidation of Market Street in October 2005.

Shareholders' equity totaled $8.8 billion at March 31, 2006, compared with $8.6 billion at December 31, 2005. See the Consolidated Balance Sheet Review section of this Financial Review for additional information.

BUSINESS SEGMENT HIGHLIGHTS

Total business segment earnings were $393 million for the first quarter 2006, an increase of $64 million, or 19%, compared with the first quarter of 2005. Significant earnings growth in the Retail Banking, BlackRock and PFPC segments drove the overall improvement in business segment earnings.

We provide a reconciliation of total business segment earnings to total PNC consolidated net income as reported under GAAP in Note 13 Segment Reporting in the Notes To Consolidated Financial Statements in this Report and in the Results of Businesses—Summary table on page 12.

Retail Banking

Retail Banking's earnings were $190 million for the first quarter of 2006 compared with $149 million for the same period in 2005. Compared with the prior year first quarter, revenue increased 14%, while noninterest expense increased only 6%, driving a 28% increase in earnings. The increase in earnings compared with the first quarter of 2005 was driven by higher taxable-equivalent net interest income fueled by continued customer and balance sheet growth, including our expansion into the greater Washington, DC area, along with improved fee income from customers, strong asset quality, and a sustained focus on expense management.

Corporate & Institutional Banking

Earnings from Corporate & Institutional Banking for the first three months of 2006 totaled $105 million compared with $110 million in the prior year first quarter. The decrease when compared with the first quarter of 2005 was primarily the result of an increased provision for credit losses. Harris Williams, acquired in October 2005, was a significant contributor to both revenue and noninterest expense growth in 2006 compared with the prior year first quarter.

BlackRock

BlackRock reported earnings of $71 million for the first quarter of 2006 compared with $47 million for the first quarter of 2005. Higher earnings in the 2006 quarter reflected higher investment advisory and administration fees due to an increase in assets under management and increased performance fees. These factors more than offset the increase in expense due to increased compensation and benefits, including higher incentive compensation associated with performance fees, and a one-time expense of $34 million related to the January 2005 acquisition of SSRM Holdings, Inc. ("SSRM"). BlackRock's assets under management increased to $463 billion at March 31, 2006 compared with $391 billion at March 31, 2005.

PNC owns approximately 69% of BlackRock and we consolidate BlackRock into our financial statements. Accordingly, approximately 31% 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 $6.2 billion at March 31, 2006 while the book value at that date was approximately $734 million.

PFPC

PFPC's earnings increased $4 million, or 17%, to $27 million in the first quarter of 2006 compared with the prior year first quarter. Higher earnings in the 2006 quarter reflected strong revenue contributions from several areas of the business and disciplined expense control.

PFPC's accounting/administration net fund assets increased $5 billion, to $750 billion, and custody fund assets decreased $79 billion, or 17%, as of March 31, 2006 compared with the balances at March 31, 2005. The decrease in custody fund assets resulted primarily from the deconversion of a major client during the first quarter of 2006 which was partially offset by new business, asset inflows from existing customers and equity market appreciation.

Other

The "Other" net loss for the first quarter of 2006 was $17 million compared with net earnings of $39 million for the first quarter of 2005. The first quarter of 2005 benefited from a $45 million deferred tax liability reversal related to the internal transfer of our investment in BlackRock as described above under Summary Financial Results. In addition, the decline in "Other" in the comparison primarily reflected the after-tax impact of lower equity management gains in the first quarter of 2006 compared with the first quarter of 2005.

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CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME AND NET INTEREST MARGIN

	Three months ended	
Dollars in millions	March 31, 2006	March 31, 2005
Taxable-equivalent net interest income	**$563**	$512
Net interest margin	**2.95%**	3.02%

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 58 and 59 of this Report for additional information.

The increase in taxable-equivalent net interest income for the first quarter of 2006 compared with the first quarter of 2005 reflected the impact of an $8.5 billion increase in average interest-earning assets in 2006, driven by organic growth and our expansion into the greater Washington, DC area.

The following factors contributed to the decline in net interest margin for the first quarter of 2006 compared with the first quarter of 2005:

- An increase in the average rate paid on deposits of 101 basis points for the first quarter of 2006 compared with the 2005 period. The average rate paid on money market accounts, the largest single component of interest-bearing deposits, increased 121 basis points.
- An increase in the average rate paid on borrowed funds of 156 basis points for the first quarter of 2006 compared with the first quarter of 2005.
- By comparison, the yield on interest-earning assets increased only 85 basis points.
- These factors were partially offset by the favorable impact on net interest margin in 2006 of an increase of 20 basis points related to noninterest-bearing sources of funding.

We believe that taxable-equivalent net interest income will increase through the remainder of 2006 and be higher for full year 2006 compared with 2005 and that our net interest margin will remain essentially stable.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was $22 million for the first quarter of 2006 compared with $8 million in the first quarter of 2005. This increase primarily reflected the impact of total average loan growth in 2006 of $5.2 billion compared with the prior year first quarter.

We expect that the provision for credit losses will increase in subsequent quarters in 2006 primarily due to loan and loan commitment growth. 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 by historical standards 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 $1.185 billion for the first quarter of 2006, an increase of $211 million, or 22%, compared with the first quarter of 2005. Higher asset management fees was the largest factor in the increase. In addition, noninterest income in 2006 reflected increases in all other major categories other than equity management gains.

Additional Analysis

Asset management fees increased $147 million, to $461 million, for the first quarter of 2006 compared with the first quarter of 2005. The increase reflected the impact of BlackRock's first quarter 2005 acquisition of SSRM and other growth in assets managed.

Fund servicing fees totaled $221 million in the first quarter of 2006, essentially flat compared with the prior year first quarter.

Assets under management at March 31, 2006 totaled $504 billion compared with $432 billion at March 31, 2005. PFPC provided fund accounting/administration services for $750 billion of net fund investment assets and provided custody services for $383 billion of fund investment assets at March 31, 2006, compared with $745 billion and $462 billion, respectively, at March 31, 2005. The decrease in custody fund assets at March 31, 2006 resulted primarily from the deconversion of a major client during the first quarter of 2006 which was partially offset by new business, asset inflows from existing customers and equity market appreciation.

Service charges on deposits increased $14 million for the first quarter of 2006 compared with the prior year first quarter. The increase can be attributed to customer growth, expansion of the branch network, including a new market, and various pricing actions resulting from the One PNC initiative.

Brokerage fees increased $4 million, to $59 million, for the first quarter of 2006 compared with the first quarter of 2005. The increase reflected higher annuity income, along with higher brokerage commissions and mutual fund-related revenues in 2006.

Consumer services fees increased $25 million, or 39%, to $89 million in the first quarter of 2006 compared with the first quarter of 2005. Higher fees reflected the impact of consolidating our merchant services activities in the fourth quarter of 2005 as a result of our increased ownership interest in the merchant services business. The increase in fees was also due to higher debit card transactions, as a result of higher volumes and our expansion into the greater Washington, DC area. These factors were partially offset by lower ATM surcharge revenue in 2006 compared with the prior year quarter as a result of changing customer behavior and a strategic decision to reduce the out-of-footprint ATM network.

Corporate services revenue increased $27 million, or 25%, in the first quarter of 2006 compared with the first quarter of 2005. The first quarter of 2006 benefited from the impact of our Harris Williams acquisition that resulted in higher capital markets revenues, along with higher fees related to commercial mortgage servicing activities.

Equity management (private equity) net gains on portfolio investments totaled $7 million for the first quarter of 2006 compared with $32 million for the first quarter of 2005. Based on the nature of private equity activities, net gains or losses may be volatile from period to period.

Net securities losses amounted to $4 million for first quarter 2006 compared with net securities losses of $9 million in the prior year quarter.

For the first quarter of 2006, noninterest revenue from trading activities was $57 million, compared with $50 million in the prior year first quarter. The increase included higher customer trading activity. 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 $6 million, to $87 million, in the first quarter of 2006 compared with the first quarter of 2005. Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Other noninterest income for the 2006 quarter included a $13 million gain related to our contributions of BlackRock stock to the PNC Foundation, a transaction that also impacted noninterest expense, while the first quarter of 2005 included a $10 million settlement received in connection with a PFPC client contractual matter.

PRODUCT REVENUE

In addition to credit products to commercial customers, Corporate & 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 net interest income from customer deposit balances, totaled $102 million for first quarter 2006 and $97 million for first quarter 2005. The 5% increase in revenue reflected continued expansion and client utilization of commercial payment card services, strong revenue growth in various electronic payment and information services, and a steady increase in business-to-business processing volumes.

Revenue from capital markets products and services was $64 million for first quarter 2006, compared with $42 million in first quarter 2005. The acquisition of Harris Williams significantly contributed to the 52% increase in capital markets revenue.

Midland Loan Services offers servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Midland's revenue, which includes fees and net interest income from servicing portfolio deposit balances, totaled $42 million for first quarter 2006 and $32 million for first quarter 2005. The 31% revenue growth was primarily driven by growth in the commercial mortgage servicing portfolio and related services.

Revenue from equipment leasing products was $18 million for both first quarter 2006 and first quarter 2005. The impact of the interest cost of funding the potential tax exposure on the cross-border leasing portfolio is expected to continue to have a negative impact on leasing revenue in 2006. See Cross-Border Leases and Related Tax and Accounting Matters within 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,
- Life,
- Credit life,
- Health,
- Disability, and
- Commercial lines coverage.

Client segments served by these insurance solutions include those in Retail Banking and Corporate & Institutional Banking. Insurance products are sold by PNC-licensed insurance agents and through licensed third-party arrangements. We recognized revenue from these products of $17 million in first quarter 2006 and $14 million in first quarter 2005.

PNC, through subsidiary companies, Alpine Indemnity Limited and PNC Insurance Corp., participates as a reinsurer for its general liability, automobile liability and workers' compensation programs and as a direct writer for its property and certified domestic terrorism programs.

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. We believe these reserves were adequate at March 31, 2006.

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NONINTEREST EXPENSE

Total noninterest expense was $1.171 billion for the first quarter of 2006 and $1.000 billion for the first quarter of 2005. The efficiency ratio was 67% for the first quarter of 2006 compared with 68% for the first quarter of 2005.

Noninterest expense for the first quarter of 2006 included the following:

- An increase of $111 million in BlackRock operating expenses reflecting growth in that business,
- Expenses totaling $19 million related to Harris Williams that we acquired in October 2005, and
- Contributions of BlackRock stock to the PNC Foundation of $15 million.

Apart from the impact of these items, noninterest expense for the first quarter of 2006 increased $26 million, or 3%, over the prior year quarter primarily due to the impact of our expansion into the greater Washington, DC area and the consolidation of our merchant services activities in 2005, partially offset by the benefit of the One PNC initiative.

We expect that the percentage increase in total noninterest expense for full year 2006 compared with 2005 will be in the low single-digit range, with the increase primarily attributable to aquisitions in the fourth quarter of 2005.

Period-end employees totaled 25,645 at March 31, 2006 (comprised of 23,642 full-time and 2,003 part-time) compared with 25,348 at December 31, 2005 (comprised of 23,593 full-time and 1,755 part-time) and 25,089 at March 31, 2005 (comprised of 23,640 full-time and 1,449 part-time). The majority of our part-time employees are in Retail Banking.

EFFECTIVE TAX RATE

Our effective tax rate for the first quarter of 2006 was 33.0% compared with 23.7% for the first quarter of 2005. The low effective rate for first quarter of 2005 was 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. We expect the effective tax rate to be closer to 34% for full year 2006.

CONSOLIDATED BALANCE SHEET REVIEW

SUMMARIZED BALANCE SHEET DATA

In millions	March 31 2006	December 31 2005
Assets		
Loans, net of unearned income	$49,521	$49,101
Securities available for sale and held to maturity	21,529	20,710
Loans held for sale	2,266	2,449
Other	19,941	19,694
Total assets	$93,257	$91,954
Liabilities		
Funding sources	$77,339	$77,172
Other	6,510	5,629
Total liabilities	83,849	82,801
Minority and noncontrolling interests in consolidated entities	627	590
Total shareholders' equity	8,781	8,563
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$93,257	$91,954

Our Consolidated Balance Sheet is presented in Part I, Item 1 on page 35 of this Report.

Various seasonal and other factors impact our period-end balances whereas average balances (discussed under the Balance Sheet Highlights section of this Financial Review above) are more indicative of underlying business trends.

An analysis of changes in certain balance sheet categories follows.

Higher total assets at March 31, 2006 compared with the balance at December 31, 2005 were driven primarily by the impact of increases in securities.

LOANS, NET OF UNEARNED INCOME

Loans increased slightly, to $49.5 billion, at March 31, 2006 compared with the balance at December 31, 2005. Targeted sales efforts across our banking businesses drove the increase in total loans.

Details Of Loans

In millions	March 31 2006	December 31 2005
Commercial		
Retail/wholesale	$4,962	$4,854
Manufacturing	4,113	4,045
Other service providers	2,114	1,986
Real estate related	2,845	2,577
Financial services	1,561	1,438
Health care	651	616
Other	3,681	3,809
Total commercial	19,927	19,325
Commercial real estate		
Real estate projects	2,325	2,244
Mortgage	721	918
Total commercial real estate	3,046	3,162
Equipment lease financing	3,558	3,628
Total commercial lending	26,531	26,115
Consumer		
Home equity	13,787	13,790
Automobile	958	938
Other	1,363	1,445
Total consumer	16,108	16,173
Residential mortgage	7,362	7,307
Other	352	341
Unearned income	(832)	(835)
Total, net of unearned income	$49,521	$49,101

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

Commercial Lending Exposure (a)

	March 31 2006	December 31 2005
Investment grade or equivalent	47%	46%
Non-investment grade		
$50 million or greater	2%	2%
All other non-investment grade	51%	52%
Total	100%	100%

(a) Includes total commercial lending in the Retail Banking and Corporate & Institutional Banking business segments.

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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 $489 million, or 82%, of the total allowance for loan and lease losses at March 31, 2006 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	March 31 2006	December 31 2005
Commercial	$ 28,309	$27,774
Consumer	9,841	9,471
Commercial real estate	2,310	2,337
Other	346	596
Total	$ 40,806	$40,178

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 March 31, 2006 and $6.7 billion at December 31, 2005.

As a result of deconsolidating Market Street in October 2005, amounts related to Market Street were considered third party unfunded commitments at March 31, 2006 and December 31, 2005. Unfunded liquidity commitments totaled $4.8 billion at March 31, 2006 and $4.6 billion at December 31, 2005 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 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 $4.2 billion at both March 31, 2006 and December 31, 2005. 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 $3.6 billion at March 31, 2006. Aggregate residual value at risk on the total commercial lease portfolio at March 31, 2006 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. The portfolio included approximately $1.7 billion of cross-border leases at March 31, 2006. Cross-border leases are primarily leveraged leases of equipment located in foreign countries, primarily in western Europe and Australia. We have not entered into cross-border lease transactions since 2003.

Upon completing examination of our 1998-2000 consolidated federal income tax returns, 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 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 March 31, 2006.

In addition to these transactions, 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.

Additional information on these transactions and proposed accounting guidance from the Financial Accounting Standards Board ("FASB") is included under "Cross-Border Leases and Related Tax and Accounting Matters" in the Consolidated Balance Sheet Review section of Item 7 of our 2005 Form 10-K.

SECURITIES

Details Of Securities (a)

In millions	Amortized Cost	Fair Value
March 31, 2006		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
Mortgage-backed	$ 14,272	$ 13,929
US Treasury and government agencies	3,756	3,649
Commercial mortgage-backed	2,387	2,320
Asset-backed	1,195	1,183
State and municipal	154	152
Other debt	88	86
Corporate stocks and other	209	210
Total securities available for sale	$ 22,061	$ 21,529
December 31, 2005		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
Mortgage-backed	$ 13,794	$ 13,544
US Treasury and government agencies	3,816	3,744
Commercial mortgage-backed	1,955	1,919
Asset-backed	1,073	1,063
State and municipal	159	158
Other debt	87	86
Corporate stocks and other	196	196
Total securities available for sale	$ 21,080	$ 20,710

(a) Securities held to maturity at March 31, 2006 and December 31, 2005 were less than $.5 million.

Securities represented 23% of total assets at both March 31, 2006 and December 31, 2005.

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At March 31, 2006, securities available for sale included a net unrealized loss of $532 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2005 was a net unrealized loss of $370 million. The impact on bond prices of increases in interest rates and tightening asset spreads during the first quarter of 2006 was reflected in the net unrealized loss position at March 31, 2006.

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.

The fair value of securities available for sale decreases when interest rates increase and vice versa. Further increases in interest rates after March 31, 2006, if sustained, will adversely impact the fair value of securities available for sale compared with the balance at March 31, 2006. 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 4 years and 4 months at March 31, 2006 and 4 years and 1 month at December 31, 2005.

We estimate that at March 31, 2006 the effective duration of securities available for sale is 3 years for an immediate 50 basis points parallel increase in interest rates and 2.7 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2005 were 2.7 years and 2.4 years, respectively.

LOANS HELD FOR SALE

Education loans held for sale totaled $1.6 billion at March 31, 2006 and $1.9 billion at December 31, 2005 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 Retail Banking business segment.

CAPITAL AND FUNDING SOURCES

Details Of Funding Sources

In millions	March 31 2006	December 31 2005
Deposits		
Money market	$ 25,016	$24,462
Demand	16,550	17,157
Retail certificates of deposit	13,551	13,010
Savings	2,254	2,295
Other time	1,310	1,313
Time deposits in foreign offices	2,218	2,038
Total deposits	60,899	60,275
Borrowed funds		
Federal funds purchased	3,156	4,128
Repurchase agreements	2,892	1,691
Bank notes and senior debt	3,362	3,875
Subordinated debt	4,387	4,469
Commercial paper	120	10
Other	2,523	2,724
Total borrowed funds	16,440	16,897
Total	$ 77,339	$77,172

The decline in total borrowed funds compared with the balance at December 31, 2005 reflects maturities of $500 million of senior bank notes during the first quarter of 2006.

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 $218 million in total shareholders' equity at March 31, 2006 compared with December 31, 2005 reflected the impact of earnings and a reduction in shares held in treasury, partially offset by a higher accumulated other comprehensive loss.

Common shares outstanding at March 31, 2006 were 295.4 million compared with 292.9 million at December 31, 2005. The increase in shares outstanding during the first quarter of 2006 reflected share issuances related to various employee stock-based compensation plans and the exercise of employee stock options.

We did not purchase any common shares under our common stock repurchase program during the first quarter of 2006. 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. We expect to be more active in share repurchases in the remainder of 2006 as capital growth resulting from earnings and the anticipated consequences of the completion of BlackRock's acquisition of Merrill Lynch's investment management business would significantly enhance our capital management flexibility.

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Risk-Based Capital

Dollars in millions	March 31 2006	December 31 2005
Capital components		
Shareholders' equity		
Common	$8,774	$8,555
Preferred	7	8
Trust preferred capital securities	1,417	1,417
Minority interest	321	291
Goodwill and other intangibles	(4,129)	(4,122)
Net unrealized securities losses	346	240
Net unrealized losses on cash flow hedge derivatives	46	26
Equity investments in nonfinancial companies	(40)	(40)
Other, net	(10)	(11)
Tier 1 risk-based capital	6,732	6,364
Subordinated debt	2,166	2,216
Eligible allowance for credit losses	701	697
Total risk-based capital	$9,599	$9,277
Assets		
Risk-weighted assets, including off-balance sheet instruments and market risk equivalent assets	$76,666	$76,673
Adjusted average total assets	88,439	88,329
Capital ratios		
Tier 1 risk-based	8.8%	8.3%
Total risk-based	12.5	12.1
Leverage	7.6	7.2
Tangible common equity	5.2	5.0

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. At March 31, 2006, each of our banking subsidiaries was considered "well-capitalized" based on regulatory capital ratio requirements. We believe our bank subsidiaries will continue to meet these requirements during 2006.

OFF-BALANCE SHEET ARRANGEMENTS AND VARIABLE INTEREST ENTITIES

We engage in a variety of activities in the normal course of business 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.

The following provides a summary of variable interest entities ("VIEs"), including those in which we hold a significant variable interest but have not consolidated and those that we have consolidated into our financial statements, as of March 31, 2006 and December 31, 2005. Further information on these entities is included in our 2005 Form 10-K under this same heading in Part I, Item 7 and in Note 3 Variable Interest Entities in the Notes To Consolidated Financial Statements included in Part II, Item 8 of that report.

Non-Consolidated VIEs – Significant Variable Interests

In millions	Aggregate Assets	Aggregate Debt	PNC Risk of Loss
March 31, 2006			
Collateralized debt obligations (a)	$6,669	$6,091	$50 (b)
Private investment funds (a)	5,163	926	13(b)
Market Street	3,507	3,507	5,304 (c)
Partnership interests in low income housing projects	35	29	2
Total	$15,374	$10,553	$5,369
December 31, 2005			
Collateralized debt obligations (a)	$6,290	$5,491	$51 (b)
Private investment funds (a)	5,186	1,051	13(b)
Market Street	3,519	3,519	5,089 (c)
Partnership interests in low income housing projects	35	29	2
Total	$15,030	$10,090	$5,155

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.
c) Includes off-balance sheet liquidity commitments to Market Street of $4.8 billion and other credit enhancements of $469 million at March 31, 2006. The comparable amounts at December 31, 2005 were $4.6 billion and $444 million, respectively.

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Debt
March 31, 2006		
Partnership interests in low income housing projects	$636	$636
Other	13	11
Total	$649	$647
December 31, 2005		
Partnership interests in low income housing projects	$680	$680
Other	12	10
Total	$692	$690

We also have 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			
March 31, 2006	$97	$97	$24
December 31, 2005	$109	$109	$25

BUSINESS SEGMENTS REVIEW

We operate four major businesses engaged in providing banking, asset management and global fund processing services. Business segment results, including inter-segment revenues, and a description of each business are included in Note 13 Segment Reporting included in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report.

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. As permitted under GAAP, we have aggregated the business results for certain operating segments for financial reporting purposes.

Our capital measurement methodology is based on the concept of economic capital for our banking businesses. However, we have increased the capital assigned to Retail 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, which exceeds required economic capital.

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), most corporate overhead and intercompany eliminations.

The period-end headcount statistics disclosed for each business segment in the tables that follow reflect staff directly employed by the respective business segment and may exclude operations, technology and staff services employees not directly managed by the respective business segment.

RESULTS OF BUSINESSES – SUMMARY

(Unaudited)

	Earnings		Revenue (b)		Return on Average Capital (c)		Average Assets (d)	
Three months ended March 31 – dollars in millions	2006	2005	2006	2005	2006	2005	2006	2005
Retail Banking	$190	$149	$ 753	$ 663	26%	22%	$29,369	$25,618
Corporate & Institutional Banking	105	110	340	310	22	26	25,496	23,543
BlackRock	71	47	410	258	30	24	1,841	1,494
PFPC	27	23	218	214	28	33	2,385	1,908
Total business segments	393	329	1,721	1,445	26	25	59,091	52,563
Minority interest in income of BlackRock	(22)	(14)						
Other	(17)	39	27	41			33,038	30,799
Total consolidated (a)	$354	$354	$1,748	$1,486	17%	19%	$92,129	$83,362

(a) Business segment revenue is presented on a taxable-equivalent basis. A reconciliation of total consolidated revenue on a book (GAAP) basis to total consolidated revenue on a taxable-equivalent basis follows:

Three months ended March 31 – (in millions)	2006	2005
Total consolidated revenue, book (GAAP) basis	$1,741	$1,480
Taxable-equivalent adjustment	7	6
Total consolidated revenue, taxable-equivalent basis	$1,748	$1,486

(b) Amounts for BlackRock and PFPC represent the sum of total operating revenue and nonoperating income (less debt financing costs for PFPC).

(c) Percentages for BlackRock and PFPC reflect return on average equity.

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

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RETAIL BANKING *(Unaudited)*

Three months ended March 31 Taxable-equivalent basis Dollars in millions	2006	2005
INCOME STATEMENT		
Net interest income	$408	$372
Noninterest income		
Asset management	87	81
Service charges on deposits	71	57
Brokerage	58	53
Consumer services	86	60
Other	43	40
Total noninterest income	345	291
Total revenue	753	663
Provision for credit losses	9	14
Noninterest expense	436	412
Pretax earnings	308	237
Minority interest	4	
Income taxes	114	88
Earnings	$190	$149
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	$13,778	$12,803
Indirect	987	892
Other consumer	1,248	1,141
Total consumer	16,013	14,836
Commercial	5,433	4,821
Floor plan	970	1,013
Residential mortgage	1,648	776
Other	236	280
Total loans	24,300	21,726
Goodwill	1,472	1,144
Loans held for sale	1,880	1,345
Other assets	1,717	1,403
Total assets	$29,369	$25,618
Deposits		
Noninterest-bearing demand	$7,777	$7,200
Interest-bearing demand	8,025	7,710
Money market	14,644	12,902
Total transaction deposits	30,446	27,812
Savings	2,183	2,766
Certificates of deposit	13,115	10,171
Total deposits	45,744	40,749
Other liabilities	560	408
Capital	2,943	2,748
Total funds	$49,247	$43,905
PERFORMANCE RATIOS		
Return on average capital	26%	22%
Noninterest income to total revenue	46	44
Efficiency	58	62

At March 31 Dollars in millions except as noted	2006	2005
OTHER INFORMATION (a)		
Credit-related statistics:		
Total nonperforming assets (b)	$93	$93
Net charge-offs	$14	$14
Annualized net charge-off ratio	.23%	.26%
Home equity portfolio credit statistics:		
% of first lien positions	45%	50%
Weighted average loan-to-value ratios	68%	69%
Weighted average FICO scores	727	717
Loans 90 days past due	.22%	.19%
Checking-related statistics:		
Retail Banking checking relationships	1,950,000	1,782,000
Consumer DDA households using online banking	880,000	748,000
% of consumer DDA households using online banking	50%	47%
Consumer DDA households using online bill payment	253,000	132,000
% of consumer DDA households using online bill payment	14%	8%
Small business deposits:		
Noninterest-bearing	$4,357	$4,086
Interest-bearing	$1,454	$1,556
Money market	$2,705	$2,630
Certificates of deposit	$553	$352
Brokerage statistics:		
Margin loans	$205	$249
Financial consultants (c)	783	783
Full service brokerage offices	100	96
Brokerage account assets (billions)	$43	$39
Other statistics:		
Gains on sales of education loans (d)	$4	$1
Full-time employees	9,725	9,578
Part-time employees	1,373	773
ATMs	3,763	3,610
Branches (e)	846	772
ASSETS UNDER ADMINISTRATION (billions) (f)		
Assets under management:		
Personal	$40	$40
Institutional	10	9
Total	$50	$49
Asset Type		
Equity	$32	$30
Fixed income	12	13
Liquidity/other	6	6
Total	$50	$49
Nondiscretionary assets under administration:		
Personal	$28	$29
Institutional	59	63
Total	$87	$92
Asset Type		
Equity	$33	$32
Fixed income	26	32
Liquidity/other	28	28
Total	$87	$92

(a) Presented as of March 31 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 $84 million at March 31, 2006 and $83 million at March 31, 2005.
(c) Financial consultants provide services in full service brokerage offices and PNC traditional branches.
(d) Included in "Noninterest income-Other".
(e) Excludes certain satellite branches that provide limited products and service hours.
(f) Excludes brokerage account assets.

Retail Banking's earnings were $190 million for the first quarter of 2006 compared with $149 million for the same period in 2005. Compared with the prior year first quarter, revenue increased 14%, while noninterest expense increased only 6%, driving a 28% increase in earnings. The increase in earnings compared with the first quarter of 2005 was driven by higher taxable-equivalent net interest income fueled by continued customer and balance sheet growth, including our expansion into the greater Washington, DC area, along with improved fee income from customers, strong asset quality, and a sustained focus on expense management.

Highlights of Retail Banking's performance during the first quarter of 2006 include:

- Consumer and small business checking relationships increased by 168,000 or 9%, compared with March 31, 2005.
- Consumer-related new checking relationships increased 10%, average consumer demand deposits increased 8% and home equity loans increased 8% compared with the comparable prior year amounts.
- The small business area continued its positive momentum with strong customer and balance sheet growth. Average small business loans increased 15% over the first quarter of 2005 on the strength of increased demand from both existing customers and new relationships. Small business deposits increased 5% over the same period and new checking relationships increased 8%.
- The wealth management business sustained solid growth over the first quarter of 2005 as asset management fees increased $6 million or 7% as a result of comparatively higher equity markets, pricing enhancements and the expansion into the greater Washington, DC area.
- Customer assets in brokerage accounts totaled $43 billion at March 31, 2006 compared with $39 billion at March 31, 2005.
- Retail Banking's efficiency ratio improved to 58% compared with 62% a year earlier.
- The branch network increased a net 74 branches to a total of 846 branches at March 31, 2006 compared with March 31, 2005, including the addition of 55 branches from expanding into the greater Washington, DC, area.
- Credit quality remains very strong and stable. Annualized net charge-offs as a percentage of average loan outstandings were .23% for March 31, 2006 compared with .26% for March 31, 2005.

Total revenue for the first quarter of 2006 was $753 million compared with $663 million for the same period last year. Taxable-equivalent net interest income of $408 million increased $36 million, or 10%, compared with 2005 due to a 12% increase in average deposits and a 12% increase in average loan balances. The net interest income growth has been somewhat mitigated by a narrower spread between loan yields and deposit costs.

Noninterest income increased $54 million, or 19%, compared with the first quarter of 2005 primarily driven by increased asset management revenue, service charges on deposits, brokerage fees and consumer service fees. This growth can be attributed to the following:

- Customer growth,
- Expansion of the branch network, including a new market,
- Consolidation of our merchant services activities,
- Increased assets under management,
- Increased brokerage account assets and activities, and
- Various pricing actions resulting from the One PNC initiative, and
- An increase in gains from sales of education loans.

The provision for credit losses declined $5 million in the first quarter of 2006 compared with 2005 primarily due to strong and stable credit quality. Overall credit quality remained strong as evidenced by the decline in nonperforming loans as a percentage of total loans to .35% as of March 31, 2006 compared with .38% at the same time last year. We expect that the provision for credit losses will increase with loan growth.

Noninterest expense in the first quarter of 2006 totaled $436 million, an increase of $24 million, or 6%, compared with the first quarter of 2005. The increase in expenses is primarily attributable to expansion into a new market, continued growth of the company's branch network, and the consolidation of the company's merchant services activities. Retail Banking incurred approximately $28 million in operating costs as a result of the expansion into the greater Washington, DC area in the first quarter of 2006. Excluding the impact of these expenses, noninterest expense declined $4 million compared with the first quarter of 2005 primarily due to lower staff-related expense as a result of One PNC initiatives.

Full-time employees at March 31, 2006 totaled 9,725, an increase of 147 from March 31, 2005. The expansion into the greater Washington, DC area accounted for an increase in full-time employees of approximately 563 and other new branches accounted for approximately 168 at March 31, 2006. Excluding the impact of these expansions on full-time employees, total Retail Banking full-time employees at March 31, 2006 declined 6% compared with March 31, 2005. Part-time employees have increased as a result of various cost saving initiatives. These initiatives include utilizing more customer-facing employees during peak business hours versus full-time employees for the entire day.

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

- Average commercial loans grew $612 million, or 13%, 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 arena increased 19% over the first quarter of 2005.
- Average home equity loans grew by $1.0 billion, or 8%, compared with the first quarter of 2005. Consumer loan demand is starting to slow as a result of the rising rate environment.
- Average indirect loans grew $95 million, or 11%, compared to the first quarter of 2005. The indirect auto business

benefited from manufacturer employee pricing programs during the summer of 2005.

Average residential mortgage loans increased $872 million, or 112%, primarily due to the addition of loans from the greater Washington, DC area acquisition. Payoffs in our existing portfolio, which will continue throughout 2006, reduced the impact of the additional loans acquired.

Growing core checking deposits as a lower cost-funding source and as the cornerstone product to build customer relationships is the primary objective of our deposit strategy. Average total deposits increased $5.0 billion, or 12%, compared with the first quarter of 2005. The deposit growth was driven by increases in the number of checking relationships (new customer acquisition and the expansion into the greater Washington, DC area) and the recapture of consumer 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 yielding interest-bearing deposits to higher yielding deposits or investment products, and to pay off borrowings. The shift has been evident during the last three quarters and has impacted the level of average demand deposits in that period.

· Average demand deposit growth of $.9 billion, or 6%, was driven by a $1.1 billion increase from the expansion into the greater Washington, DC area and a decline of $.2 billion in the core business due to customers shifting funds into higher yielding deposits, business sweep products, and investment products.

· Small business checking relationship retention has shown steady improvement. Consumer checking relationship retention remains steady and strong due to increased penetration rates of debit card, online banking and online bill payment.

· Customer balances in other deposit products remained consistent while certificates of deposits increased $2.9 billion. This increase was attributable to the rising interest rate environment attracting customers back into this product.

Assets under management of $50 billion at March 31, 2006 increased $1 billion compared with the balance at March 31, 2005. The effects of comparatively higher equity markets and the expansion into the greater Washington, DC area 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 $87 billion at March 31, 2006 declined $5 billion compared with the balance at March 31, 2005. The decline primarily reflects the loss of two sizeable master custody accounts with minimal earnings impact.

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CORPORATE & INSTITUTIONAL BANKING (Unaudited)

Three months ended March 31 Taxable-equivalent basis Dollars in millions except as noted	2006	2005
INCOME STATEMENT		
Net interest income	$175	$178
Noninterest income		
Corporate service fees	113	89
Other	52	43
Noninterest income	165	132
Total revenue	340	310
Provision for (recoveries of) credit losses	12	(4)
Noninterest expense	176	154
Pretax earnings	152	160
Income taxes	47	50
Earnings	$105	$110
AVERAGE BALANCE SHEET		
Loans		
Corporate (a)	$9,685	$10,417
Commercial real estate	2,643	1,807
Commercial – real estate related	2,454	1,798
Asset-based lending	4,252	4,050
Total loans (a)	19,034	18,072
Loans held for sale	866	598
Other assets	5,596	4,873
Total assets	$25,496	$23,543
Deposits	$9,584	$8,683
Commercial paper (b)		2,127
Other liabilities	3,439	3,236
Capital	1,945	1,692
Total funds	$14,968	$15,738

Earnings from Corporate & Institutional Banking for the first three months of 2006 total $105 million compared with $110 million in the prior year first quarter. Total revenue increased $30 million and noninterest expense increased $22 million from the prior year's comparable quarter. The $5 million decrease in earnings in 2006 was impacted by a $16 million increase in the provision for credit losses.

PERFORMANCE RATIOS		
Return on average capital	22%	26%
Noninterest income to total revenue	49	43
Efficiency	52	50
COMMERCIAL MORTGAGE SERVICING PORTFOLIO (in billions)		
Beginning of period	$136	$98
Acquisitions/additions	13	14
Repayments/transfers	(9)	(7)
End of period	$140	$105
OTHER INFORMATION		
Consolidated revenue from: (c)		
Treasury Management	$102	$97
Capital Markets	$64	$42
Midland Loan Services	$42	$32
Equipment Leasing	$18	$18
Total loans (a) (d)	$19,447	$18,595
Nonperforming assets (d) (e)	$112	$65
Net charge-offs (recoveries)	$4	$(2)
Full-time employees (d)	1,892	1,756
Net gains on commercial mortgage loan sales	$7	$9
Net carrying amount of commercial mortgage servicing rights (d)	$353	$258

(a) Includes lease financing and Market Street. Effective October 17, 2005, Market Street was deconsolidated from our Consolidated Balance Sheet.
(b) Amount for 2005 includes Market Street.
(c) Represents consolidated PNC amounts.
(d) At March 31.
(e) Includes nonperforming loans of $97 million at March 31, 2006 and $46 million at March 31, 2005.

Highlights of the first quarter of 2006 for Corporate & Institutional Banking included:

- Average loan balances increased $1.0 billion, or 5%, over 2005. The prior year average included $2.1 billion in loans from the Market Street Funding commercial paper conduit that was deconsolidated in October 2005. Excluding the impact of deconsolidating the conduit, average loan balances increased 19%. The growth in loans was driven by strong customer demand and our expansion into the greater Washington, DC area in May 2005. While utilization has remained relatively constant year over year, growth in all loan categories fueled the increase in loans outstanding.
- Average deposits increased $901 million, or 10%, over the prior year first quarter driven by the sale of treasury management products and growth in our commercial mortgage servicing portfolio and related deposits. Not reflected in average deposits is the off-balance sheet sweep liquidity product. The average balance for this product increased $1.2 billion compared to the first quarter of 2005 due to new client growth attracted by the convenience and rates associated with this product.

- Total revenue increased 10% compared with 2005 as strong growth in fee income offset a modest decline in taxable-equivalent net interest income. The increase in corporate service fees reflects fee income attributable to the Harris Williams acquisition and growth in net commercial mortgage servicing and treasury management, partially offset by lower loan syndications income. Improved trading results drove the increase in other noninterest income.
- Commercial mortgage servicing revenue, which includes fees and net interest income, totaled $42 million for the first quarter 2006. The 31% revenue growth was primarily driven by growth in the commercial mortgage servicing portfolio, which increased to $140 billion, or 33%, and other related services.
- Noninterest expense increased $22 million, or 14%, compared with the first quarter of 2005. The increases in noninterest expenses and full-time employees were primarily due to acquisition activity and customer growth.

Taxable-equivalent net interest income for the first quarter of 2006 totaled $175 million, a modest decline compared with the first quarter of 2005 due to narrowing loan spreads. Based on current lending conditions and risk/return opportunities, we expect loan growth to be slower for the remainder of 2006 than the prior year. We also expect growth in deposits to continue in the near term.

Total noninterest income of $165 million in the first quarter of 2006 represented an increase of $33 million, or 25%, compared with the first quarter of 2005. Our October 2005 acquisition of Harris Williams contributed $22 million of noninterest income in the 2006 quarter, and higher trading revenue was also a factor in the 2006 increase.

The provision for credit losses was $12 million for the first three months of 2006 compared with a negative $4 million for the first three months of 2005. The higher provision in 2006 resulted from strong loan growth in the first quarter of 2006 compared with the prior year first quarter.

While nonperforming assets at March 31, 2006 have increased $47 million compared with March 31, 2005, they have declined $12 million since December 31, 2005 primarily due to a decrease in nonperforming loans. 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. However, we anticipate that the provision for credit losses and nonperforming loans will continue to increase in future quarters.

See the additional revenue discussion regarding treasury management, capital markets, Midland Loan Services and equipment leasing on page 7.

BLACKROCK (Unaudited)

Three months ended March 31 Taxable-equivalent basis Dollars in millions except as noted	2006	2005
INCOME STATEMENT		
Investment advisory and administrative fees	$350	$212
Other income	46	38
Total operating revenue	396	250
Operating expense	286	175
Fund administration and servicing costs	10	9
Total expense	296	184
Operating income	100	66
Nonoperating income	14	8
Pretax earnings	114	74
Minority interest	1	
Income taxes	42	27
Earnings	$71	$47
PERIOD-END BALANCE SHEET		
Goodwill and other intangible assets	$492	$444
Other assets	1,349	1,050
Total assets	$1,841	$1,494
Liabilities and minority interest	$852	$648
Stockholders' equity	989	846
Total liabilities and stockholders' equity	$1,841	$1,494
PERFORMANCE DATA		
Return on average equity	30%	24%
Operating margin (a)	25	26
Diluted earnings per share	$1.06	$.70
ASSETS UNDER MANAGEMENT (in billions) (b)		
Separate accounts		
Fixed income	$284	$240
Cash management	10	7
Cash management – securities lending	8	7
Equity	23	19
Alternative investment products	27	19
Total separate accounts	352	292
Mutual funds (c)		
Fixed income	24	25
Cash management	69	60
Equity	18	14
Total mutual funds	111	99
Total assets under management	$463	$391
OTHER INFORMATION		
Full-time employees (b)	2,232	1,999

(a) While BlackRock reports its financial results on a GAAP basis, management believes that in evaluating its results, it is also useful to review additional non-GAAP measures, including operating margin, as adjusted, which is calculated as operating income excluding, net of tax, the State Street Research and Management (SSRM) fee-sharing payment, the LTIP expense, SSRM acquisition costs, Merrill Lynch Investment Management (MLIM) transaction costs, and appreciation on Rabbi trust assets related to BlackRock's deferred compensation plans divided by total revenue less, net of tax, 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.

Three months ended March 31	2006	2005
Operating income, GAAP basis	$100	$66
Add back: SSRM fee-sharing payment	34	
Add back: LTIP expense	14	14
Less: portion of LTIP to be funded by BlackRock	(2)	(2)
Add back: SSRM acquisition costs		9
Add back: MLIM transaction costs	6	
Add back: appreciation on assets related to deferred compensation plans	5	2
Operating income, as adjusted	$157	$89
Total revenue, GAAP basis	$396	$250
Less: reimbursable property management compensation	6	4
Less: fund administration and servicing costs	10	9
Revenue used for operating margin calculation, as reported	$380	$237
Operating margin, GAAP basis	25%	26%
Operating margin, as adjusted	41%	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. As such, we believe operating margin, as adjusted, provides useful disclosure to investors. The 2006 SSRM fee-sharing payment was excluded because it represents a non-recurring payment (based on a performance fee) pursuant to the SSRM acquisition agreement. 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 potential impact related to LTIP participants' put options, these charges will not impact BlackRock's book value. SSRM acquisition costs consist of certain compensation costs and professional fees incurred in 2005. Compensation expense reflected in this amount represents direct incentives related to alternative product performance fees generated in 2004 by SSRM employees, assumed in conjunction with the acquisition and settled by BlackRock with no future service requirement. Compensation expense associated with appreciation on Rabbi trust assets related to BlackRock's deferred compensation plans has been excluded because investment returns on these assets reported in nonoperating income, net of the related impact on compensation expense, result in a nominal impact on net income. MLIM transaction costs consist of compensation costs and certain professional fees incurred in 2006 related to the pending MLIM transaction. We have excluded fund administration and servicing costs from the operating margin, as adjusted, calculation because BlackRock receives offsetting revenue and expense for these services. Reimbursable property management compensation represents compensation and benefits paid to certain BlackRock Realty Advisors, Inc. ("Realty") personnel. These employees are retained on Realty's payroll when properties are acquired for Realty's clients. The related compensation and benefits are fully reimbursed by Realty's clients and have been excluded from revenue used for operating margin measurement, as adjusted, because they bear no economic cost to BlackRock.

(b) At March 31.

(c) Includes BlackRock Funds, BlackRock Liquidity Funds, BlackRock Closed-End Funds, PNC Investment Contract Fund and BlackRock Global Series plc.

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BlackRock reported earnings of $71 million for the first quarter of 2006 compared with $47 million for the first quarter of 2005. Higher earnings in 2006 reflected higher investment advisory and administration fees due to an increase in assets under management and increased performance fees. These factors more than offset the increase in expense due to increased compensation and benefits, including higher incentive compensation associated with higher performance fees, and a one-time expense of $34 million related to the January 2005 acquisition of SSRM. Earnings for the first quarter of 2005 included nonrecurring pretax expenses of $9 million associated with the SSRM acquisition.

Total operating revenue increased $146 million, or 58%, in the first quarter of 2006 compared with the prior year first quarter. The impact of higher assets under management and increased performance fees in 2006 was reflected in the significantly higher revenue.

Total expense for the first three months of 2006 increased $112 million, or 61%, compared with the first three months of 2005, primarily due to an increase in compensation and benefits. This increase reflected higher incentive compensation associated with performance fees, higher accruals for bonuses based on operating income and an increase in the number of employees. In addition, the SSRM one-time expense of $34 million recognized in 2006 is also evident in the increase over the prior year quarter.

Assets under management at March 31, 2006 increased $72 billion, or 18%, compared with March 31, 2005. The increase was primarily attributable to net new business. The increase in assets under management reflected net new subscriptions of $58 billion and market appreciation of $14 billion in the 12-month period.

The Executive Summary section of this Financial Review has further information related to BlackRock's first quarter 2006 announcement that Merrill Lynch will contribute its investment management business (MLIM) to BlackRock in exchange for newly issued BlackRock common and preferred stock. Additional information on this transaction is also included in Note 2 Acquisitions in the Notes To Consolidated Financial Statements included in this Report.

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

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PFPC *(Unaudited)*

Three months ended March 31 Dollars in millions except as noted	2006	2005
INCOME STATEMENT		
Fund servicing revenue	$227	$220
Other revenue		10
Total operating revenue	227	230
Operating expense	170	173
Amortization of other intangibles, net	3	3
Total expense	173	176
Operating income	54	54
Debt financing	10	8
Nonoperating income (expense) (a)	1	(8)
Pretax earnings	45	38
Income taxes	18	15
Earnings	$27	$23
PERIOD-END BALANCE SHEET		
Goodwill and other intangible assets	$1,022	$1,012
Other assets	1,363	896
Total assets	$2,385	$1,908
Debt financing	$890	$1,017
Other liabilities	1,094	598
Shareholder's equity	401	293
Total funds	$2,385	$1,908
PERFORMANCE RATIOS		
Return on average equity	28%	33%
Operating margin (b)	24	23
SERVICING STATISTICS (At March 31)		
Accounting/administration net fund assets (in billions) (c)		
Domestic	$665	$680
Offshore	85	65
Total	$750	$745
Asset type (in billions)		
Money market	$238	$340
Equity	338	245
Fixed income	107	107
Other	67	53
Total	$750	$745
Custody fund assets (in billions)	$383	$462
Shareholder accounts (in millions)		
Transfer agency	20	20
Subaccounting	45	39
Total	65	59
OTHER INFORMATION		
Full-time employees (At March 31)	4,291	4,549

(a) Net of nonoperating expense.
(b) Operating income divided by total operating revenue.
(c) Includes alternative investment net assets serviced.

PFPC's earnings increased $4 million, or 17%, to $27 million in the first quarter of 2006 compared with the prior year first quarter. Higher earnings in the 2006 quarter reflected strong revenue contributions from several areas of the business and disciplined expense control. Earnings for the first quarter of 2005 included a $6 million after-tax gain related to the resolution of a client contract dispute and a $5 million after-tax charge related to the prepayment of intercompany debt.

Highlights of PFPC's performance in the first quarter of 2006 included:

- Managed account services continues to be a growth business as revenues increased 51% in the first quarter compared with the prior year first quarter due to a 51% increase in fund assets.
- Offshore revenues also increased over 50% as fund assets serviced grew 31% from the first quarter of 2005.

Fund servicing revenue for the first quarter of 2006 increased $7 million over the prior year first quarter, to $227 million. Excluding the $2 million comparative decline in revenue related to out-of-pocket and pass-through items that had no impact on earnings, fund servicing revenue increased $9 million compared with the prior year first quarter. Revenue increases related to offshore activities, custody, securities lending and managed account services drove the higher fund servicing revenue in 2006, partially offset by a decline in fund accounting and transfer agency revenue.

In January 2005 PFPC accepted approximately $10 million to resolve a client contract dispute, which is reflected as other revenue in the table on this page.

Operating expense declined $3 million, to $170 million, in the first quarter of 2006 compared with the first quarter of 2005 as out-of-pocket and pass-through items declined by $2 million and lower head count resulted in lower compensation costs in the comparison.

Effective January 2005, PFPC restructured its remaining intercompany term debt obligations given the comparatively favorable interest rate environment at that time. PFPC recorded intercompany debt prepayment penalties, which are reflected as nonoperating expense in the preceding table, totaling $8 million on a pretax basis, or $5 million after taxes, in the first quarter of 2005 to effect the restructuring.

The decrease in custody fund assets at March 31, 2006 compared with March 31, 2005 resulted primarily from the deconversion of a major client during the first quarter of 2006 which was partially offset by 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 $1.9 trillion at March 31, 2006 compared with $1.8 trillion at March 31, 2005.

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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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 2005 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 2005 Form 10-K:

- Allowances for loan and lease losses and unfunded loan commitments and letters of credit
- Private equity asset valuation
- 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

We describe BlackRock's long-term retention and incentive plan ("LTIP") in Note 18 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements included in Part II, Item 8 of our 2005 Form 10-K. We reported pretax expense of $11 million in the first quarter of 2006 and $15 million in the first quarter of 2005 related to LTIP awards.

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.

The expected long-term return on assets assumption does significantly affect pension expense. We decreased the expected long-term return on plan assets assumption from the 8.5% used for 2005 to 8.25% for determining net periodic cost for 2006. This change will increase estimated pension expense in 2006 by approximately $4 million. Also, under current accounting rules, the differences between expected long-term returns and actual returns are accumulated and amortized to pension expense over future periods. Each one percentage point difference in actual return compared with our expected return causes expense in the following year to change by up to $3 million.

The table below reflects the estimated effects on pension expense of certain changes in assumptions, using 2006 estimated expense as a baseline.

Change in Assumption	Estimated Increase to 2006 Pension Expense (In millions)
.5% decrease in discount rate	$2
.5% decrease in expected long-term return on assets	8
.5% increase in compensation rate	1

We currently estimate a pretax pension benefit of $1 million in 2006 compared with a pretax benefit of $8 million in 2005. Actual pension benefit recognized for the first quarter of 2006 was less than $1 million.

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, 2005, the fair value of plan assets was $1.627 billion, which exceeded the accumulated benefit obligation of $1.232 billion. The status at year-end 2006 will depend primarily upon 2006 investment returns and the level of contributions, if any, we make to the plan during 2006.

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.

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 2005 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 2005 Form 10-K provides an analysis of the risk management processes for what we view as our primary areas of risk: credit, operational, market and liquidity, as well as a discussion of our use of financial derivatives as part of our overall asset and liability risk management process. In appropriate places within that section, historical performance is also addressed. The following information in this Risk Management section updates our 2005 Form 10-K 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.

Nonperforming, Past Due And Potential Problem Assets

See Note 4 Asset Quality in the Notes to Consolidated Financial Statements of this Report and included here by reference for details of the types of nonperforming assets that we held at March 31, 2006 and December 31, 2005. In addition, certain performing assets have interest payments that are past due or have the potential for future repayment problems.

Total nonperforming assets at March 31, 2006 decreased $9 million, to $207 million, compared with December 31, 2005 driven by an $8 million decline in nonperforming loans.

Foreclosed lease assets of $13 million at March 31, 2006 and December 31, 2005 primarily represent our repossession of collateral related to a single airline industry credit. This repossessed collateral is currently being leased.

The amount of nonperforming loans that was current as to principal and interest was $112 million at March 31, 2006 and $115 million at December 31, 2005. 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	March 31 2006	December 31 2005
Retail Banking	**$93**	$90
Corporate & Institutional Banking	**112**	124
Other	**2**	2
Total nonperforming assets	**$207**	$216

Change In Nonperforming Assets

In millions	2006	2005
January 1	**$216**	$175
Transferred from accrual	**50**	27
Returned to performing	**(3)**	(5)
Principal activity including payoffs	**(35)**	(20)
Asset sales	**(5)**	(4)
Charge-offs and valuation adjustments	**(16)**	(11)
March 31	**$207**	$162

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

	Amount		Percent of Total Outstandings	
Dollars in millions	March 31 2006	Dec. 31 2005	March 31 2006	Dec. 31 2005
Commercial	**$4**	$12	**.02%**	.06%
Commercial real estate		2		.06
Consumer	**22**	22	**.14**	.14
Residential mortgage	**8**	10	**.11**	.14
Total loans	**34**	46	**.07**	.09
Loans held for sale	**26**	47	**1.15**	1.92
Total loans and loans held for sale	**$60**	$93	**.12%**	.18%

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 $40 million and zero, respectively, at March 31, 2006 compared with $67 million and zero, respectively, at December 31, 2005. Approximately 77% of these loans are in the Corporate & 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.

We refer you to Note 4 Asset Quality in the Notes to Consolidated Financial Statements in this Report regarding changes in the allowances for loan and lease losses and the allowance for unfunded loan commitments and letters of credit for additional information which is included herein by reference.

Allocation Of Allowance For Loan And Lease Losses

	March 31, 2006		December 31, 2005	
Dollars in millions	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	**$489**	**40.1%**	$489	39.2%
Commercial real estate	**29**	**6.1**	32	6.4
Consumer	**25**	**32.6**	24	33.1
Residential mortgage	**7**	**14.9**	7	14.9
Lease financing	**44**	**5.6**	41	5.7
Other	**3**	**.7**	3	.7
Total	**$597**	**100.0%**	$596	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.

The provision for credit losses for the first quarter of 2006 and the evaluation of the allowances for loan and lease losses and unfunded loan commitments and letters of credit as of March 31, 2006 reflected loan growth, 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.

The allowance as a percent of nonperforming loans was 328% and as a percent of total loans was 1.21% at March 31, 2006. The comparable percentages at December 31, 2005 were 314% and 1.21%.

Charge-Offs And Recoveries

Three months ended March 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2006				
Commercial	**$16**	**$6**	**$10**	**.21%**
Consumer	**12**	**4**	**8**	**.20**
Total	**$28**	**$10**	**$18**	**.15**
2005				
Commercial	$12	$6	$6	.14%
Consumer	10	4	6	.16
Total	$22	$10	$12	.11

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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; ability and depth of lending management; changes in 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. The amount of reserve allocated for qualitative factors represented 10% of the total allowance and .10% of total loans at March 31, 2006.

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. Credit default swaps are included in the Free-Standing Derivatives table in the Financial Derivatives section of this Risk Management discussion. We realized a net loss of $4.4 million during the first three months of 2006 and nominal net gains during the same period of 2005 in connection with credit default swaps.

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. Because of repricing term mismatches and embedded options inherent in certain of these products, changes in market interest rates not only affect expected near-term earnings, but the economic values of these assets and liabilities as well.

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 Risk Committee of the Board.

Sensitivity estimates and market interest rate benchmarks for the first quarter of 2006 and 2005 follow:

Interest Sensitivity Analysis

	First Quarter 2006	First Quarter 2005
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	(.3)%	1.3%
100 basis point decrease	.1%	(.8)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	(1.4)%	2.6%
100 basis point decrease	(.4)%	(6.0)%
Duration of Equity Model		
Base case duration of equity (in years):	1.0	(1.0)
Key Period-End Interest Rates		
One month LIBOR	4.83%	2.87%
Three-year swap	5.26%	4.39%

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 Alternate Rate Scenarios table reflects the estimated percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist's most likely rate forecast, (ii) implied forward rates, which result in an essentially flat rate scenario, and (iii) a Two-Ten Inversion (200 basis points differential between two-year and ten-year rates) scenario. We are inherently sensitive to a flatter or inverted yield curve.

Net Interest Income Sensitivity To Alternate Rate Scenarios (for first quarter 2006)

	PNC Economist	Market Forward	Two-Ten Inversion
First year sensitivity	.8%	.3%	(2.9)%
Second year sensitivity	3.5%	.7%	(2.1)%

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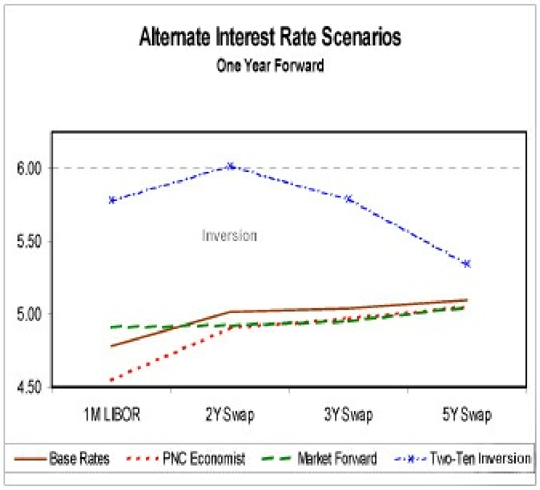
When forecasting net interest income, we make assumptions about interest rates and the shape of the yield curve, the volume and characteristics of new business, and the behavior of existing positions. These assumptions determine the future level of simulated net interest income in the base interest rate 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.



Our duration of equity has moved from negative to positive in part due to the increase in market interest rates and in part due to our balance sheet management strategy. We believe that we have the deposit funding base and balance sheet flexibility 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. The Risk Committee of the Board establishes an enterprise-wide VaR limit on our trading activities.

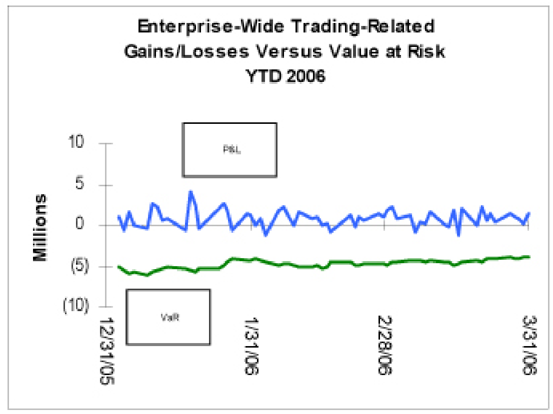
The following table shows VaR usage for the first quarter of 2006 by product type:

VaR Usage by Product Type

In millions	Min	Max	Avg
Fixed Income	$3.0	$4.8	$3.6
Equity	.6	1.4	.9
Foreign Exchange	.1	.5	.2
Total	3.8	6.0	4.7

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 three months of 2006, 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 quarter of 2006 and 2005 was as follows:

Three months ended March 31 – in millions	2006	2005
Net interest income		$2
Other noninterest income	**$57**	50
Total trading revenue	**$57**	$52
Securities underwriting and trading	**$4**	$5
Foreign exchange	**14**	8
Financial derivatives	**39**	39
Total trading revenue	**$57**	$52

Average trading assets and liabilities consisted of the following:

Three months ended March 31 – in millions	**2006**	2005
Assets		
Securities (a)	**$1,797**	$1,883
Resale agreements (b)	**321**	1,249
Financial derivatives (c)	**908**	679
Total assets	**$3,026**	$3,811
Liabilities		
Securities sold short (d)	**$663**	$1,462
Repurchase agreements and other borrowings (e)	**886**	1,185
Financial derivatives (f)	**901**	667
Total liabilities	**$2,450**	$3,314

(a) Included in Interest-earning assets-Other on the Average Consolidated Balance Sheet and Net Interest Analysis.
(b) Included in Federal funds sold and resale agreements.
(c) Included in Noninterest-earning assets-Other.
(d) Included in Other borrowed funds.
(e) Included in Repurchase agreements and Other borrowed funds.
(f) Included in Accrued expenses and 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.

Private Equity

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

At March 31, 2006, private equity investments carried at estimated fair value totaled $466 million compared with $449 million at December 31, 2005. As of March 31, 2006, approximately 43% of the amount was invested directly in a variety of companies and approximately 57% is invested in various limited partnerships. Private equity unfunded commitments totaled $70 million at March 31, 2006 compared with $78 million at December 31, 2005. See Note 14 Commitments And Guarantees in the Notes To Consolidated Financial Statements regarding our commitment to PNC Mezzanine Partners III, L.P.

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.

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 March 31, 2006, our liquid assets totaled $24.7 billion, with $11.1 billion pledged as collateral for borrowings, trust, and other commitments.

PNC Bank, N.A. is a member of the Federal Home Loan Bank of Pittsburgh ("FHLB-Pittsburgh") and as such has access to advances from FHLB-Pittsburgh secured generally by residential mortgages, other real estate related loans, and mortgage-backed securities. At March 31, 2006, our total unused borrowing capacity from FHLB-Pittsburgh under current collateral requirements was $24.1 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. Through March 31, 2006, PNC Bank, N.A. had issued $2.4 billion of debt under this program. There were no new issuances under this program during the first quarter of 2006.

In December 2004, PNC Bank, N.A. established a program to offer up to $3.0 billion of its commercial paper. As of March 31, 2006, $120 million 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.

Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet these requirements over the succeeding 12-month period. In managing parent company liquidity we consider funding sources, such as expected dividends to be received from PNC Bank, N.A. and potential debt issuance, and discretionary funding uses, the most significant of which is the external dividend to be paid on PNC's stock.

The principal source of parent company cash flow is the dividends it receives from PNC Bank, N.A., which may be impacted by the following:

- Capital needs,
- Laws and regulations,
- Corporate policies,
- Contractual restrictions, and
- Other factors.

Also, 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. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately $435 million at March 31, 2006.

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 March 31, 2006, the parent company had approximately $1.6 billion 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. At March 31, 2006, we had unused capacity under effective shelf registration statements of approximately $1.6 billion of debt or equity securities. BlackRock, one of our majority-owned non-bank subsidiaries, also has access to public and private financing.

As of March 31, 2006, there were $1.1 billion of parent company contractual obligations with maturities of less than one year, all of which mature in the third quarter of 2006.

Commitments

The following tables set forth contractual obligations and various other commitments representing required and potential cash outflows as of March 31, 2006.

Contractual Obligations

March 31, 2006 – in millions	Total
Remaining contractual maturities of time deposits	$ 17,079
Borrowed funds	16,440
Minimum annual rentals on noncancellable leases	1,115
Nonqualified pension and postretirement benefits	299
Purchase obligations (a)	348
Total contractual cash obligations	$ 35,281

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

Other Commitments (a)

March 31, 2006 – in millions	Total Amounts Committed
Loan commitments	$ 40,806
Standby letters of credit	4,231
Other commitments (b)	5,330
Total commitments	$ 50,367

(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, liquidity facilities commitments 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.

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, options and futures contracts, only periodic cash payments and, with respect to options, premiums, are exchanged. Therefore, cash requirements and exposure to credit risk are significantly less than the notional amount on these instruments. Further information on our financial derivatives, including the credit risk amounts of these derivatives as of March 31, 2006 and December 31, 2005, is presented in Note 1 Accounting Policies and Note 9 Financial Derivatives in the Notes To Consolidated Financial Statements in Part I, Item 1 of this Report.

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.

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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 March 31, 2006 and December 31, 2005. Weighted-average interest rates presented are based on contractual terms, if fixed, or the implied forward yield curve at each respective date, if floating.

Financial Derivatives – 2006

March 31, 2006 – dollars in millions	Notional/ Contract 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	**$3,103**	**$(31)**	**3 yrs. 3 mos.**	**5.15%**	**4.72%**
Pay fixed	**12**		**1 yr. 10 mos.**	**3.68**	**5.18**
Interest rate caps (b)	**55**		**1 yr. 11 mos.**	**NM**	**NM**
Futures contracts	**14**		**9 mos.**	**NM**	**NM**
Total asset rate conversion	**3,184**	**(31)**			
Liability rate conversion					
Interest rate swaps (a)					
Receive fixed	**5,345**	**(35)**	**6 yrs. 2 mos.**	**5.28**	**5.37**
Total liability rate conversion	**5,345**	**(35)**			
Total interest rate risk management	**8,529**	**(66)**			
Commercial mortgage banking risk management					
Pay fixed interest rate swaps (a)	**238**	**3**	**10 yrs. 7 mos.**	**5.12**	**5.31**
Pay total return swaps designated to loans held for sale (a)	**250**	**5**	**1 mo.**	**NM**	**4.98**
Total commercial mortgage banking risk management	**488**	**8**			
Total accounting hedges (c)	**$9,017**	**$(58)**			
Free-Standing Derivatives					
Customer-related					
Interest rate					
Swaps	**$44,790**	**$25**	**4 yrs. 4 mos.**	**4.95%**	**4.94%**
Caps/floors					
Sold	**1,888**	**(3)**	**1 yr. 8 mos.**	**NM**	**NM**
Purchased	**1,483**	**3**	**8 mos.**	**NM**	**NM**
Futures	**2,475**		**2 yrs. 2 mos.**	**NM**	**NM**
Foreign exchange	**5,260**	**4**	**6 mos.**	**NM**	**NM**
Equity	**3,268**	**(57)**	**1 yr. 3 mos.**	**NM**	**NM**
Swaptions	**4,586**	**(7)**	**7 yrs. 6 mos.**	**NM**	**NM**
Other	**20**		**11 yrs. 3 mos.**	**NM**	**NM**
Total customer-related	**63,770**	**(35)**			
Other risk management and proprietary					
Interest rate					
Swaps	**10,281**	**1**	**6 yrs. 9 mos.**	**5.09%**	**5.12%**
Basis swaps	**620**	**2**	**6 yrs. 8 mos.**	**4.52**	**5.29**
Pay fixed swaps	**3,688**	**7**	**8 yrs. 11 mos.**	**4.40**	**4.84**
Caps/floors					
Sold	**2,000**	**(4)**	**2 yrs. 4 mos.**	**NM**	**NM**
Purchased	**2,510**	**11**	**3 yrs.**	**NM**	**NM**
Futures	**15,893**	**4**	**1 yr. 1 mo.**	**NM**	**NM**
Foreign exchange	**767**	**1**	**3 yrs. 7 mos.**	**NM**	**NM**
Credit derivatives	**1,642**	**(1)**	**4 yrs. 7 mos.**	**NM**	**NM**
Risk participation agreements	**601**		**2 yrs. 10 mos.**	**NM**	**NM**
Commitments related to mortgage-related assets	**1,853**	**(5)**	**2 mos.**	**NM**	**NM**
Options					
Futures	**32,378**	**1**	**10 mos.**	**NM**	**NM**
Swaptions	**18,662**	**54**	**9 yrs. 1 mo.**	**NM**	**NM**
Total other risk management and proprietary	**90,895**	**71**			
Total free-standing derivatives	**$154,665**	**$36**			

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 68% were based on 1-month LIBOR, 32% on 3-month LIBOR.
(b) Interest rate caps have a weighted-average strike of 6.95%.
(c) Fair value amounts include accrued interest of $45 million.
NM Not meaningful

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Financial Derivatives – 2005

December 31, 2005 – dollars in millions	Notional/ Contract 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	$2,926	$(9)	2 yrs. 10 mos.	4.75%	4.42%
Pay fixed	12		2 yrs. 1 mo.	3.68	4.77
Futures contracts	42		1 yr. 1 mo.	NM	NM
Total asset rate conversion	2,980	(9)			
Liability rate conversion					
Interest rate swaps (a)					
Receive fixed	5,345	84	6 yrs. 5 mos.	4.87	5.37
Total liability rate conversion	5,345	84			
Total interest rate risk management	8,325	75			
Commercial mortgage banking risk management					
Pay fixed interest rate swaps (a)	251	(4)	10 yrs. 9 mos.	5.05	4.88
Pay total return swaps designated to loans held for sale (a)	250	(2)	1 mo.	NM	4.37
Total commercial mortgage banking risk management	501	(6)			
Total accounting hedges (b)	$8,826	$69			
Free-Standing Derivatives					
Customer-related					
Interest rate					
Swaps	$43,868	$34	4 yrs. 2 mos.	4.69%	4.69%
Caps/floors					
Sold	1,710	(4)	1 yr. 11 mos.	NM	NM
Purchased	1,446	3	11 mos.	NM	NM
Futures	2,570		10 mos.	NM	NM
Foreign exchange	4,687	4	5 mos.	NM	NM
Equity	2,744	(79)	1 yr. 6 mos.	NM	NM
Swaptions	2,559	(1)	8 yrs. 11 mos.	NM	NM
Other	230	1	10 yrs. 8 mos.	NM	NM
Total customer-related	59,814	(42)			
Other risk management and proprietary					
Interest rate					
Swaps	2,369	1	4 yrs. 11 mos.	4.56%	4.65%
Basis swaps	756	1	6 yrs. 10 mos.	4.14	4.85
Pay fixed swaps	2,474	(2)	7 yrs. 7 mos.	4.37	4.57
Caps/floors					
Sold	2,000	(10)	2 yrs. 7 mos.	NM	NM
Purchased	2,310	14	2 yrs. 10 mos.	NM	NM
Futures	10,901	2	1 yr. 2 mos.	NM	NM
Credit derivatives	1,353		4 yrs. 7 mos.	NM	NM
Risk participation agreements	461		3 yrs. 11 mos.	NM	NM
Commitments related to mortgage-related assets	1,695	1	2 mos.	NM	NM
Options					
Futures	33,384	3	5 mos.	NM	NM
Swaptions	15,440	30	7 yrs. 7 mos.	NM	NM
Other	24	4	4 mos.	NM	NM
Total other risk management and proprietary	73,167	44			
Total free-standing derivatives	$132,981	$2			

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 67% were based on 1-month LIBOR, 33% on 3-month LIBOR.
(b) Fair value amounts include accrued interest of $81 million.
NM Not meaningful

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2006, 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 March 31, 2006, and that there has been no change in internal control over financial reporting that occurred during the first quarter of 2006 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 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. 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 LIBOR-based funding rates at origination that represent the interest cost for us to raise/invest funds with similar maturity and repricing structures.

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.

Intrinsic value: The amount by which the fair value of an underlying stock exceeds the exercise price of an option on that stock.

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, equipment 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.

Operating leverage – The period to period percentage change in total revenue less the percentage change in noninterest expense. A positive percentage indicates that revenue growth exceeded expense growth (*i.e.,* positive operating leverage) while a negative percentage implies expense growth exceeded revenue growth (*i.e.,* negative operating leverage).

Options – Contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to either purchase or sell the associated financial instrument at a set price during a period or at a specified date in the future.

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.

Swaptions – Contracts that grant the purchaser, for a premium payment, the right, but not the obligation, to enter into an interest rate swap agreement during a period or at a specified date in the future.

Tangible common equity 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.

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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., a 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.

Value-at-risk ("VaR") – A statistically-based measure of risk which describes the amount of potential loss which may be incurred due to severe and adverse market movements. The measure is of the maximum loss which should not be exceeded on 99 out of 100 days.

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.

Our forward-looking statements are subject to the following principal risks and uncertainties. We provide greater detail regarding these factors in our 2005 Form 10-K, including in the Risk Factors and Risk Management sections. Our forward-looking statements may also be subject to other risks and uncertainties including those discussed elsewhere in this Report or in our other filings with the SEC.

- Our business and operating results are affected by business and economic conditions generally or specifically in the principal markets in which we do business. We are affected by changes in our customers' financial performance, as well as changes in customer preferences and behavior, including as a result of changing economic conditions.
- The value of our assets and liabilities as well as our overall financial performance are affected by changes in interest rates or in valuations in the debt and equity markets. Actions by the Federal Reserve and other government agencies, including those that impact money supply and market interest rates, can affect our activities and financial results.
- Competition can have an impact on customer acquisition, growth and retention, as well as on our credit spreads and product pricing, which can affect market share, deposits and revenues.
- Our ability to implement our One PNC initiative, as well as other business initiatives and strategies we may pursue, could affect our financial performance over the next several years.

- Our ability to grow successfully through acquisitions is impacted by 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. These uncertainties are present in transactions such as the pending acquisition by BlackRock of Merrill Lynch's investment management business.
- Legal and regulatory developments could have an impact on our ability to operate our businesses or our financial condition or results of operations or our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention, our ability to attract and retain management, liquidity and funding. These legal and regulatory developments could include: (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 laws and regulations involving tax, pension, and the protection of confidential customer information; and (e) changes in accounting policies and principles.
- Our business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through the effective use of third-party insurance and capital management techniques.
- Our ability to anticipate and respond to technological changes can have an impact on our ability to respond to customer needs and to meet competitive demands.
- The adequacy of our intellectual property protection, and the extent of any costs associated with obtaining rights in intellectual property claimed by others, can impact our business and operating results.
- Our business and operating results can be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and financial and capital markets generally or on us or on our customers, suppliers or other counterparties specifically.

Also, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical performance relating to our majority-owned subsidiary BlackRock, Inc. are discussed in more detail in BlackRock's 2005 Annual Report on Form 10-K, including in the Risk Factors section, and in BlackRock's other filings with the SEC, accessible on the SEC's website at www.sec.gov and on or through BlackRock's website at www.blackrock.com.

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CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

Three months ended March 31 - in millions, except per share data Unaudited	2006	2005
Interest Income		
Loans	$747	$578
Securities available for sale and held to maturity	243	172
Other	76	54
Total interest income	1,066	804
Interest Expense		
Deposits	327	182
Borrowed funds	183	116
Total interest expense	510	298
Net interest income	556	506
Provision for credit losses	22	8
Net interest income less provision for credit losses	534	498
Noninterest Income		
Asset management	461	314
Fund servicing	221	220
Service charges on deposits	73	59
Brokerage	59	55
Consumer services	89	64
Corporate services	135	108
Equity management gains	7	32
Net securities losses	(4)	(9)
Trading	57	50
Other	87	81
Total noninterest income	1,185	974
Noninterest Expense		
Compensation	555	479
Employee benefits	87	83
Net occupancy	79	73
Equipment	77	74
Marketing	20	20
Other	353	271
Total noninterest expense	1,171	1,000
Income before minority and noncontrolling interests and income taxes	548	472
Minority and noncontrolling interests in income of consolidated entities	13	6
Income taxes	181	112
Net income	$354	$354
Earnings Per Common Share		
Basic	$1.21	$1.26
Diluted	$1.19	$1.24
Average Common Shares Outstanding		
Basic	292	281
Diluted	296	284

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except par value Unaudited	March 31 2006	December 31 2005
Assets		
Cash and due from banks	$3,206	$3,518
Federal funds sold and resale agreements	511	350
Other short-term investments, including trading securities	2,641	2,543
Loans held for sale	2,266	2,449
Securities available for sale and held to maturity	21,529	20,710
Loans, net of unearned income of $832 and $835	49,521	49,101
Allowance for loan and lease losses	(597)	(596)
Net loans	48,924	48,505
Goodwill	3,638	3,619
Other intangible assets	844	847
Other	9,698	9,413
Total assets	$93,257	$91,954
Liabilities		
Deposits		
Noninterest-bearing	$14,250	$14,988
Interest-bearing	46,649	45,287
Total deposits	60,899	60,275
Borrowed funds		
Federal funds purchased	3,156	4,128
Repurchase agreements	2,892	1,691
Bank notes and senior debt	3,362	3,875
Subordinated debt	4,387	4,469
Commercial paper	120	10
Other	2,523	2,724
Total borrowed funds	16,440	16,897
Allowance for unfunded loan commitments and letters of credit	103	100
Accrued expenses	2,585	2,770
Other	3,822	2,759
Total liabilities	83,849	82,801
Minority and noncontrolling interests in consolidated entities	627	590
Shareholders' Equity		
Preferred stock (a)		
Common stock - $5 par value		
Authorized 800 shares, issued 353 shares	1,764	1,764
Capital surplus	1,349	1,358
Retained earnings	9,230	9,023
Deferred compensation expense	(44)	(59)
Accumulated other comprehensive loss	(394)	(267)
Common stock held in treasury at cost: 57 and 60 shares	(3,124)	(3,256)
Total shareholders' equity	8,781	8,563
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$93,257	$91,954

(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.

Three months ended March 31 - in millions Unaudited	2006	2005
Operating Activities		
Net income	$354	$354
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	22	8
Depreciation, amortization and accretion	93	80
Deferred income taxes	37	(65)
Securities transactions	4	9
Valuation adjustments	(1)	(2)
Excess tax benefits from share-based payment arrangements	(14)	
Net change in		
Loans held for sale	207	(398)
Other short-term investments	9	(376)
Other	234	(1,061)
Net cash provided (used) by operating activities	945	(1,451)
Investing Activities		
Repayment of securities	872	686
Sales		
Securities	1,257	5,458
Loans		7
Foreclosed and other nonperforming assets	5	5
Purchases		
Securities	(2,790)	(8,548)
Loans	(322)	(551)
Net change in		
Loans	(140)	(650)
Federal funds sold and resale agreements	(161)	383
Net cash paid for acquisitions	(5)	(243)
Other	(47)	(9)
Net cash used by investing activities	(1,331)	(3,462)
Financing Activities		
Net change in		
Noninterest-bearing deposits	(738)	(107)
Interest-bearing deposits	1,362	2,007
Federal funds purchased	(972)	776
Repurchase agreements	1,201	701
Commercial paper	110	130
Other short-term borrowed funds	(361)	(71)
Sales/issuances		
Bank notes and senior debt	4	1,299
Other long-term borrowed funds	195	116
Common stock	155	45
Repayments/maturities		
Bank notes and senior debt	(500)	
Other long-term borrowed funds	(171)	(124)
Excess tax benefits from share-based payment arrangements	14	
Acquisition of treasury stock	(78)	(39)
Cash dividends paid	(147)	(142)
Net cash provided by financing activities	74	4,591
Net Increase (Decrease) In Cash And Due From Banks	(312)	(322)
Cash and due from banks at beginning of period	3,518	3,230
Cash and due from banks at end of period	$3,206	$2,908
Cash Paid For		
Interest	$511	$263
Income taxes	55	65
Non-cash Items		
Transfer from (to) loans to (from) loans held for sale, net	23	(3)
Transfer from loans to other assets	2	4

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:

- Retail banking,
- Corporate and 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, DC area, including Maryland and Virginia. 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 unaudited interim consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP"). We have eliminated all significant intercompany accounts and transactions. We have also reclassified certain prior period amounts to conform with the 2006 presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

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

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2005 Annual Report on Form 10-K.

SPECIAL PURPOSE ENTITIES

Special purpose entities are broadly defined as legal entities structured for a particular purpose. We use special purpose entities in various legal forms to conduct normal business activities. Special purpose entities that meet the criteria for a Qualifying Special Purpose Entity ("QSPE") as defined in Statement of Financial Accounting Standards No. ("SFAS") 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," are not required to be consolidated. We review special purpose entities that are not QSPEs for consolidation in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised 2003), "Consolidation of Variable Interest Entities" ("FIN 46R").

In general, a variable interest entity ("VIE") is a special purpose entity formed as a corporation, partnership, limited liability corporation, or any other legal structure used to conduct activities or hold assets that either:

- Does not have equity investors with voting rights that can directly or indirectly make decisions about the entity's activities through those voting rights or similar rights, or
- Has equity investors that do not provide enough cash or other financial resources for the entity to support its activities.

A VIE often holds financial assets, including loans or receivables, real estate or other property.

We consolidate a VIE if we are considered to be its primary beneficiary. The primary beneficiary is subject to a majority of the risk of loss from the VIE's activities, is entitled to receive a majority of the entity's residual returns, or both. Upon consolidation of a VIE, we generally record all of the VIE's assets, liabilities and noncontrolling interests at fair value, with future changes based upon consolidation accounting principles. See Note 6 Variable Interest Entities for more information about non-consolidated VIEs in which we hold a significant interest.

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 unaudited 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.

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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.

Revenue earned on interest-earning assets is recognized based on the effective yield of the financial instrument.

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. Certain performance fees are earned upon attaining specified investment return thresholds and are recorded as earned. 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.

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 record private equity income or loss based on changes in the valuation of the underlying investments or when we dispose of our interest. Dividend income from private equity investments is generally recognized when received.

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. We recognize revenue from the sale of loans upon closing of the transaction.

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

INVESTMENTS

We have interests in various types of investments. The accounting for these investments is dependent on a number of factors including, but not limited to, items such as:

- Marketability of the investment,
- Ownership interest,
- Our plans for the investment, and
- The nature of the investment.

Private Equity Investments

We report private equity investments, which include direct investments in companies, interests in limited partnerships, and affiliated partnership interests, at estimated fair values. These estimates are based on available information and may not necessarily represent amounts that we will ultimately realize through distribution, sale or liquidation of the investments. The valuation procedures applied to direct investments include techniques such as multiples of cash flow of the entity, independent appraisals of the entity or the pricing used to value the entity in a recent financing transaction. We value affiliated partnership interests based on the underlying investments of the partnership using procedures consistent with those applied to direct investments. We generally value limited partnership investments based on the financial statements we receive from the general partner. We include all private equity investments in the consolidated balance sheet in other assets. Changes in the fair value of these assets are recognized in noninterest income.

We consolidate private equity investments when we are the general partner in a limited partnership and have determined that we have control of the partnership.

Equity Securities and Partnership Interests

We account for equity investments other than private equity investments under one of the following methods:

- Marketable equity securities are recorded on a trade-date basis and are accounted for at fair value based on the securities' quoted market prices from a national securities exchange. Dividend income on these securities is recognized in net interest income. Those purchased with the intention of recognizing short-term profits are placed in the trading account, carried at market value and classified as short-term investments. Gains and losses on trading securities are included in noninterest income. Marketable equity securities not classified as trading are designated as securities available for sale and are carried at fair value with unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive income or loss. Any unrealized losses that we have determined to be other-than-temporary are recognized in the period that the determination is made.

- Investments in nonmarketable equity securities are recorded using the cost or equity method of accounting. The cost method is used for those investments in which we do not have significant influence over the investee. Under this method, there is no change to the cost basis unless there is an other-than-temporary decline in value. If the decline is determined to be other than temporary, we write down the cost basis of the investment to a new cost basis that represents realizable value. The amount of the write-down is accounted for as a loss included in noninterest income in the period the determination is made. Distributions received from income on cost method investments are included in interest or noninterest income depending on the type of investment. We use the equity method for those investments in which we have significant influence over the operations of the investee. Under the equity method, we record our equity ownership share of the net income or loss of the investee in noninterest income. We include nonmarketable equity securities in other assets in the consolidated balance sheet.

For investments in limited partnerships that are not required to be consolidated, we use either the cost method or the equity method as described above for nonmarketable equity securities. We use the equity method if our limited partner ownership interest in the partnership is greater than 3%. We use the cost method for the remaining limited partnership investments. We account for general partnership interests under the equity method when we have determined that we do not have control over these entities and are not required to consolidate them. General and limited partnership investments are included in other assets on the consolidated balance sheet.

Debt Securities
Debt securities are recorded on a trade-date basis. We classify debt securities as securities and carry them at amortized cost if we have the positive intent and ability to hold the securities to maturity. Debt securities that we purchase for short-term appreciation or other trading purposes are carried at market value and classified as short-term investments. Gains and losses on these securities are included in noninterest income. Debt securities not classified as held to maturity or trading are designated as securities available for sale and carried at fair value with unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive income or loss. Other-than-temporary declines in the fair value of available for sale debt securities are recognized as a securities loss included in noninterest income in the period in which the determination is made. We review for impairment on a quarterly basis all debt securities that are in an unrealized loss position.

We include all interest on debt securities, including amortization of premiums and accretion of discounts using the interest method, in net interest income. We compute gains and losses realized on the sale of debt securities available for sale on a specific security basis and include them in noninterest income.

LOANS AND LEASES
Except as described below, loans are stated at the principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on loans purchased. Interest income related to loans other than nonaccrual loans is accrued based on the principal amount outstanding and credited to net interest income as earned. Loan origination fees, direct loan origination costs, and loan premiums and discounts are deferred and amortized to income, over periods not exceeding the contractual life of the loan, using methods that approximate the interest method.

On January 1, 2006, we adopted SFAS 155, “Accounting for Certain Hybrid Instruments – an amendment of FASB Statements No. 133 and 140,” which permits a fair value election for previously bifurcated hybrid financial instruments on an instrument-by-instrument basis. Beginning January 1, 2006, we elected to account for certain previously bifurcated hybrid instruments with loan host contracts under this standard. As such, certain loans are accounted for at fair value with changes in fair value reported in interest income. The fair value of these loans was $169 million, or less than .5% of the total loan portfolio, at March 31, 2006.

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 other-than-temporary 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.

LOAN SALES, SECURITIZATIONS AND RETAINED INTERESTS
We recognize the sale of loans or other financial assets when the transferred assets are legally isolated from our creditors and the appropriate accounting criteria are met. We also sell mortgage and other loans through secondary market securitizations. In certain cases, we may retain a portion or all of the securities issued, interest-only strips, one or more subordinated tranches, servicing rights and, in some cases, cash reserve accounts, all of which are considered retained interests in the transferred assets. Our loan sales and securitizations are generally structured without recourse to us and with no restrictions on the retained interests. In the event we are obligated for recourse liabilities in a sale, our policy is to record such liabilities at fair value upon closing of the transaction. Gains or losses recognized on the sale of the loans depend on the allocation of carrying value between the loans sold and the retained interests, based on their relative fair market values at the date of sale. We generally estimate fair value based on the present value of future expected cash flows using assumptions as to discount rates, interest rates, prepayment speeds, credit losses and servicing costs, if applicable. Gains or losses on these transactions are reported in noninterest income.

On January 1, 2006, we adopted SFAS 156, “Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140.” This Statement requires all newly recognized servicing rights and obligations to be initially measured at fair value. For each class of separately recognized servicing rights and obligations retained, we have elected to continue to account for each under the amortization method which requires us to amortize servicing assets or liabilities in proportion to and over the periods of estimated net servicing income or net servicing loss.

Each quarter, we evaluate our servicing assets for impairment by categorizing the pools of assets underlying servicing rights by product type. A valuation allowance is recorded and reduces current income when the carrying amount of a specific asset category exceeds its fair value.

We classify other securities retained as debt securities available for sale or other assets, depending on the form of the retained interest. Retained interests that are subject to prepayment risk are reviewed on a quarterly basis for impairment. If the fair value of the retained interest is below its carrying amount and the decline is determined to be other-than-temporary, then the decline is reflected as a charge to noninterest income. We recognize other adjustments to the fair market value of retained interests classified as available for sale securities through accumulated other comprehensive income or loss.

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 and the loans are not well-secured or in the process of collection. When the accrual of interest 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 charge off loans other than consumer loans based on the facts and circumstances of the individual loan.

Consumer 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 these loans based on the facts and circumstances of the individual loan.

Consumer loans not well-secured or in the process of collection are classified as nonaccrual at 120 days past due if they are home equity loans and at 180 days past due if they are home equity lines of credit. These loans are recorded at the lower of cost or market value, less liquidation costs and the unsecured portion of these loans is generally charged off in the month they become nonaccrual.

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 loan and lease portfolios 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
- Amounts for changes in economic conditions and potential estimation or judgmental errors.

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 are made to significant impaired loans and are determined in accordance with 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 their 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, impact 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 segments of the portfolio,
- Ability and depth of lending management,
- Changes in risk selection and underwriting standards, and
- Bank regulatory considerations.

COMMERCIAL MORTGAGE SERVICING RIGHTS

We provide servicing under various commercial loan servicing contracts. These contracts are either purchased in the market place or retained as part of a commercial mortgage loan securitization or loan sale. Prior to January 1, 2006, purchased contracts were recorded at cost and the servicing rights retained from the sale or securitization of loans were recorded based on their relative fair value to all of the assets securitized or sold. As a result of the adoption of SFAS 156, beginning January 1, 2006 all newly acquired servicing rights are initially measured at fair value. Fair value is based on the present value of the expected future cash flows, including assumptions as to:

- Interest rates for escrow and deposit balance earnings,
- Discount rates,
- Estimated prepayment speeds, and
- Estimated servicing costs.

We have elected to account for our commercial mortgage servicing rights as a class of assets under the amortization method. This determination was made based on the unique characteristics of the commercial mortgages underlying these servicing rights with regard to market inputs used in determining fair value and how we manage the risks inherent in the commercial mortgage servicing rights asset. We record the servicing asset as an other intangible asset and amortize it over its estimated life in proportion to estimated net servicing income. On a quarterly basis, we test the asset for impairment. If the estimated fair value of the asset is less than the carrying value, an impairment loss is recognized. Servicing fees are recognized as they are earned and are reported net of amortization expense in noninterest income.

DEPRECIATION AND AMORTIZATION

For financial reporting purposes, we depreciate premises and equipment principally using the straight-line method over their estimated useful lives.

We use estimated useful lives for furniture and equipment ranging from one to 10 years, and depreciate buildings over an estimated useful life of up to 40 years. We amortize leasehold improvements over their estimated useful lives of up to 15 years or the respective lease terms, whichever is shorter.

We purchase, as well as internally develop and customize, certain software to enhance or perform internal business functions. Software development costs incurred in the planning and post-development project stages are charged to noninterest expense. Costs associated with designing software configuration and interfaces, installation, coding programs and testing systems are capitalized and amortized using the straight-line method over periods ranging from one to five years.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We use a variety of financial derivatives as part of our overall asset and liability risk management process to manage interest rate, market and credit risk inherent in our business activities. We use substantially all such instruments 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 we use for interest rate risk management.

Financial derivatives involve, to varying degrees, interest rate, market and credit risk. We manage these risks as part of our asset and liability management process and through credit policies and procedures. We seek to minimize counterparty credit risk by entering into transactions with only high-quality institutions, establishing credit limits, and generally requiring bilateral netting and collateral agreements.

We recognize all derivative instruments at fair value as either assets or liabilities in other assets or other liabilities. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. For derivatives not designated as an accounting hedge, the gain or loss is recognized in trading noninterest income.

For those derivative instruments that are designated and qualify as hedging instruments, we must designate the hedging instrument, based on the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. We have no derivatives that hedge the net investment in a foreign operation.

We formally document the relationship between the hedging instruments and hedged items, as well as the risk management objective and strategy before undertaking a hedge. To qualify for hedge accounting, the derivatives and related hedged items must be designated as a hedge. For hedging relationships in which effectiveness is measured, we formally assess, both at the inception of the hedge and on an ongoing basis, if the derivatives are highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that the derivative instrument is not highly effective as a hedge, hedge accounting is discontinued.

For derivatives that are designated as fair value hedges (i.e., hedging the exposure to changes in the fair value of an asset or a liability attributable to a particular risk), changes in the fair value of the hedging derivative are recognized in earnings and offset by recognizing changes in the fair value of the hedged item attributable to the risk being hedged. To the extent the hedge is ineffective, the changes in fair value will not offset and the difference is reflected in the same financial statement category as the hedged item.

For derivatives designated as cash flow hedges (i.e., hedging the exposure to variability in expected future cash flows), the effective portions of the gain or loss on derivatives are reported as a component of accumulated other comprehensive income (loss) and subsequently reclassified in interest income in the same period or periods during which the hedged transaction affects earnings. The change in fair value of any ineffective portion of the hedging derivative is recognized immediately as a charge to earnings.

We discontinue hedge accounting when it is determined that the derivative is no longer an effective hedge; the derivative expires or is sold, terminated or exercised; or the derivative is de-designated as a fair value or cash flow hedge or it is no longer probable that the forecast transaction will occur by the end of the originally specified time period. If we determine that the derivative no longer qualifies as a fair value or cash flow hedge and therefore hedge accounting is discontinued, the derivative will continue to be recorded on the balance sheet at its fair value with changes in fair value included in current earnings. For a discontinued fair value hedge, the previously hedged item is no longer adjusted for changes in fair value.

When hedge accounting is discontinued because it is no longer probable that a forecast transaction will occur, the derivative will continue to be recorded on the balance sheet at its fair value with changes in fair value included in current earnings, and the gains and losses in accumulated other comprehensive income (loss) will be recognized immediately into earnings. When we discontinue hedge accounting because the hedging instrument is sold, terminated or no longer designated, the amount reported in other comprehensive income up to the date of sale, termination or de-designation continues to be reported in other comprehensive income until the forecast transaction affects earnings.

We occasionally purchase or originate financial instruments that contain an embedded derivative. Prior to January 1, 2006, we assessed at the inception of the transaction if economic characteristics of the embedded derivative were clearly and closely related to the economic characteristics of the financial instrument (host contract), whether the financial instrument that embodied both the embedded derivative and the host contract were 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 did 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. On January 1, 2006, we adopted SFAS 155 which, among other provisions, permits a fair value election for hybrid financial instruments requiring bifurcation on an instrument-by-instrument basis. Beginning January 1, 2006, we elected to account for certain previously bifurcated hybrid instruments and certain newly acquired hybrid instruments under this fair value election on an instrument-by-instrument basis. As such, certain previously reported embedded derivatives are now reported with their host contracts in loans and other assets.

We enter into commitments to make loans whereby the interest rate on the loan is set prior to funding (interest rate lock commitments). We also enter into commitments to purchase mortgage loans (purchase commitments). Both interest rate lock commitments and purchase commitments on mortgage loans that will be held for resale are accounted for as free-standing derivatives. Interest rate lock commitments and purchase commitments that are considered to be derivatives are recorded at fair value in other assets or other liabilities.

Fair value of interest rate lock commitments and purchase commitments is determined as the change in value that occurs after the inception of the commitment considering the projected security price, fees collected from the borrower and costs to originate, adjusted for anticipated fallout risk. We recognize the gain or loss from the change in fair value of these derivatives in trading noninterest income.

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 ended March 31, 2005 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. See Recent Accounting Pronouncements in this Note 1 for discussion of adoption of SFAS No. 123 (Revised 2004), “Share Based Payment” effective January 1, 2006.

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 March 31, 2006	Three months ended March 31, 2005
Net income as reported	**$354**	$354
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	**16**	11
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	**(16)**	(13)
Pro forma net income	**$354**	$352
Earnings per share		
Basic-as reported	**$1.21**	$1.26
Basic-pro forma	**$1.21**	$1.25
Diluted-as reported	**$1.19**	$1.24
Diluted-pro forma	**$1.19**	$1.24

See Note 8 Certain Employee Benefit and Stock-Based Compensation Plans for additional information.

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RECENT ACCOUNTING PRONOUNCEMENTS

In March 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 156, "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140." SFAS 156 amends SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" to require that all separately recognized servicing rights be initially measured at fair value, with an option in subsequent periods to continue to measure the servicing rights at fair value or to measure at amortized cost with an assessment of impairment each reporting period. As described under "Commercial Mortgage Servicing Rights," we adopted SFAS 156 as of January 1, 2006. The adoption did not have a material impact on our consolidated financial statements.

In February 2006, the FASB issued SFAS 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140," that permits fair value remeasurement of certain hybrid financial instruments, clarifies the scope of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," regarding interest-only and principal-only strips, and provides further guidance on certain issues regarding beneficial interests in securitized financial assets, concentrations of credit risk and qualifying special purpose entities. SFAS 155 is effective for all instruments acquired or issued on or after the adoption of this statement and may be applied to certain other financial instruments held prior to the adoption date. As described under "Loans and Leases," we adopted SFAS 155 as of January 1, 2006. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In November 2005, the FASB issued FASB Staff Position No. ("FSP") FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments." This FSP clarified and reaffirmed existing guidance as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. Certain disclosures about unrealized losses on available for sale debt and equity securities that have not been recognized as other-than-temporary impairments are required under FSP 115-1. Application of this guidance, which was effective January 1, 2006, did not have a significant impact on our consolidated financial statements.

In June 2005, the Emerging Issues Task Force ("EITF") of the 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) is presumed to control the limited partnership (including certain limited liability companies), 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 was effective for all limited partnerships as of January 1, 2006. The adoption of this guidance did not 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 was effective for PNC beginning January 1, 2006.

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. We adopted 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. It also requires changes in the timing of expense recognition for awards granted to retirement-eligible employees and clarifies the accounting for the tax effects of stock awards. The adoption of the revised standard did not have a significant impact on our consolidated financial statements.

NOTE 2 ACQUISITIONS

On February 15, 2006, we announced that BlackRock and Merrill Lynch had entered into a definitive agreement pursuant to which Merrill Lynch will contribute its investment management business to BlackRock in exchange for newly issued BlackRock common and preferred stock. Upon the closing of this transaction, which we expect to occur on or around September 30, 2006, Merrill Lynch would own 65 million shares, or approximately 49% of the combined company.

As of March 31, 2006, we owned approximately 69% of BlackRock. Upon closing of this transaction, the carrying value of our investment in BlackRock would increase and, as a result, we would recognize an after-tax gain. We would deconsolidate BlackRock from PNC's financial statements as required under generally accepted accounting principles and account for our investment in BlackRock under the equity method of accounting. At the closing of the transaction, we expect to continue to own approximately 44 million shares of BlackRock common stock, representing an ownership interest of approximately 34% of the larger company, and would have two seats on BlackRock's board of directors, including one director on the executive committee.

This transaction must be approved by BlackRock shareholders and is subject to obtaining appropriate regulatory and other approvals. We currently control more than 80% of the voting interest in BlackRock and will vote our interest in support of the transaction.

Additional information on this transaction is included in our Current Reports on Form 8-K filed February 15, 2006 and February 22, 2006 and our 2005 Form 10-K, and in BlackRock's Current Reports on Form 8-K filed February 15, 2006 and February 22, 2006, along with BlackRock's 2005 Form 10-K.

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NOTE 3 SECURITIES

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2006 (a)				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
Mortgage-backed	**$14,272**	**$13**	**$(356)**	**$13,929**
US Treasury and government agencies	**3,756**		**(107)**	**3,649**
Commercial mortgage-backed	**2,387**	**1**	**(68)**	**2,320**
Asset-backed	**1,195**		**(12)**	**1,183**
State and municipal	**154**	**1**	**(3)**	**152**
Other debt	**88**		**(2)**	**86**
Total debt securities	**21,852**	**15**	**(548)**	**21,319**
Corporate stocks and other	**209**	**1**		**210**
Total securities available for sale	**$22,061**	**$16**	**$(548)**	**$21,529**
December 31, 2005 (a)				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
Mortgage-backed	$13,794	$1	$(251)	$13,544
US Treasury and government agencies	3,816		(72)	3,744
Commercial mortgage-backed	1,955	1	(37)	1,919
Asset-backed	1,073		(10)	1,063
State and municipal	159	1	(2)	158
Other debt	87		(1)	86
Total debt securities	20,884	3	(373)	20,514
Corporate stocks and other	196			196
Total securities available for sale	$21,080	$3	$(373)	$20,710

(a) Securities held to maturity at March 31, 2006 and December 31, 2005 totaled less than $.5 million at each date.

Securities represented 23% of total assets at both March 31, 2006 and December 31, 2005.

At March 31, 2006, securities available for sale included a net unrealized loss of $532 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2005 was a net unrealized loss of $370 million. The impact on bond prices of increases in interest rates and tightening asset spreads during the first quarter of 2006 was reflected in the net unrealized loss position at March 31, 2006.

We do not believe that any individual unrealized losses as of March 31, 2006 represent an other-than-temporary impairment. The $356 million unrealized losses reported for mortgage-backed securities relate primarily to securities issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and private institutions. The $107 million unrealized losses reported for US Treasuries and government agencies relate primarily to agency debenture securities. The $68 million unrealized losses reported for commercial mortgage-backed securities relate primarily to fixed rate securities. The $12 million unrealized losses associated with asset-backed securities relate primarily to securities collateralized by home equity, automobile and credit card loans. 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 4 years and 4 months as of March 31, 2006 and 4 years and 1 month at December 31, 2005.

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

Securities Sold

Three months ended March 31 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains (Losses)	Income Tax Expense/ (Benefit)
2006	**$1,257**		**$(4)**	**$(4)**	**$(1)**
2005	5,458	11	(20)	(9)	(3)

The carrying value of securities pledged to secure public and trust deposits and repurchase agreements and for other purposes was $11.1 billion at March 31, 2006 and $10.8 billion at December 31, 2005. The fair value of securities accepted as collateral that we are permitted by contract or custom to sell or repledge was $347 million at March 31, 2006 and $273 million at December 31, 2005 and is a component of federal funds sold and resale agreements on our Consolidated Balance Sheet. Of the permitted amount, all was repledged to others at March 31, 2006 and December 31, 2005.

NOTE 4 ASSET QUALITY

The following table sets forth nonperforming assets and related information.

Dollars in millions	March 31 2006	December 31 2005
Nonaccrual loans		
Commercial	**$127**	$134
Commercial real estate	**13**	14
Consumer	**11**	10
Residential mortgage	**15**	15
Lease financing	**16**	17
Total nonaccrual loans	**182**	190
Nonperforming loans held for sale (a)	**1**	1
Foreclosed and other assets		
Lease	**13**	13
Residential mortgage	**8**	9
Other	**3**	3
Total foreclosed and other assets	**24**	25
Total nonperforming assets (b)	**$207**	$216
Nonperforming loans to total loans	**.37%**	.39%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	**.40**	.42
Nonperforming assets to total assets	**.22**	.23

(a) Includes troubled debt restructured loans held for sale of $1 million at both March 31, 2006 and December 31, 2005.

(b) Excludes equity management assets carried at estimated fair value of $21 million as of March 31, 2006 and $25 million as of December 31, 2005. These assets included troubled debt restructured assets of $7 million at both March 31, 2006 and December 31, 2005.

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

In millions	2006	2005
Allowance at January 1	**$596**	$607
Charge-offs		
Commercial	**(16)**	(12)
Consumer	**(12)**	(10)
Total charge-offs	**(28)**	(22)
Recoveries		
Commercial	**6**	6
Consumer	**4**	4
Total recoveries	**10**	10
Net charge-offs		
Commercial	**(10)**	(6)
Consumer	**(8)**	(6)
Total net charge-offs	**(18)**	(12)
Provision for credit losses	**22**	8
Net change in allowance for unfunded loan commitments and letters of credit	**(3)**	(3)
Allowance at March 31	**$597**	$600

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

In millions	2006	2005
Allowance at January 1	**$100**	$75
Net change in allowance for unfunded loan commitments and letters of credit	**3**	3
Allowance at March 31	**$103**	$78

NOTE 5 GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of the changes in goodwill by business for the three months ended March 31, 2006 follows:

Goodwill

In millions	December 31 2005	Additions/ Adjustments	March 31 2006
Retail Banking	$1,471	$11	**$1,482**
Corporate & Institutional Banking	935	3	**938**
BlackRock	190	11	**201**
PFPC	968		**968**
Other	55	(6)	**49**
Total	$3,619	$19	**$3,638**

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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	March 31 2006	December 31 2005
Customer-related and other intangibles		
Gross carrying amount	**$647**	$646
Accumulated amortization	**(157)**	(143)
Net carrying amount	**$490**	$503
Mortgage and other loan servicing rights		
Gross carrying amount (a)	**$529**	$511
Accumulated amortization (a)	**(175)**	(167)
Net carrying amount	**$354**	$344
Total	**$844**	$847

(a) Amounts for March 31, 2006 were reduced by retirements totaling $2 million for Corporate & Institutional Banking.

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 and certain core deposit intangibles, on an accelerated basis.

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 six 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 three months ended March 31, 2006, are as follows:

Changes in Goodwill and Other Intangibles

In millions	Goodwill	Customer-Related	Servicing Rights
Balance at December 31, 2005	$3,619	$503	$344
Additions/adjustments:			
Riggs acquisition	11		
BlackRock acquisition of SSRM	11		
BlackRock stock activity	(6)		
Corporate & Institutional Banking (a)	3	1	18
Reduction of accumulated amortization (a)			2
Amortization		(14)	(10)
Balance at March 31, 2006	$3,638	$490	$354

(a) See note (a) under the "Other Intangible Assets" table above.

Servicing revenue from mortgage servicing rights, reflected on our balance sheet, including servicing fees, net interest income from deposit balances and ancillary fees, was $33 million for the three months ended March 31, 2006. We also generate servicing revenue from fee-based activities provided to others.

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 per share and this results in an increase in our percentage ownership interest. We reduced goodwill in the first three months of 2006 as a result of BlackRock's stock activity.

Amortization expense on intangible assets for the first three months of 2006 was $24 million. Amortization expense on existing intangible assets for the remainder of 2006 and for 2007 through 2011 is estimated to be as follows:

- Remainder of 2006: $71 million,
- 2007: $90 million,
- 2008: $86 million,
- 2009: $82 million,
- 2010: $60 million, and
- 2011: $46 million.

NOTE 6 VARIABLE INTEREST ENTITIES

As discussed in our 2005 Form 10-K, we are involved with various entities in the normal course of business that may be deemed to be VIEs. We consolidated certain VIEs at March 31, 2006 and December 31, 2005 for which we were determined to be the primary beneficiary. These consolidated VIEs and relationships with PNC are described in our 2005 Form 10-K.

We hold significant variable interests in 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
March 31, 2006			
Collateralized debt obligations (a)	**$6,669**	**$6,091**	**$50** (b)
Private investment funds (a)	**5,163**	**926**	**13** (b)
Market Street	**3,507**	**3,507**	**5,304** (c)
Partnership interests in low income housing projects	**35**	**29**	**2**
Total	**$15,374**	**$10,553**	**$5,369**
December 31, 2005			
Collateralized debt obligations (a)	$6,290	$5,491	$51 (b)
Private investment funds (a)	5,186	1,051	13 (b)
Market Street	3,519	3,519	5,089 (c)
Partnership interests in low income housing projects	35	29	2
Total	$15,030	$10,090	$5,155

(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.
(c) Includes off-balance sheet liquidity commitments to Market Street of $4.8 billion and other credit enhancements of $469 million at March 31, 2006. The comparable amounts were $4.6 billion and $444 million at December 31, 2005.

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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
March 31, 2006		
Partnership interests in low income housing projects	**$636**	**$636**
Other	**13**	**11**
Total	**$649**	**$647**
December 31, 2005		
Partnership interests in low income housing projects	$680	$680
Other	12	10
Total	$692	$690

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 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			
March 31, 2006	**$97**	**$97**	**$24**
December 31, 2005	$109	$109	$25

NOTE 7 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

These 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, UNB Capital Trust I and Capital Statutory Trust II, and the Riggs Capital Trust and Capital Trust II (the "Trusts"). 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. With the exception of the Riggs Capital Trust, the financial statements of the Trusts are not included in PNC's consolidated financial statements.

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. 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 intercompany loan limitations, see Note 4 Regulatory Matters in our 2005 Form 10-K.

We have more information on the Trusts in Note 14 Capital Securities of Subsidiary Trusts in our 2005 Form 10-K.

NOTE 8 CERTAIN EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

Pension and Post-Retirement Plans

As more fully described in our 2005 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.

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 first quarter of 2006 and 2005 were as follows:

	Qualified Pension Plan		Nonqualified Pension Plan		Post-retirement Benefits	
Three months ended March 31 In millions	**2006**	2005	**2006**	2005	**2006**	2005
Service cost	**$9**	$9				$1
Interest cost	**17**	16	**$1**	$1	**$4**	4
Expected return on plan assets	**(32)**	(31)				
Amortization of prior service cost					**(2)**	(2)
Recognized net actuarial loss	**6**	6	**1**	1	**1**	1
Net periodic cost	**$-**	$-	**$2**	$2	**$3**	$4

Stock-Based Compensation Plans

We have long-term incentive award plans ("Incentive Plans") that provide for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, incentive shares/performance units, and restricted stock to executives and, other than incentive stock options, to non-employee directors. As of March 31, 2006, no incentive stock options or stock appreciation rights were outstanding.

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Nonqualified Stock Options

Options are granted at exercise prices not less than the market value of common stock on the date of grant. Generally, options granted since 1999 become exercisable in installments after the grant date. Options granted prior to 1999 are mainly exercisable 12 months after grant date. No option may be exercisable after 10 years from its grant date. Payment of the option price may be in cash or previously owned shares of common stock at market value on the exercise date.

Generally, options granted under the Incentive Plans vest ratably over a three-year period as long as the grantee remains an employee or, in certain cases, retires from PNC. For all options granted prior to the adoption of SFAS 123(R), we recognized compensation expense over the three-year vesting period. If an employee retired prior to the end of the three-year vesting period, we accelerated the expensing of all unrecognized compensation costs at the retirement date. As required under SFAS 123(R), we recognize compensation expense for options granted to retirement-eligible employees after January 1, 2006 within the first year of the grant date, in accordance with the service period provisions of the options. Total compensation expense recognized related to stock options during the first quarter of 2006 was approximately $6 million.

For purposes of computing stock option expense and pro forma results, we estimated the fair value of stock options 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 for purposes of estimating pro forma results in 2005 and to determine 2006 and 2005 stock option expense:

- The risk-free interest rate is based on the US Treasury yield curve,
- The dividend yield represents average yields over the previous three-year period,
- Volatility is measured using the fluctuation in month-end closing stock prices over a five-year period, and
- The expected life assumption represents the period of time that options granted are expected to be outstanding and is based on a weighted average of historical option activity.

Option Pricing Assumptions

Weighted average for the three months ended March 31	**2006**	2005
Risk-free interest rate	**4.4%**	3.7%
Dividend yield	**3.7%**	3.8%
Volatility	**20.6%**	26.4%
Expected life	**5.5 yrs.**	5.0 yrs.

The status of PNC stock options at March 31, 2006 follows:

	Shares (thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (millions)
Outstanding	17,596	$57.48	6.1	$195
Vested and expected to vest	16,602	$57.75	6.0	$181
Exercisable	13,262	$56.89	5.7	$160

During the first quarter of 2006 we issued approximately 2.4 million shares from treasury stock in connection with stock option exercise activity. As with past exercise activity, we intend to utilize treasury stock for future stock option exercises.

Incentive Share and Restricted Stock Awards

The fair value of nonvested incentive shares and restricted stock awards is initially determined based on the average of the high and low of our common stock price on the date of grant. Incentive shares are subsequently valued subject to the achievement of one or more financial and other performance goals over a three-year period. The Personnel and Compensation Committee of the Board of Directors approve the final award of incentive shares. Restricted stock awards have various vesting periods ranging from 36 months to 60 months. There are no financial or performance goals associated with any of our restricted stock awards.

We recognize compensation expense for incentive shares and restricted stock awards ratably over the corresponding vesting and/or performance periods for each type of program. Total compensation expense recognized related to PNC incentive share and restricted stock awards during the first quarter of 2006 was approximately $12 million.

The status of PNC nonvested incentive shares and restricted stock awards at March 31, 2006, follows:

Shares in thousands	Shares	Weighted-Average Grant Date Fair Value
Nonvested incentive shares	182	$69.60
Nonvested restricted stock	2,891	$56.59

At March 31, 2006, there was $44 million of unrecognized deferred compensation expense related to nonvested share-based compensation arrangements granted under the Incentive Plan. This cost is expected to be recognized as expense over a period of no longer than five years.

NOTE 9 FINANCIAL DERIVATIVES

We use a variety of derivative financial instruments to help manage interest rate, market and credit risk and reduce the effects that changes in interest rates may have on net income, 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, floors and 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 (loss) 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 (loss) 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 $18 million of pretax net losses, or $11 million after-tax, on cash flow hedge derivatives currently reported in accumulated other comprehensive income (loss). This amount could differ from amounts actually recognized due to changes in interest rates and the addition of other hedges subsequent to March 31, 2006. These net losses 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 March 31, 2006 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.

For those hedge relationships that do not qualify for assuming no ineffectiveness, 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 $1 million net loss for the three months ended March 31, 2006 compared with a minimal net loss in the same period of 2005.

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, futures, swaptions, 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 trading 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, interest rate caps and floors, credit default swaps, option contracts and certain interest rate-locked 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.

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 from proprietary trading activities. 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. We will make/receive payments under these guarantees if a customer defaults on its obligation to perform under certain credit agreements. Risk participation agreements entered into prior to July 1, 2003 are considered financial guarantees and therefore are 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.

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 March 31, 2006 we held cash and US government and mortgage-backed securities with a fair value of $73 million and pledged mortgage-backed securities with a fair value of $140 million under these agreements.

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The total notional or contractual amounts, estimated net fair value and credit risk for derivatives at March 31, 2006 and December 31, 2005 were as follows:

In millions	March 31, 2006 Notional/Contract amount	March 31, 2006 Estimated net fair value	March 31, 2006 Credit risk	December 31, 2005 Notional/Contract amount	December 31, 2005 Estimated net fair value	December 31, 2005 Credit risk
ACCOUNTING HEDGES						
Fair value hedges	**$5,914**	**$(27)**	**$73**	$5,900	$78	$108
Cash flow hedges	**3,103**	**(31)**	**3**	2,926	(9)	5
Total	**$9,017**	**$(58)**	**$76**	$8,826	$69	$113
FREE-STANDING DERIVATIVES						
Interest rate contracts	**$85,628**	**$46**	**$556**	$70,404	$39	$372
Equity contracts	**3,268**	**(57)**	**115**	2,744	(79)	347
Foreign exchange contracts	**6,027**	**5**	**50**	4,687	4	60
Credit contracts	**1,642**	**(1)**	**7**	1,353		7
Options	**55,626**	**48**	**214**	51,383	32	168
Risk participation agreements	**601**			461		
Commitments related to mortgage-related assets	**1,853**	**(5)**	**3**	1,695	1	6
Other	**20**		**1**	254	5	9
Total	**$154,665**	**$36**	**$946**	$132,981	$2	$969

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 March 31 2006	2005
CALCULATION OF BASIC EARNINGS PER COMMON SHARE		
Net income applicable to basic earnings per common share (a)	**$354**	$354
Basic weighted-average common shares outstanding *(in thousands)*	**292,027**	281,291
Basic earnings per common share	**$1.21**	$1.26
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE (b)		
Net income	**$354**	$354
Less: BlackRock adjustment for common stock equivalents	**2**	1
Net income applicable to diluted earnings per common share	**$352**	$353
Basic weighted-average common shares outstanding *(in thousands)*	**292,027**	281,291
Conversion of preferred stock Series A and B	**75**	82
Conversion of preferred stock Series C and D	**593**	632
Conversion of debentures	**2**	2
Exercise of stock options	**2,169**	873
Incentive share awards	**1,412**	1,087
Diluted weighted-average common shares outstanding *(in thousands)*	**296,278**	283,967
Diluted earnings per common share	**$1.19**	$1.24
(a) Preferred dividends declared were less than $.5 million for each period.		
(b) Excludes stock options considered to be anti-dilutive (in thousands)	**4,930**	13,103

NOTE 11 SHAREHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME

Activity in shareholders' equity for the first three months of 2006 follows. Our preferred stock outstanding as of March 31, 2006 and December 31, 2005 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, 2005	293	$1,764	$1,358	$9,023	$(59)	$(267)	$(3,256)	$8,563
Net income				354				354
Other comprehensive income (loss), net of tax								
Net unrealized securities losses						(106)		(106)
Net unrealized losses on cash flow hedge derivatives						(20)		(20)
Other (a)						(1)		(1)
Comprehensive income								227
Cash dividends declared								
Common ($.50 per share)				(147)				(147)
Treasury stock activity	2		(30)				132	102
Tax benefit of stock option plans			7					7
Stock options granted			7					7
Subsidiary stock transactions			7					7
Deferred compensation expense					15			15
Balance at March 31, 2006	295	$1,764	$1,349	$9,230	$(44)	$(394)	$(3,124)	$8,781

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

Three months ended March 31, 2006 In millions	Pretax	Tax Benefit	After-tax
Change in net unrealized securities losses			
Increase in net unrealized losses on securities held at period end	$(165)	$58	$(107)
Less: Net losses realized in net income (b)	(2)	1	(1)
Change in net unrealized securities losses	(163)	57	(106)
Change in net unrealized losses on cash flow hedge derivatives			
Increase in net unrealized losses on cash flow hedge derivatives	(32)	11	(21)
Less: Net losses realized in net income	(1)		(1)
Change in net unrealized losses on cash flow hedge derivatives	(31)	11	(20)
Other (a)	(2)	1	(1)
Other comprehensive income (loss)	$(196)	$69	$(127)

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

	March 31, 2006		December 31, 2005	
In millions	**Pretax**	**After-tax**	Pretax	After-tax
Net unrealized securities losses	**$(532)**	**$(346)**	$(369)	$(240)
Net unrealized losses on cash flow hedge derivatives	**(71)**	**(46)**	(40)	(26)
Other, net (a)	**(4)**	**(2)**	(2)	(1)
Accumulated other comprehensive loss	**$(607)**	**$(394)**	$(411)	$(267)

(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, 2005 that were realized in 2006 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 the first quarter of 2006.

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NOTE 12 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 was brought on Adelphia's behalf by the unsecured creditors' committee and equity committee in Adelphia's consolidated bankruptcy proceeding and was removed to the United States District Court for the Southern District of New York by order dated February 9, 2006. The other lawsuits, one of which is a putative consolidated class action, were brought by holders of debt and equity securities of Adelphia and have been consolidated for pretrial purposes in that district court. 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 or the portion of any such recoveries for which we would ultimately be responsible, but the final consequences to PNC could be material.

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. On November 21, 2005, the court granted our motion to dismiss the amended complaint. Plaintiffs have appealed this ruling to the United States Court of Appeals for the Third Circuit. We believe that we have substantial defenses to the claims against us in this lawsuit and intend to defend it vigorously.

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 was 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 lawsuits and other legal matters identified in Riggs' first quarter 2005 Form 10-Q.

There are several pending judicial or administrative proceedings or other matters arising out of the three 2001 PAGIC transactions. Among the requirements of a June 2003 Deferred Prosecution Agreement that one of our subsidiaries entered into relating to the PAGIC transactions was the establishment of a Restitution Fund through our $90 million contribution. The Restitution Fund will be available to satisfy claims, including for the settlement of the pending securities litigation, which settlement remains subject to court approval. Louis W. Fryman, chairman of Fox Rothschild LLP in Philadelphia, Pennsylvania, is administering the Restitution Fund. In December 2004 and January and March 2005, we entered into settlement agreements relating to certain of the lawsuits and other claims arising out of the PAGIC transactions. These pending proceedings and settlements are described in our 2005 Annual Report on Form 10-K under Item 3.

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 described 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. We do 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 or others to whom we may have indemnification obligations, whether in the proceedings or other matters specifically described above or otherwise, will have a material adverse effect on our results of operations in any future reporting period.

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NOTE 13 SEGMENT REPORTING

We operate four major businesses engaged in providing banking, asset management and global fund processing products and services:

- Retail Banking,
- Corporate & Institutional Banking,
- BlackRock, and
- PFPC.

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 businesses and management structure change. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. As permitted under GAAP, we have aggregated the business results for certain operating segments for financial reporting purposes.

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 and processing businesses using our risk-based economic capital model. We have increased the capital assigned to Retail 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, which exceeds required economic capital.

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. 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 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.

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

BUSINESS SEGMENT PRODUCTS AND SERVICES

Retail 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 approximately 850 offices in our branch network, the call center located in Pittsburgh and the Internet – *www.pncbank.com*. The branch network is located primarily in Pennsylvania, New Jersey, Ohio, Kentucky, Delaware and the greater Washington, DC area, including Virginia and Maryland. Brokerage services are provided through PNC Investments, LLC, and J.J.B. Hilliard, W.L. Lyons, Inc. Retail 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.

Corporate & Institutional Banking provides lending, treasury management, and capital markets products and services 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 products and services include foreign exchange, derivatives, loan syndications, mergers and acquisitions advisory and related services to middle-market companies, securities underwriting, and securities sales and trading. Corporate & Institutional Banking also provides commercial loan servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Corporate & 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 $463 billion of assets under management at March 31, 2006. BlackRock provides diversified investment management services to institutional and individual investors worldwide through a variety of fixed income, cash management, equity, and alternative investment products. Mutual funds include the flagship fund families, *BlackRock Funds* and *BlackRock Liquidity Funds*. In addition, BlackRock provides risk management, investment system outsourcing and financial advisory services to institutional investors under the BlackRock Solutions® brand name. See Note 2 Acquisitions regarding the pending Merrill Lynch transaction.

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

Three months ended March 31 **In millions**	Retail Banking	Corporate & Institutional Banking	BlackRock	PFPC	Other	Intercompany Eliminations	Consolidated
2006 INCOME STATEMENT							
Net interest income (expense)	**$407**	**$172**	**$13**	**$(9)**	**$(27)**		**$556**
Noninterest income	**345**	**165**	**396**	**227**	**70**	**$(18)**	**1,185**
Total revenue	**752**	**337**	**409**	**218**	**43**	**(18)**	**1,741**
Provision for credit losses	**9**	**12**			**1**		**22**
Depreciation and amortization	**17**	**6**	**9**	**14**	**26**		**72**
Other noninterest expense	**419**	**170**	**287**	**159**	**80**	**(16)**	**1,099**
Earnings (loss) before minority and other interests and income taxes	**307**	**149**	**113**	**45**	**(64)**	**(2)**	**548**
Minority and other interests in income of consolidated entities	**4**		**1**		**8**		**13**
Income taxes	**113**	**44**	**41**	**18**	**(34)**	**(1)**	**181**
Earnings (loss)	**$190**	**$105**	**$71**	**$27**	**$(38)**	**$(1)**	**$354**
Inter-segment revenue	**$3**	**$2**	**$8**	**$1**	**$4**	**$(18)**	
AVERAGE ASSETS (a)	**$29,369**	**$25,496**	**$1,841**	**$2,385**	**$35,222**	**$(2,184)**	**$92,129**
2005 INCOME STATEMENT							
Net interest income (expense)	$371	$177	$8	$(16)	$(34)		$506
Noninterest income	291	132	250	230	89	$(18)	974
Total revenue	662	309	258	214	55	(18)	1,480
Provision for (recoveries of) credit losses	14	(4)			(2)		8
Depreciation and amortization	12	4	7	14	22		59
Other noninterest expense	400	150	177	162	66	(14)	941
Earnings (loss) before minority and other interests and income taxes	236	159	74	38	(31)	(4)	472
Minority and other interests in income of consolidated entities					6		6
Income taxes	87	49	27	15	(65)	(1)	112
Earnings (loss)	$149	$110	$47	$23	$28	$(3)	$354
Inter-segment revenue	$3	$2	$8	$1	$4	$(18)	
AVERAGE ASSETS (a)	$25,618	$23,543	$1,494	$1,908	$32,426	$(1,627)	$83,362

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

Certain revenue and expense amounts shown in the preceding 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 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) and debt financing as disclosed in the Business Segments Review section.

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NOTE 14 COMMITMENTS AND GUARANTEES

EQUITY FUNDING COMMITMENTS

We had commitments to make additional equity investments in certain equity management entities of $70 million and affordable housing limited partnerships of $42 million at March 31, 2006.

Additionally, in October 2005, we committed $200 million to PNC Mezzanine Partners III, L.P., a $350 million mezzanine fund, that invests principally in subordinated debt securities with an equity component. Funding of this investment is expected to occur over a five-year period. The remaining unfunded commitment on March 31, 2006 was $182 million. The limited partnership is consolidated for financial reporting purposes as PNC has a 57% ownership interest.

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 March 31, 2006 had terms ranging from less than one year to 10 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 $6.5 billion at March 31, 2006.

Assets valued as of March 31, 2006 of approximately $1 billion secured certain specifically identified standby letters of credit. Approximately $2.2 billion in recourse provisions from third parties was also available for this purpose as of March 31, 2006. 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 $61 million at March 31, 2006.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

We enter into standby bond purchase agreements to support municipal bond obligations. At March 31, 2006, the aggregate of PNC’s commitments under these facilities was $234 million. PNC also enters into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits including Market Street. At March 31, 2006, our total commitments under these facilities were $5 billion, of which $4.8 billion was related to Market Street.

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,
- Confidentiality agreements,
- 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 quarter of 2006. 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 March 31, 2006, the total maximum potential exposure as a result of these indemnity obligations was $7.7 billion, although we held collateral at the time in excess of that amount.

OTHER GUARANTEES

We write caps and floors for customers, risk management and proprietary trading purposes. At March 31, 2006, the fair value of the written caps and floors liability on our Consolidated Balance Sheet was $7 million. Our ultimate obligation under written options is based on future market conditions and is only quantifiable at settlement. We manage our market risk exposure from customer positions through transactions with third-party dealers.

We also enter into credit default swaps under which we buy loss protection from or sell loss protection to a counterparty in the event of default of a reference obligation. The fair value of the contracts sold on our Consolidated Balance Sheet was a net asset of $6 million at March 31, 2006. The maximum amount we would be required to pay under the credit default swaps in which we sold protection, assuming all reference obligations default at a total loss, without recoveries, was $242 million at March 31, 2006.

We have entered into various contingent performance guarantees through credit risk participation arrangements with terms ranging from less than 1 year to 12 years. We will be required to make payments under these guarantees if a customer defaults on its obligation to perform under certain credit agreements with third parties. Our exposure under these agreements is approximately $288 million at March 31, 2006.

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 are achieved or not achieved within a specific time period. Due to the nature of the contract provisions, we cannot quantify our total exposure that may result from these agreements.

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STATISTICAL INFORMATION (Unaudited)
The PNC Financial Services Group, Inc.
Average Consolidated Balance Sheet And Net Interest Analysis

Taxable-equivalent basis Dollars in millions	First Quarter 2006 Average Balances	First Quarter 2006 Interest Income/Expense	First Quarter 2006 Average Yields/Rates	Fourth Quarter 2005 Average Balances	Fourth Quarter 2005 Interest Income/Expense	Fourth Quarter 2005 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	$13,007	$153	4.69 %	$12,541	$141	4.48 %
U.S. Treasury and government agencies/corporations	7,527	85	4.51	7,952	89	4.45
State and municipal	156	2	5.16	161	2	5.16
Corporate stocks and other	216	4	7.65	163	2	6.15
Total securities available for sale	20,906	244	4.66	20,817	234	4.48
Securities held to maturity						
Total securities available for sale and held to maturity	20,906	244	4.66	20,817	234	4.49
Loans, net of unearned income						
Commercial	19,556	329	6.72	19,130	313	6.40
Commercial real estate	3,021	49	6.54	2,983	48	6.29
Consumer	16,184	238	5.97	16,310	237	5.77
Residential mortgage	7,272	97	5.36	7,175	95	5.31
Lease financing	2,769	31	4.51	2,821	32	4.46
Other	344	6	6.61	364	5	5.78
Total loans, net of unearned income	49,146	750	6.14	48,783	730	5.91
Loans held for sale	2,745	37	5.47	2,715	37	5.42
Federal funds sold and resale agreements	488	5	4.06	643	5	3.22
Other	3,147	37	4.82	3,248	41	5.03
Total interest-earning assets/interest income	76,432	1,073	5.64	76,206	1,047	5.44
Noninterest-earning assets						
Allowance for loan and lease losses	(600)			(628)		
Cash and due from banks	3,187			3,325		
Other	13,110			13,167		
Total assets	$92,129			$92,070		
Liabilities, Minority and Noncontrolling Interests, and Shareholders' Equity						
Interest-bearing liabilities						
Interest-bearing deposits						
Money market	$18,482	133	2.92	$19,194	131	2.71
Demand	8,304	18	.87	8,378	17	.83
Savings	2,250	3	.51	2,377	3	.54
Retail certificates of deposit	13,243	121	3.72	12,804	114	3.51
Other time	1,309	14	4.28	1,527	15	3.82
Time deposits in foreign offices	3,396	38	4.42	2,482	25	3.94
Total interest-bearing deposits	46,984	327	2.81	46,762	305	2.58
Borrowed funds						
Federal funds purchased	2,594	29	4.47	2,518	26	4.05
Repurchase agreements	2,307	23	4.08	1,915	17	3.58
Bank notes and senior debt	3,824	44	4.56	3,558	38	4.12
Subordinated debt	4,437	63	5.66	4,438	60	5.36
Commercial paper	219	2	4.46	798	8	3.78
Other	2,380	22	3.65	2,960	25	3.37
Total borrowed funds	15,761	183	4.65	16,187	174	4.23
Total interest-bearing liabilities/interest expense	62,745	510	3.27	62,949	479	3.01
Noninterest-bearing liabilities, minority and noncontrolling interests, and shareholders' equity						
Demand and other noninterest-bearing deposits	13,966			14,057		
Allowance for unfunded loan commitments and letters of credit	101			80		
Accrued expenses and other liabilities	6,106			6,049		
Minority and noncontrolling interests in consolidated entities	589			599		
Shareholders' equity	8,622			8,336		
Total liabilities, minority and noncontrolling interests, and shareholders' equity	$92,129			$92,070		
Interest rate spread			2.37			2.43
Impact of noninterest-bearing sources			.58			.53
Net interest income/margin		$563	2.95 %		$568	2.96 %

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).

Third Quarter 2005			Second Quarter 2005			First Quarter 2005		
Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
$12,154	$129	4.26 %	$11,138	$117	4.22 %	$9,631	$101	4.19 %
7,960	84	4.24	7,406	77	4.12	6,897	66	3.85
167	2	5.41	171	2	5.20	172	3	5.79
167	4	8.62	190	3	5.92	172	3	7.55
20,448	219	4.29	18,905	199	4.21	16,872	173	4.10
			1		1.84			
20,448	219	4.29	18,906	199	4.21	16,872	173	4.10
19,685	307	6.11	19,259	277	5.69	17,935	245	5.47
2,947	47	6.28	2,478	36	5.67	2,015	27	5.44
16,673	239	5.68	16,195	223	5.53	15,641	206	5.33
6,739	89	5.27	5,742	74	5.16	4,855	63	5.18
2,937	33	4.45	2,978	33	4.52	3,041	34	4.51
469	6	4.96	484	6	4.58	495	5	4.11
49,450	721	5.75	47,136	649	5.48	43,982	580	5.30
2,390	26	4.33	2,152	26	4.71	1,941	15	3.16
423	3	2.92	649	4	2.43	2,249	13	2.25
3,046	33	4.19	3,098	30	4.04	2,937	29	3.98
75,757	1,002	5.23	71,941	908	5.03	67,981	810	4.79
(634)			(655)			(611)		
3,233			3,106			2,987		
12,720			13,167			13,005		
$91,076			$87,559			$83,362		
$18,447	113	2.43	$17,482	89	2.05	$16,562	70	1.71
8,343	15	.71	8,205	13	.62	7,965	11	.57
2,589	4	.55	2,787	4	.63	2,831	5	.67
12,143	99	3.27	11,215	86	3.04	10,296	72	2.86
2,306	21	3.54	1,484	14	3.82	902	9	3.87
2,061	18	3.40	2,477	18	2.91	2,373	15	2.47
45,889	270	2.33	43,650	224	2.05	40,929	182	1.80
1,704	16	3.48	2,506	19	3.00	1,659	10	2.49
2,137	18	3.16	2,405	17	2.86	2,306	13	2.25
3,271	30	3.65	3,288	27	3.21	2,663	19	2.84
3,996	50	5.07	3,826	45	4.72	3,911	42	4.27
3,316	29	3.48	2,438	19	3.07	2,344	15	2.52
2,790	23	3.17	1,867	16	3.40	2,159	17	3.20
17,214	166	3.79	16,330	143	3.48	15,042	116	3.09
63,103	436	2.73	59,980	367	2.44	55,971	298	2.15
13,738			12,987			12,432		
84			78			76		
5,408			6,095			6,856		
518			526			527		
8,225			7,893			7,500		
$91,076			$87,559			$83,362		
		2.50			2.59			2.64
		.46			.41			.38
	$566	2.96 %		$541	3.00 %		$512	3.02 %

Loan fees for the three months ended March 31, 2006, December 31, 2005, September 30, 2005, June 30, 2005 and March 31, 2005 were $9 million, $12 million, $28 million, $27 million and $24 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 to interest income for the three months ended March 31, 2006, December 31, 2005, September 30, 2005, June 30, 2005 and March 31, 2005 were $7 million, $13 million, $7 million, $7 million and $6 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 by reference in response to this item.

ITEM 1A. RISK FACTORS

No material changes from the risk factors previously disclosed in PNC's 2005 Form 10-K in response to Part I, Item 1A.

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

(c) Details of our repurchases of PNC common stock during the first quarter of 2006 are included in the following table:

In thousands, except per share data

2006 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)
January 1 – January 31	251	$64.50	—	19,522
February 1 – February 28	634	$68.23	—	19,522
March 1 – March 31	289	$69.06	—	19,522
Total	1,174	$67.64	—	

(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 first quarter of 2006.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

An annual meeting of shareholders of The PNC Financial Services Group, Inc. was held on April 25, 2006 for the purpose of considering and acting upon the following matters: (1) the election of 17 directors to serve until the next annual meeting and until their successors are elected and qualified, (2) the approval of The PNC Financial Services Group, Inc. 2006 Incentive Award Plan, and (3) the ratification of the Audit Committee's selection of Deloitte & Touche LLP as PNC's independent auditors for 2006.

Seventeen directors were elected and the aggregate votes cast for or against/withheld were as follows:

Nominee	Aggregate Votes For	Aggregate Votes Against/Withheld
Paul W. Chellgren	235,664,628	5,392,012
Robert N. Clay	235,735,488	5,321,152
J. Gary Cooper	236,705,555	4,351,085
George A. Davidson, Jr.	235,567,543	5,489,097
Kay C. James	237,367,829	3,688,811
Richard B. Kelson	237,600,699	3,455,941
Bruce C. Lindsay	235,770,122	5,286,518
Anthony A. Massaro	237,324,126	3,732,514
Thomas H. O'Brien	234,619,924	6,436,716
Jane G. Pepper	237,474,300	3,581,340
James E. Rohr	234,006,460	7,050,180
Lorene K. Steffes	237,642,407	3,414,233
Dennis F. Strigl	237,521,623	3,531,017
Stephen G. Thieke	237,624,266	3,432,374
Thomas J. Usher	234,921,901	6,134,739
George H. Walls, Jr.	237,433,567	3,621,073
Helge H. Wehmeier	235,622,754	5,433,886

The PNC Financial Services Group, Inc. 2006 Incentive Award Plan was approved and the aggregate votes cast for or against and the abstentions were as follows:

Aggregate Votes

For	Against	Abstain	Broker Non-Votes
149,013,551	47,806,869	2,636,701	41,599,519

The Audit Committee's selection of Deloitte & Touche LLP as PNC's independent auditors for 2006 was ratified and the aggregate votes cast for or against and the abstentions were as follows:

Aggregate Votes

For	Against	Abstain
238,029,007	1,124,131	1,903,502

With respect to all of the preceding matters, holders of our common and voting preferred stock voted together as a single class. The following table sets forth, as of the February 28, 2006 record date, the number of shares of each class or series of stock that were issued and outstanding and entitled to vote, the voting power per share, and the aggregate voting power of each class or series:

Title of Class or Series	Voting Rights Per Share	Number of Shares Entitled to Vote	Aggregate Voting Power
Common Stock	1	294,852,255	294,852,255
$1.80 Cumulative Convertible Preferred Stock – Series A	8	7,270	58,160
$1.80 Cumulative Convertible Preferred Stock - Series B	8	2,117	16,936
$1.60 Cumulative Convertible Preferred Stock - Series C	4/2.4	150,739	251,232
$1.80 Cumulative Convertible Preferred Stock - Series D	4/2.4	204,997	341,662
Total possible votes			295,520,245*

* Represents greatest number of votes possible. Actual aggregate voting power was less since each holder of such preferred stock was entitled to a number of votes equal to the number of full shares of common stock into which such holder's preferred stock was convertible.

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

10.39	The Corporation's 2006 Incentive Award Plan
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, DC 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 May 9, 2006 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)

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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 corporate website) may do so by sending their requests to George P. Long, III, Corporate Secretary, at corporate headquarters at the above address. Copies will be provided without charge to shareholders.

INQUIRIES

For financial services call 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 (a)
2006 Quarter				
First	$71.42	$61.78	$67.31	$.50
Total				$.50
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
Fourth	65.66	54.73	61.83	.50
Total				$2.00

(a) Our Board approved a quarterly cash dividend payable April 24, 2006 of $.55 per common share, an increase of 10% from the dividend paid in the first quarter of 2006.

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 for this purpose. The Board presently intends to continue the policy of paying quarterly cash dividends. However, the amount of 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 or 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 10.39

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN

1 DEFINITIONS

In this Plan, except where the context otherwise indicates, the following definitions apply.

1.1. "Agreement" means an agreement in Writing between the Corporation and the Grantee evidencing a grant of an Award under the Plan.

1.2. "Award" means an Option, Share Award, Restricted Share, Incentive Share, Share Unit, Share Appreciation Right, Restricted Share Unit, Performance Unit, Other Share-Based Award or Dollar-Denominated Award.

1.3. "Board" means the Board of Directors of the Corporation.

1.4. "Committee" means (i) in the case of Awards made to Eligible Persons other than Directors ("Employee Awards"), the Board's Personnel and Compensation Committee, or such other committee or designee appointed by the Board or the Personnel and Compensation Committee to manage Employee Awards generally or specific individual or groups of Employee Awards, and (ii) in the case of Awards made to Directors, the Board's Nominating and Governance Committee, unless otherwise determined by the Board. To the extent required by Section 162(m) of the Internal Revenue Code, Rule 16b-3 of the Exchange Act or other similar requirement, any action taken by the Committee shall be taken by the Committee as a whole or by a subcommittee of at least two members, and all the members of the Committee or such subcommittee will be "outside directors" as defined in Treas. Reg. Section 1.162-27(e)(3) or any similar successor regulation and "non-employee directors" as defined in Rule 16b-3(b)(3)(i) under the Exchange Act or any similar successor rule. In all other events, the Chairman of the Committee shall be authorized to act on behalf of the Committee unless otherwise determined by the Committee. Except where the context otherwise requires, references in the Plan to the "Committee" also shall be deemed to refer to the Chairman and to any delegate of the Committee while acting within the scope of such delegation.

1.5. "Common Stock" means the common stock, par value $5.00 per share, of the Corporation.

1.6. "Corporation" means The PNC Financial Services Group, Inc.

1.7. "Director" means any member of the Board who is not also an employee of the Corporation or any Subsidiary.

1.8. "Dividend Equivalent" means a right granted to an Eligible Person as a Share-Based Award or in connection with another Share-Denominated Award to receive the equivalent value (in cash or Shares) of dividends paid on Common Stock.

1.9. "Dollar-Denominated Award" means an Award denominated in dollars rather than in Shares, as provided under Article 12, whether settled in cash or Shares.

1.10. "Effective Date" means February 15, 2006, subject to approval of the Plan by the Corporation's shareholders.

1.11. "Eligible Person" means an employee or officer of the Corporation or of a Subsidiary, or a Director, selected by the Committee as eligible to receive an Award under the Plan.

1.12. "Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.13. "Fair Market Value" means, as of any given date, the average of the reported high and low trading prices on the New York Stock Exchange for a share of Common Stock on such date or as otherwise determined using any other reasonable method adopted by the Committee in good faith for such purpose that uses actual transactions in Common Stock as reported by a national securities exchange or the Nasdaq National Market, provided that such method is consistently applied.

1.14. "Grantee" means an Eligible Person to whom an Award has been granted.

1.15. "Grant Date" means:

(i) with respect to Options and Share Appreciation Rights, the date as of which an Award is authorized by the Committee to be granted to an Eligible Person or a group of Eligible Persons, provided that (A) the Eligible Person does not have the ability to individually negotiate the key terms and conditions of the Award with the Corporation or, if so, such negotiations have concluded, and (B) the key terms of the Award are expected to be communicated to the Grantee or group of Grantees within a relatively short period of time from the date as of which the Award is authorized to be granted; and

(ii) with respect to all other Awards, the date on which such Award is approved by the Committee, or such later date specified by the Committee in authorizing the Award.

1.16. "Incentive Share" means a Share awarded pursuant to the provisions of Article 9.

1.17. "Incentive Stock Option" means an Option granted under the Plan that qualifies as an incentive stock option under Section 422 of the Internal Revenue Code and that the Corporation designates as such in the Agreement granting the Option.

1.18. "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended and the rules and regulations promulgated thereunder.

1.19. "Nonstatutory Stock Option" means an Option granted under the Plan that is not an Incentive Stock Option.

1.20. "Option" means an option to purchase Shares granted under the Plan in accordance with the terms of Article 6.

1.21. "Option Period" means the period during which an Option may be exercised.

1.22. "Option Price" means the price per Share at which an Option may be exercised.

1.23. "Optionee" means an Eligible Person to whom an Option has been granted.

1.24. "Other Share-Based Award" means a Share-Denominated Award other than an Option, Share Award, Restricted Share, Incentive Share, Share Unit, Share Appreciation Right, Restricted Share Unit or Performance Unit, as contemplated in Article 11.

1.25. "Performance Criteria" means the performance standards selected by the Committee that may be based on earnings or earnings growth; return on assets, equity or investment; regulatory compliance; satisfactory internal or external audits; improvement of financial or credit ratings; reduction of nonperforming assets or loans; achievement of balance sheet or income statement objectives; or any other objective goals established by the Committee, and may be absolute in their terms or measured against or in relationship to other companies comparably, similarly or otherwise situated. Performance Criteria may be based on one or more business criteria that apply to the individual, a subsidiary, a business unit or portion of the Corporation, the Corporation as a whole, or combination thereof.

1.26. “Performance Period” means the period or periods, which may be of overlapping durations, during which each Performance Criterion of a performance-based Award will be measured against the Performance Criteria established by the Committee and specified in the Agreement relating thereto.

1.27. “Performance Unit” means a Share Unit payable upon satisfaction of specified Performance Criteria or other conditions or circumstances, as contemplated in Section 10.3.

1.28. “Plan” means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan, which is the Plan set forth in this document, as amended from time to time.

1.29. “Prior Plan” means The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan, as amended and restated.

1.30. “Prior Plan Award” means an award granted pursuant to the Prior Plan.

1.31. “Qualified Performance-Based Compensation” means any compensation that is intended to qualify as “qualified performance-based compensation” as described in Section 162(m)(4)(C) of the Internal Revenue Code.

1.32. “Related Award” means the Award in connection with which a Related Option, Related Share Unit or Related Right is granted.

1.33. “Related Option” means an Option granted in connection with a specified Award.

1.34. “Related Share Unit” means a Share Unit granted in connection with a specified Award or by amendment of an outstanding Nonstatutory Stock Option, Restricted Share or Incentive Share granted under the Plan or the Prior Plan.

1.35. “Related Right” means a Share Appreciation Right granted in connection with a specified Award or by amendment of an outstanding Nonstatutory Stock Option granted under the Plan.

1.36. “Restricted Share” means a Share awarded to an Eligible Person pursuant to Article 7 that is subject to certain restrictions and may be subject to forfeiture.

1.37. “Restricted Share Unit” means a Share Unit awarded to an Eligible Person pursuant to Article 10 that is subject to certain restrictions and may be subject to forfeiture.

1.38. “Right Period” means the period during which a Share Appreciation Right may be exercised.

1.39. "Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.40. "Share" means a share of authorized but unissued Common Stock or a reacquired share of Common Stock, including shares purchased by the Corporation on the open market for purposes of the Plan or otherwise.

1.41. "Share-Denominated Award" means any Award hereunder other than a Dollar-Denominated Award under Article 12, and specifically an Award that is denominated in or by reference to a specified number of Shares, whether settled in Shares or cash.

1.42. "Share Appreciation Right" means a share appreciation right granted under the Plan in accordance with the terms of Article 8.

1.43. "Share Award" means an award of Common Stock as described in Article 7.

1.44. "Share Unit" means an award of a phantom unit, representing the right to receive a Share or an amount based on the value of a Share, as described in Article 10.

1.45. "Subsidiary" means an entity which is a member of a "controlled group" or under "common control" with the Corporation as determined under Section 414(b) or (c) of the Internal Revenue Code except that an entity will be deemed to be in a controlled group or under common control with the Corporation for this purpose if the Corporation either directly or indirectly owns at least 50% (or 20% with legitimate business criteria) of the total combined voting power of all classes of stock (or similar interests) of such entity or would otherwise satisfy the definition of service recipient under Section 409A of the Internal Revenue Code.

1.46. "Writing" means any paper or electronic means of documenting the terms of an Agreement hereunder which satisfies such requirements for formality, authenticity and verification of signature and authority as may be established by the Committee or by those persons responsible for performing administrative functions under the Plan.

2 PURPOSE

The Plan is intended to promote the success and enhance the value of the Corporation by linking the personal interests of Directors, officers and employees to those of the Corporation's shareholders and by providing flexibility to the Corporation in its ability to motivate, attract and retain the services of Directors, officers and employees upon whose judgment, interest and special effort the successful conduct of the Corporation's operations is largely dependent.

3 PLAN MANAGEMENT AND ADMINISTRATION

The Plan will be managed by the Committee. Administrative functions under the Plan shall be performed by the Corporation's Chief Executive Officer or Chief Human Resources Officer, or any of their respective designees; such functions may include, without limitation, documenting and communicating Awards made hereunder, maintaining records concerning such Awards, and satisfying (or assisting Eligible Persons in satisfying) any applicable reporting, disclosure, tax filing or withholding, or other legal requirements concerning Awards. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Corporation or any Subsidiary, the Corporation's independent registered public accounting firm or other certified public accountants, or any executive compensation consultant or other professional retained by the Committee, the Chief Executive Officer or the Chief Human Resources Officer, or any of their respective designees, to assist in the administration of the Plan. In addition to any other powers granted to the Committee, it will have the following management powers, subject to the express provisions of the Plan:

3.1 to determine in its discretion the Eligible Persons or group of Eligible Persons to whom Awards will be granted;

3.2 to determine the types of Awards to be granted;

3.3 to determine the number of Awards to be granted to an Eligible Person or to a group of Eligible Persons and the number of Shares (in the case of Share-Denominated Awards) or dollar amount (in the case of Dollar-Denominated Awards) to be subject to each Award or pool of Awards;

3.4 to determine the terms and conditions of any Award, including, but not limited to, the Option Price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on considerations as the Committee in its sole discretion determines;

3.5 to determine all other terms and provisions of each Agreement, which need not be identical;

3.6 to construe and interpret the Agreements and the Plan;

3.7 to require, whether or not provided for in the pertinent Agreement, of any Grantee or Optionee, the making of any representations or agreements that the Committee may deem necessary or advisable in order to comply with, or qualify for advantageous treatment under, applicable securities, tax, or other laws;

3.8 to provide for satisfaction of an Optionee's or Grantee's tax liabilities arising in connection with the Plan through, without limitation, retention by the Corporation of Shares otherwise issuable on the exercise of, or pursuant to, an Award (provided that the Share amount retained will not exceed the minimum applicable required withholding tax rate for federal (including FICA), state or local tax liability), or through delivery of Common Stock to the Corporation by the Optionee or Grantee under such terms and conditions as the Committee deems appropriate, including but not limited to a Share attestation procedure, or by delivery of a properly executed notice together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of sale or loan proceeds to pay the tax liabilities;

3.9 to make all other determinations and take all other actions necessary or advisable for the management and administration of the Plan, including but not limited to establishing, adopting or revising any rules and regulations as it may deem necessary;

3.10 to delegate to officers or managers of the Corporation or any Subsidiary the authority to make Awards to Eligible Persons, to select such Eligible Persons, and to determine such terms and conditions thereof as may be specified in such delegation, from a pool of Awards authorized by the Committee; and

3.11 without limiting the generality of the foregoing, to provide in its discretion in an Agreement:

(i) for an agreement by the Optionee or Grantee to render services to the Corporation or a Subsidiary upon such terms and conditions as may be specified in the Agreement, provided that the Committee will not have the power under the Plan to commit the Corporation or any Subsidiary to employ or otherwise retain any Optionee or Grantee;

(ii) for restrictions on the transfer, sale or other disposition of Shares issued to the Optionee or Grantee;

(iii) for an agreement by the Optionee or Grantee to resell to the Corporation, under specified conditions, Shares issued in connection with an Award;

(iv) for the payment of the Option Price upon the exercise of an Option otherwise than in cash, including, without limitation, by delivery under such terms and conditions as the Committee deems appropriate, including but not limited to a Share attestation procedure, of Common Stock valued at Fair Market Value on the exercise date of the Option, or a combination of cash and Common

Stock; or by delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Corporation the amount of sale or loan proceeds to pay the exercise price;

(v) for the deferral of receipt of amounts that otherwise would be distributed upon exercise or payment of an Award, the terms and conditions of any such deferral and any interest or Dividend Equivalent or other payment that will accrue with respect to deferred distributions, subject to the provisions of Article 15;

(vi) for the effect of a "change in control," as defined in the Agreement, of the Corporation on the rights of an Optionee or Grantee with respect to any Award; and

(vii) for Dividend Equivalents as, or in connection with, an Award (other than an Option or a Share Appreciation Right), under such terms and conditions as the Committee deems appropriate, including whether (A) such Dividend Equivalent will be paid currently or will be deferred; (B) deferred Dividend Equivalents will accrue interest; and (C) Dividend Equivalents will be accrued as a cash obligation or converted to Share Units. Notwithstanding the foregoing, any deferral of the payment of a Dividend Equivalent will comply with Section 409A of the Internal Revenue Code.

Any determinations or actions made or taken by the Committee pursuant to this Article will be binding and final.

4 ELIGIBILITY

Eligible Persons may be granted one or more Awards; provided, however, that Incentive Stock Options will not be granted to Directors.

5 SHARES SUBJECT TO THE PLAN

5.1 The number of Shares initially reserved for issuance over the term of the Plan is limited to 40,000,000 Shares, which includes 23,647,000 authorized but unissued Shares under the Prior Plan. No more than 10,000,000 of such Shares may be issued in respect of Awards other than Options or Share Appreciation Rights. The Plan serves as the successor to the Prior Plan, and no further Prior Plan Awards will be made after the date this Plan is approved by the Corporation's shareholders ("Approval Date"). However, all awards under the Prior Plan, including any features thereof involving reload rights or performance units and the subsequent grant of options or performance units on the exercise thereof, outstanding on the Approval Date will continue in full force and effect in accordance with their terms, and no provision of this Plan will be deemed to affect or otherwise modify the rights or obligations of the holders of those Prior

Plan Awards with respect to their acquisition of shares of Common Stock thereunder. To the extent any Prior Plan Awards outstanding under the Prior Plan on the Approval Date are forfeited or expire or terminate unexercised, the number of Shares subject to those forfeited, expired or terminated awards at the time of forfeiture, expiration or termination will be added to the share reserve under this Plan and accordingly will be available for issuance hereunder, except and to the extent that the Committee determines that such shares should be reserved for the purpose of satisfying any reload or performance unit rights with respect to the Prior Plan Awards outstanding on the Approval Date.

5.2 Grants of Incentive Stock Options under the Plan may not be made with respect to more than 1,000,000 Shares during any calendar year, provided that such limit only applies to the extent consistent with applicable regulations relating to Incentive Stock Options under the Internal Revenue Code. With respect to one calendar year, an Eligible Person may receive (i) Share-Denominated Awards, other than Share-Denominated Awards (or any portion thereof) that by their terms can only be settled in cash, not to exceed, in the aggregate, 1,000,000 Shares plus (ii) Dollar-Denominated Awards and Share-Denominated Awards (or any portion thereof) that by their terms can only be settled in cash, not to exceed, in the aggregate, 1,000,000 Shares (or the equivalent thereof) for a total individual annual limit of the equivalent of 2,000,000 Shares (the “Individual Limit”). With respect to any Dollar-Denominated Award, the number of Shares allocated to such Award for purposes of applying the Individual Limit in (ii) above will be determined on the Grant Date by dividing the amount of such Award by the Fair Market Value of a share of Common Stock on the Grant Date.

5.3 Shares subject to outstanding Awards made under the Plan will be available for subsequent issuance under the Plan to the extent those Awards are forfeited, expire or terminate for any reason prior to the issuance of the Shares subject to those Awards. Shares issued under the Plan subject to a vesting requirement and subsequently forfeited or repurchased by the Corporation, at a price per share not greater than the original issue price paid per share, pursuant to the Corporation’s repurchase rights under the Plan or the applicable Agreement will be added back to the number of Shares reserved for issuance under the Plan and accordingly will be available for subsequent reissuance. Should the exercise price of an Option under the Plan be paid with Shares, then the authorized reserve of Common Stock under the Plan will be reduced by the gross number of Shares for which that Option is exercised, and not by the net number of Shares issued under the exercised Option. If Shares otherwise issuable under the Plan are withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise of an Option, Share Appreciation Right or issuance of fully-vested Shares under another type of Award, then the number of Shares available for issuance under the Plan will be reduced by the gross number of Shares issuable under the exercised Option or Share Appreciation Right or the gross number of fully-vested Shares issuable under another type of Award, calculated in each instance prior to any such share withholding. Notwithstanding the foregoing, any Award or portion of an Award that (i) in accordance with the terms of the applicable Agreement, is payable only in cash and (ii) is disclosed as being payable only in cash in the Corporation's annual report filed with the Securities and Exchange Commission on Form 10-K will be added back immediately to the number of Shares reserved for issuance under the Plan and accordingly will be available for subsequent reissuance.

5.4 Where two or more Awards are granted in relation to each other such that the exercise or payment of one such Award automatically and by its terms reduces the number of Shares that may be issued or the amount that may be received pursuant to the other Award or Awards, then the amount that will be included for purposes of the Individual Limits set forth in Section 5.2 for such Awards will be the amount that is the maximum number of Shares (or their equivalent) that could be issued or received pursuant to such Awards and their related Awards taken as a whole, and only the maximum number of Shares that could be issued pursuant to such Awards will be counted against the number of Shares reserved under the Plan at the time of their grant.

5.5 In the case of any Award granted in substitution for an award of a company or business acquired by the Corporation or a Subsidiary, Shares issued or issuable in connection with such substitution will not be counted against the number of Shares reserved under the Plan, but will be available under the Plan by virtue of the Corporation's assumption of the plan or arrangement of the acquired company or business.

6 OPTIONS

6.1 The Committee is hereby authorized to grant Incentive Stock Options and Nonstatutory Stock Options to any employee who is an Eligible Person and to grant Nonstatutory Stock Options to any Director, provided that the number of Options granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to that Eligible Person during that calendar year.

6.2 All Options will be evidenced by an Agreement. All Agreements granting Incentive Stock Options will contain a statement that the Option is intended to be an Incentive Stock Option; if no such statement is included in the Agreement, or if the Agreement affirmatively states that the Option is intended to be a Nonstatutory Option, the Option shall be a Nonstatutory Option.

6.3 The Option Period will be determined by the Committee and specifically set forth in the Agreement, provided that an Option will not be exercisable after ten years from the Grant Date and will not be exercisable until the expiration of at least six months from the Grant Date (except that this limitation need not apply in the event of the death or disability of the Optionee or as otherwise permitted by the Agreement upon a change in control of the Corporation).

6.4 All Incentive Stock Options granted under the Plan will comply with the provisions of Section 422 of the Internal Revenue Code and with all other applicable rules and regulations.

6.5 The Option Price for any Option will equal the Fair Market Value on the Grant Date, unless otherwise determined by the Committee in its discretion pursuant to an Option that contains terms and conditions that satisfy (or qualify such Option for an exemption from) the applicable requirements of Section 409A of the Internal Revenue Code.

6.6 The Committee will determine the methods by which the Option Price of an Option may be paid and the form or forms of payment that may be permitted.

6.7 All other terms of Options granted under the Plan will be determined by the Committee in its sole discretion.

6.8 The Committee may provide in the Agreement evidencing the grant of an Option that the Committee, in its sole discretion, will have the right to substitute a Share Appreciation Right for such Option at any time prior to or upon exercise of such Option; provided, however, that such Share Appreciation Right will be exercisable with respect to the same number of Shares for which such substituted Option would have been exercisable.

7 SHARE AWARDS AND RESTRICTED SHARES

7.1 The Committee is authorized to grant Share Awards to any Eligible Person in such amounts and subject to such terms and conditions as determined by the Committee, provided that the number of Shares awarded to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to that Eligible Person during that calendar year. All Share Awards will be evidenced by an Agreement.

7.2 Shares issued or transferred pursuant to a Share Award may be issued or transferred for consideration or no consideration (except as required by applicable law), and may be subject to restrictions or no restrictions, as determined by the Committee. A Share Award that is issued subject to restrictions is referred to in this Plan as a Restricted Share. The Committee may establish conditions under which restrictions on

Restricted Shares will lapse over time or according to such other criteria as the Committee deems appropriate.

7.3 Restricted Shares will be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, restrictions on the right to vote Restricted Shares or the right to receive dividends on Restricted Shares). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Committee determines at the time of the grant of an Award or thereafter, provided that no restrictions will lapse prior to the expiration of six months from the Grant Date (except that this limitation need not apply in the event of death or disability of the Grantee or as otherwise permitted by the Agreement upon a change in control of the Corporation).

7.4 Except as otherwise determined by the Committee at the time of the grant of an Award or thereafter, upon termination of employment or service with or for the Corporation and/or Subsidiaries during the applicable restriction period, Restricted Shares that are at that time subject to restrictions will be forfeited.

7.5 Restricted Shares granted pursuant to the Plan may be evidenced in such manner as the Committee determines. If certificates representing Restricted Shares are registered in the name of the Grantee, those certificates must bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Shares, and the Corporation may, at its discretion, retain physical possession of certificates until such time as all applicable restrictions lapse.

8 SHARE APPRECIATION RIGHTS

8.1 The Committee may grant Share Appreciation Rights to any Eligible Person, upon such terms and conditions as the Committee deems appropriate under this Article 8, provided that the number of Share Appreciation Rights granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to that Eligible Person during that calendar year.

8.2 A Share Appreciation Right may be granted under the Plan:

(i) in connection with, and at the same time as, the grant of another Award to an Eligible Person;

(ii) by amendment of an outstanding Nonstatutory Stock Option granted under the Plan to an Eligible Person; or

(iii) independently of any Award granted under the Plan.

A Share Appreciation Right granted under clause (i) or (ii) of the preceding sentence is a Related Right. A Related Right may, in the Committee's discretion, apply to all or a portion of the Shares subject to the Related Award.

8.3 A Share Appreciation Right may be exercised in whole or in part as provided in the Agreement, and, subject to the provisions of the Agreement, entitles its Grantee to receive, without any payment to the Corporation (other than required tax withholding amounts), either cash or that number of Shares (equal to the highest whole number of Shares), or a combination thereof, in an amount or having a Fair Market Value determined as of the date such Award is exercised not to exceed the number of Shares subject to the portion of the Share Appreciation Right exercised multiplied by an amount equal to the excess of the Fair Market Value on the Exercise Date of the Share Appreciation Right over the "base price". The base price for a Share Appreciation Right is the Fair Market Value per Share as of the Grant Date, unless otherwise determined by the Committee in its discretion pursuant to a Share Appreciation Right that contains terms and conditions that satisfy (or qualify such Share Appreciation Right for an exemption from) the applicable requirements of Section 409A of the Internal Revenue Code.

8.4 The Right Period will be determined by the Committee and specifically set forth in the Agreement, provided, however:

(i) a Share Appreciation Right may not be exercised until the expiration of at least six months from the Grant Date (except that this limitation need not apply in the event of the death or disability of the Grantee or as otherwise permitted by the Agreement upon a change in control of the Corporation);

(ii) a Share Appreciation Right will expire no later than the earlier of (A) ten years from the Grant Date, or (B) in the case of a Related Right, the expiration of the Related Award; and

(iii) a Share Appreciation Right that is a Related Right may be exercised only when and to the extent the Related Award is exercisable.

8.5 The exercise or settlement, in whole or in part, of a Related Right will cause a reduction in the number of Shares subject to the Related Award equal to the number of Shares with respect to which the Related Right is exercised or settled. Similarly, the exercise or settlement, in whole or in part, of a Related Award will cause a reduction in the number of Shares subject to the Related Right equal to the number of Shares with respect to which the Related Award is exercised or settled.

9 INCENTIVE SHARE AWARDS

The Committee may, in its sole discretion, grant Incentive Shares to Eligible Persons, provided that the number of Incentive Shares granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to such Eligible Person during that calendar year. Incentive Shares will entitle an Eligible Person to receive Shares, to be issued at such times, subject to the achievement of such Performance Criteria or other goals, in recognition of such performance or other achievements, or for such other purposes, and on such other terms and conditions, if any, as the Committee deems appropriate.

10 SHARE UNITS AND RESTRICTED SHARE UNITS

10.1 The Committee may grant Share Units to any Eligible Person, upon such terms and conditions as the Committee deems appropriate under this Article 10, provided that the number of Share Units granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to such Eligible Person during that calendar year. Each Share Unit will represent the right of the Grantee to receive a Share or an amount based on the value of a Share upon such terms and conditions as the Committee deems appropriate.

10.2 Share Units may be issued or transferred for consideration or no consideration and may be subject to restrictions or no restrictions, as determined by the Committee. A Share Unit that is issued subject to restrictions is referred to as a Restricted Share Unit. The Committee may establish conditions under which restrictions on Restricted Share Units will lapse over time or according to such other criteria as the Committee deems appropriate.

10.3 The Committee may grant Share Units that are payable if specified Performance Criteria or other conditions are met, or under other circumstances. A Share Unit that is payable if specified Performance Criteria are achieved may be referred to as a Performance Unit. During the Performance Period, such Performance Criteria may be particular to an Eligible Person or to the department, branch, Subsidiary or other unit in which the Eligible Person works, or may be based on the performance of the Corporation or of a specified portion or portions of the Corporation and/or Subsidiaries generally.

10.4 Share Units may be granted under the Plan:

(i) in connection with, and at the same time as, the grant of another Award to an Eligible Person;

(ii) by amendment of an outstanding Nonstatutory Stock Option, Restricted Share or Incentive Share granted under the Plan or the Prior Plan to an Eligible Person; or

(iii) independently of any Award granted under the Plan.

A Share Unit granted under subparagraph (i) or (ii) of the preceding sentence is a Related Share Unit. A Related Share Unit may, in the Committee's discretion, apply to all or a portion of the Shares subject to the Related Award. A Share Unit may not be granted in connection with, or by amendment to, an Incentive Stock Option.

10.5 Share Units may be paid at the end of a specified period, or payment may be deferred to a date authorized by the Committee provided that no restrictions will lapse on Restricted Share Units prior to the expiration of at least six months from the Grant Date (except that this limitation need not apply in the event of the death or disability of the Grantee or as otherwise permitted by an Agreement upon a change in control of the Corporation).

10.6 Payment with respect to Share Units will be made in cash, in Shares, or in a combination of the two, as determined by the Committee and set forth in the Agreement. The Agreement will specify the maximum number of Shares (which may be determined by a formula) that will be paid under the Share Units.

10.7 The Committee will determine in the Agreement under what circumstances a Grantee may retain Restricted Share Units after termination of the Grantee's employment or service with or for the Corporation and/or Subsidiaries, and the circumstances under which Restricted Share Units may be forfeited.

11 OTHER SHARE-BASED AWARDS

The Committee may grant Other Share-Based Awards, which are Share-Denominated Awards other than those described in Articles 6 through 10 of the Plan, to any Eligible Person on such terms and conditions as the Committee determines, provided that the number of Other Share-Based Awards granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to such Eligible Person during that calendar year. Other Share-Based Awards may be awarded subject to the achievement of Performance Criteria or other conditions and may be payable in cash, Shares or any combination of the foregoing, as the Committee determines.

12 DOLLAR-DENOMINATED AWARDS

The Committee is authorized to grant Dollar-Denominated Awards entitling Eligible Persons to receive a specified dollar amount (which may be determined by a formula) based upon the achievement of specified Performance Criteria or other conditions, provided that the amount of any Dollar-Denominated Award granted to an Eligible Person during a calendar year will not exceed the applicable limitations set forth in Article 5 when aggregated with other applicable Awards made to such Eligible Person during that calendar year. The Committee will determine the terms and conditions of such Awards, which may be payable in cash, Shares or any combination of the foregoing, as the Committee determines.

13 QUALIFIED PERFORMANCE-BASED COMPENSATION

13.1 The Committee may determine that an Award or Awards granted to an Eligible Person will be considered “qualified performance-based compensation” under Section 162(m) of the Internal Revenue Code. The provisions of this Article 13 apply to any such Grants that are to be considered “qualified performance-based compensation” under Section 162(m) of the Internal Revenue Code. To the extent that Awards designated as “qualified performance-based compensation” under Section 162(m) of the Internal Revenue Code are made, no such Award may be made as an alternative to another Award that is not also designated as “qualified performance-based compensation” but instead must be separate and apart from all other Awards made.

13.2 When Options or Share Appreciation Rights that are to be considered “qualified performance-based compensation” are granted, the Committee approving such grants must consist solely of two or more “outside directors” as defined in Treas. Reg. Section 1.162-27(e)(3), and the Option Price or base price, as the case may be, established for the grant by the Committee will not be less than the Fair Market Value on the Grant Date.

13.3 When Awards other than Options or Share Appreciation Rights that are to be considered “qualified performance-based compensation” are granted, the Committee will establish in writing (i) the Performance Criteria that must be met, (ii) the Performance Period during which performance will be measured, (iii) the maximum amounts that may be paid if the Performance Criteria are met, and (iv) any other conditions that the Committee deems appropriate and consistent with the Plan and the requirements of Section 162(m) of the Internal Revenue Code for “qualified performance-based compensation.” The Performance Criteria will satisfy the requirements for “qualified performance-based compensation,” including the requirement that the achievement of the goals be substantially uncertain at the time they are established and that the Performance Criteria be established in such a way that a third party with knowledge of the relevant facts could determine whether and to what extent the Performance Criteria have been met. The Committee will not have discretion to increase the maximum amount of compensation that is payable upon achievement of the designated Performance Criteria, but the Committee may in its discretion reduce the amount of compensation that is payable to an Eligible Person upon achievement of the designated Performance Criteria.

13.4 The Committee will establish the Performance Criteria in writing either before the beginning of the Performance Period or during a period ending no later than the earlier of (i) 90 days after the beginning of the Performance Period or (ii) the date on which 25% of the Performance Period has been completed, or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Internal Revenue Code.

13.5 The Committee will certify and announce the results for the Performance Period to all affected Grantees after the Corporation determines the financial and other relevant performance results for the Performance Period. The Committee will determine the amount, if any, to be paid pursuant to each Grant based on the achievement of the Performance Criteria and the terms of each Agreement.

13.6 The Committee may provide in the Agreement that Awards will be payable, in whole or in part, in the event of the Grantee's death or disability, a change of control or under other circumstances consistent with the Treasury regulations and rulings under Section 162(m) of the Internal Revenue Code.

14 EXERCISE; PAYMENT OF WITHHOLDING TAXES

An Award that is exercisable by the Grantee may, subject to the provisions of the Agreement under which it was granted, be exercised in whole or in part by the delivery to the Corporation or its designated agent of written notice of the exercise, in such form as the Committee may prescribe. The exercise, however, will not be effective until the Corporation has received the election notice and will be subject to receipt by the Corporation of payment of any applicable Option Price, calculation by the Corporation of the applicable withholding taxes, and receipt by the Corporation of payment for any applicable withholding taxes.

15 DEFERRAL OF AWARDS

If a Grantee so elects in accordance with the terms of an Agreement, the Grantee may defer any or all of an amount otherwise payable in connection with an Award in accordance with the provisions of a deferred compensation plan maintained by the Corporation or a Subsidiary, provided that:

(i) the Grantee makes such election by delivering to the Corporation written notice of such election, at such time and in such form as the Committee may from time to time prescribe in accordance with the deferral requirements set forth in Section 409A of the Internal Revenue Code;

(ii) such election will be irrevocable;

(iii) such deferred payment will be made in accordance with the provisions of such deferred compensation plan; and

(iv) the terms of the deferred compensation plan and the election to defer under this Plan comply with Section 409A of the Internal Revenue Code.

16 CAPITAL ADJUSTMENTS

The number and class of Shares subject to each outstanding Share-Denominated Award, the Option Price, the base price for any Share Appreciation Right or other Award using such a price, the aggregate number and class of Shares for which grants of Share-Denominated Awards thereafter may be made or in which Awards may be paid, and the Share-based limits provided for in Article 5, will be subject to such adjustment, if any, as the Committee in its sole discretion deems appropriate to reflect any corporate transaction or event, including, without limitation, Share dividends, Share splits, spin-offs, split-ups, recapitalizations, mergers, consolidations or reorganizations of or by the Corporation.

17 TERMINATION OR AMENDMENT

17.1 The Board or the Committee may amend, alter or terminate this Plan in any respect, at any time; provided, however, that, after this Plan has been approved by the shareholders of the Corporation, no amendment, alteration or termination of this Plan will be made by the Board or the Committee without approval of (i) the Corporation's shareholders to the extent shareholder approval of the amendment is required by applicable law or regulations or the requirements of the principal exchange or interdealer quotation system on which the Common Stock is listed or quoted, and (ii) each affected Optionee or Grantee if such amendment, alteration or termination would adversely affect his or her rights or obligations under any grant or award made prior to the date of such amendment, alteration or termination except as otherwise permitted under Articles 15, 18 and 21.

17.2 The effective date of any amendment to the Plan will be the date specified by the Board or Committee, as applicable. Any amendments to the Plan requiring shareholder approval pursuant to Section 17.1 are subject to approval by vote of the shareholders of the Corporation within 12 months after their adoption by the Board or the Committee. Subject to that approval, any such amendments are effective as of the date on which they are adopted by the Board or the Committee. Awards may be granted or awarded prior to shareholder approval of amendments, but each Award requiring such amendments will be subject to the approval of the amendments by the shareholders. The date on which any such Award is made prior to shareholder approval of the amendment will be the Grant Date for all purposes of the Plan as if the Award had not been subject to approval. No Award granted subject to shareholder approval of an amendment may be exercised prior to such shareholder approval, and any dividends payable thereon are subject to forfeiture if such shareholder approval is not obtained.

18 MODIFICATION, EXTENSION AND RENEWAL OF AWARDS

Subject to the terms and conditions of Section 409A of the Internal Revenue Code and the Plan and within the limitations of the Plan, the Committee may modify, extend or renew outstanding Awards, or accept the surrender of outstanding Awards (to the extent not theretofore exercised where applicable) granted under the Plan or under any other plan of the Corporation, a Subsidiary or a company or similar entity acquired by the Corporation or a Subsidiary, and authorize the granting of new Awards pursuant to the Plan in substitution therefor (to the extent not theretofore exercised where applicable), and the substituted Awards may specify a longer term than the surrendered Awards or have any other provisions that are authorized by the Plan; provided, however, that unless approved by the shareholders of the Corporation, the substituted Awards may not specify a lower exercise or base price than the surrendered options, stock appreciation rights and performance units. Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify the terms of any outstanding Agreement. Notwithstanding the foregoing, however, no modification of an Award granted under the Plan will (i) without the consent of the Optionee or Grantee, adversely affect the rights or obligations of the Optionee or Grantee except as otherwise permitted under Articles 15, 18 or 21 or as may be necessary for the Award to qualify as qualified performance-based compensation as provided under Article 13 or (ii) reduce the exercise price or base price of an Award where applicable. Adjustments pursuant to Article 16 are not modifications.

19 TERM OF THE PLAN

Unless sooner terminated by the Board or the Committee pursuant to Article 17, the Plan will terminate on April 25, 2016, provided that the Plan will terminate on February 14, 2016 with respect to incentive stock options, and no new Awards may be granted after the applicable termination date. The termination will not affect the validity of any Awards outstanding on the date of termination, including any reload rights and any other rights in accordance with the applicable Award Agreement to new grants in substitution for a Restricted Share or Restricted Share Unit, or a portion thereof, that is forfeited.

20 INDEMNIFICATION OF COMMITTEE

In addition to such other rights of indemnification as they may have as directors or as members of the Committee, the members of the Committee will be indemnified by the Corporation against the reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Awards granted hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Corporation.

21 COMPLIANCE WITH SECTION 409A OF THE INTERNAL REVENUE CODE

To the extent the Committee determines that any Award granted under the Plan is subject to Section 409A of the Internal Revenue Code, the Agreement evidencing such Award will incorporate the terms and conditions required by Section 409A of the Internal Revenue Code. To the extent applicable, the Plan and Agreement will be interpreted in accordance with Section 409A of the Internal Revenue Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan, in the event that following the Effective Date the Committee determines that any Award may be subject to Section 409A of the Internal Revenue Code, the Committee may adopt such amendments to the Plan and/or the applicable Agreement or adopt policies and procedures or take any other action or actions, including an action or amendment with retroactive effect, that the Committee determines is necessary or appropriate to (i) exempt the Award from the application of Section 409A of the Internal Revenue Code or (ii) comply with the requirements of Section 409A of the Internal Revenue Code.

22 GENERAL PROVISIONS

22.1 The establishment of the Plan will not confer upon any Eligible Person any legal or equitable right against the Corporation, any Subsidiary or the Committee, except as expressly provided in the Plan.

22.2 All grants and awards under the Plan are subject to the condition subsequent that an appropriate Agreement be signed by the parties.

22.3 Neither the Plan nor any Agreement constitutes inducement or consideration for the employment or retention of any Eligible Person, nor are they a contract of employment or retention for a specific term between the Corporation or any Subsidiary and any Eligible Person. Participation in the Plan will not give an Eligible Person any right to be retained in the service of the Corporation or any Subsidiary as an employee, a director or otherwise.

22.4 The Corporation and its Subsidiaries may assume options, warrants, or rights to purchase shares issued or granted by other corporations whose shares or assets are acquired by the Corporation or its Subsidiaries, or which are merged into or consolidated with the Corporation or its Subsidiaries. Neither the adoption of this Plan, nor its submission to the shareholders, will be taken to impose any limitations on the powers of the Corporation or its affiliates to issue, grant, or assume options, warrants, or rights otherwise than under this Plan, or to adopt other share option or restricted share plans or other incentives, or to impose any requirement of shareholder approval upon the same.

22.5 Except as the Committee may otherwise provide, or as may otherwise be required by a deferral election pursuant to Article 15, the interests of any Eligible Person under the Plan are not subject to the claims of creditors and may not, in any way, be assigned, alienated or encumbered.

22.6 The Board or the Committee may, in its sole discretion, delegate authority hereunder not already delegated by the terms hereof, including but not limited to delegating authority to select Eligible Persons, to grant Awards, to establish terms and conditions of Awards, or to amend, manage, administer, interpret, construe or vary the Plan or any Awards or Agreements, to the extent permitted by applicable law or administrative or regulatory rule.

22.7 The Committee may, without amending the Plan, determine the terms and conditions applicable to grants of Awards to participants who are foreign nationals or employed outside the United States in a manner otherwise inconsistent with the Plan if the Committee deems such terms and conditions necessary in order to recognize differences in local law or regulations, tax policies or customs.

22.8 The Plan will be governed, construed and administered in accordance with the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions, and it is the intention of the Corporation that Incentive Stock Options granted under the Plan qualify as such under Section 422 of the Internal Revenue Code and that Qualified Performance-Based Compensation granted under the Plan qualify as “qualified performance-based compensation” as described in Section 162(m) of the Internal Revenue Code.

The PNC Financial Services Group, Inc. and Subsidiaries **EXHIBIT 12.1**
Computation of Ratio of Earnings
to Fixed Charges

Dollars in millions	Three Months Ended March 31, 2006	Year Ended December 31 2005	2004	2003	2002	2001
Earnings						
Pretax income from continuing operations before adjustments for minority interest (1)	$540	$1,942	$1,735	$1,568	$1,821	$564
Fixed charges excluding interest on deposits	199	662	357	346	432	762
Subtotal	739	2,604	2,092	1,914	2,253	1,326
Interest on deposits	327	981	484	457	659	1,229
Total	$1,066	$3,585	$2,576	$2,371	$2,912	$2,555
Fixed charges						
Interest on borrowed funds	$183	$599	$298	$258	$315	$645
Interest component of rentals	16	63	58	59	58	53
Amortization of notes and debentures			1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts				28	58	63
Subtotal	199	662	357	346	432	762
Interest on deposits	327	981	484	457	659	1,229
Total	$526	$1,643	$841	$803	$1,091	$1,991
Ratio of earnings to fixed charges						
Excluding interest on deposits	3.71 x	3.93 x	5.86 x	5.53 x	5.22 x	1.74 x
Including interest on deposits	2.03	2.18	3.06	2.95	2.67	1.28

(1) As defined in Item 503(d) of Regulation S-K.

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges and Preferred Stock Dividends

EXHIBIT 12.2

Dollars in millions	Three Months Ended March 31, 2006	Year Ended December 31 2005	2004	2003	2002	2001
Earnings						
Pretax income from continuing operations before adjustments for minority interest (1)	$540	$1,942	$1,735	$1,568	$1,821	$564
Fixed charges and preferred stock dividends excluding interest on deposits	199	663	358	347	433	782
Subtotal	739	2,605	2,093	1,915	2,254	1,346
Interest on deposits	327	981	484	457	659	1,229
Total	$1,066	$3,586	$2,577	$2,372	$2,913	$2,575
Fixed charges						
Interest on borrowed funds	$183	$599	$298	$258	$315	$645
Interest component of rentals	16	63	58	59	58	53
Amortization of notes and debentures			1	1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts				28	58	63
Preferred stock dividend requirements		1	1	1	1	20
Subtotal	199	663	358	347	433	782
Interest on deposits	327	981	484	457	659	1,229
Total	$526	$1,644	$842	$804	$1,092	$2,011
Ratio of earnings to fixed charges and preferred stock dividends						
Excluding interest on deposits	3.71 x	3.93 x	5.85 x	5.52 x	5.21 x	1.72 x
Including interest on deposits	2.03	2.18	3.06	2.95	2.67	1.28

(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 March 31, 2006 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: May 9, 2006

/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 March 31, 2006 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: May 9, 2006

/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 March 31, 2006 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
May 9, 2006

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 March 31, 2006 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
May 9, 2006