

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2006
Commission file number 001-09718

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

25-1435979

(I.R.S. Employer Identification No.)

One PNC Plaza
249 Fifth Avenue

Pittsburgh, Pennsylvania 15222-2707

(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$5.00	New York Stock Exchange
\$1.60 Cumulative Convertible Preferred Stock-Series C, par value \$1.00	New York Stock Exchange
\$1.80 Cumulative Convertible Preferred Stock-Series D, par value \$1.00	New York Stock Exchange
Series G Junior Participating Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

\$1.80 Cumulative Convertible Preferred Stock - Series A, par value \$1.00
\$1.80 Cumulative Convertible Preferred Stock - Series B, par value \$1.00
8.25% Convertible Subordinated Debentures Due 2008

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 Act). Yes ☐ No ☒

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2006, determined using the per share closing price on that date on the New York Stock Exchange of \$70.17, was approximately \$20.6 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 16, 2007: 293,164,316

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement of The PNC Financial Services Group, Inc. to be filed pursuant to Regulation 14A for the annual meeting of shareholders to be held on April 24, 2007 ("Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

Table of Contents

TABLE OF CONTENTS

PART I		Page
Item 1	Business.	2
Item 1A	Risk Factors.	9
Item 1B	Unresolved Staff Comments.	12
Item 2	Properties.	12
Item 3	Legal Proceedings.	12
Item 4	Submission of Matters to a Vote of Security Holders.	15
	Executive Officers of the Registrant	15
	Directors of the Registrant	16
PART II		
Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	16
	Common Stock Performance Graph	17
Item 6	Selected Financial Data.	18
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations.	20
Item 7A	Quantitative and Qualitative Disclosures About Market Risk.	67
Item 8	Financial Statements and Supplementary Data.	67
Item 9	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	123
Item 9A	Controls and Procedures.	123
Item 9B	Other Information.	124
PART III		
Item 10	Directors, Executive Officers and Corporate Governance.	124
Item 11	Executive Compensation.	125
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	125
Item 13	Certain Relationships and Related Transactions, and Director Independence.	126
Item 14	Principal Accounting Fees and Services.	126
PART IV		
Item 15	Exhibits, Financial Statement Schedules.	126
SIGNATURES		127
EXHIBIT INDEX		E-1

PART I

Forward-Looking Statements: From time to time The PNC Financial Services Group, Inc. ("PNC" or the "Corporation") has made and may continue to make written or oral forward-looking statements regarding our outlook or expectations for earnings, revenues, expenses, capital levels, asset quality or other future financial or business performance, strategies or expectations, or the impact of legal, regulatory or supervisory matters on our business operations or performance. This Annual Report on Form 10-K (the "Report" or "Form 10-K") also includes forward-looking statements. With respect to all such forward-looking statements, you should review our Risk Factors discussion in Item 1A and our Cautionary Statement Regarding Forward-Looking Information included in Item 7 of this Report.

ITEM 1 – BUSINESS

BUSINESS OVERVIEW We are one of the largest diversified financial services companies in the United States based on assets, with 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; the greater Washington, DC area, including Maryland and Virginia; Ohio; Kentucky; and Delaware. We also provide certain global fund processing services internationally. At December 31, 2006, our consolidated total assets, deposits and shareholders' equity were \$101.8 billion, \$66.3 billion and \$10.8 billion, respectively.

We were incorporated under the laws of the Commonwealth of Pennsylvania in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, we have diversified our geographical presence, business mix and product capabilities through internal growth, strategic bank and non-bank acquisitions and equity investments, and the formation of various non-banking subsidiaries.

On October 8, 2006, we entered into a definitive agreement with Mercantile Bankshares Corporation ("Mercantile") for PNC to acquire Mercantile. Mercantile shareholders will be entitled to .4184 shares of PNC common stock and \$16.45 in cash for each share of Mercantile, or in the aggregate approximately 53 million shares of PNC common stock and \$2.1 billion in cash. Based on PNC's recent stock prices, this transaction is valued at approximately \$6.0 billion in the aggregate.

Mercantile is a bank holding company with approximately \$18 billion in assets that provides banking and investment and wealth management services through 240 offices in Maryland, Virginia, the District of Columbia, Delaware and southeastern Pennsylvania. The transaction is expected to close in March 2007 and is subject to customary closing conditions, including regulatory approvals.

We acquired Riggs National Corporation ("Riggs"), a Washington, DC based banking company, effective May 13, 2005. Under the terms of the agreement, Riggs merged into The PNC Financial Services Group, Inc. and PNC Bank, National Association ("PNC Bank, N.A."), our principal bank subsidiary, acquired substantially all of the assets of Riggs Bank, N.A., the principal banking subsidiary of Riggs.

We include information on significant recent acquisitions in Note 2 Acquisitions in the Notes To Consolidated Financial Statements in Item 8 of this Report and here by reference.

REVIEW OF LINES OF BUSINESS In addition to the following information relating to our lines of business, we incorporate

Table of Contents

information under the captions Line of Business Highlights, Product Revenue, Cross-Border Leases and Related Tax and Accounting Matters, and Business Segments Review in Item 7 of this Report here by reference. Also, we include financial and other information by business in Note 21 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report here by reference.

We have four major businesses engaged in providing banking, asset management and global fund processing products and services: Retail Banking; Corporate & Institutional Banking; BlackRock; and PFPC. Assets, revenue and earnings attributable to foreign activities were not material in the periods presented.

RETAIL BANKING

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; the greater Washington, DC area, including Maryland and Virginia; Ohio; Kentucky; and Delaware. 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.

Our goal is to generate sustainable revenue growth by continuing to increase our customer base. We also seek revenue growth by attempting to sell additional products and services to these customers. In addition, we are focused on optimizing our network of branches by opening and upgrading stand-alone and in-store branches in attractive sites while consolidating or selling branches with less opportunity for growth.

CORPORATE & INSTITUTIONAL BANKING

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-related 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, with certain products and services provided nationally.

Corporate & Institutional Banking is focused on becoming a premier provider of financial services in each of the markets it serves. Its value proposition to its customers is driven by providing a broad range of competitive and high quality products and services by a team fully committed to delivering the comprehensive resources of PNC to help each client succeed. Corporate & Institutional Banking's primary goals are to achieve market share growth and enhanced returns by means of expansion and retention of customer relationships and prudent risk and expense management.

BLACKROCK

BlackRock, Inc. ("BlackRock") is one of the largest publicly traded investment management firms in the United States. As of December 31, 2006, BlackRock's assets under management were approximately \$1.1 trillion. The firm manages assets on behalf of institutions and individuals worldwide through a variety of fixed income, cash management, equity, and alternative investment separate account and mutual fund products. In addition, BlackRock provides BlackRock Solutions®, risk management, investment system outsourcing, and financial advisory services to institutional investors. The firm has a major presence in key global markets, including the United States, Europe, Asia, Australia and the Middle East. For additional information, please see BlackRock's filings with the SEC, accessible on the SEC's website or on the firm's website at www.blackrock.com.

On September 29, 2006, Merrill Lynch contributed its investment management business ("MLIM") to BlackRock in exchange for 65 million shares of newly issued BlackRock common and preferred stock. Immediately following the closing, PNC continued to own approximately 44 million shares of BlackRock common stock. Accordingly, at December 31, 2006, our ownership interest in BlackRock was approximately 34%. Prior to this transaction, BlackRock had been a majority-owned subsidiary of PNC. See Note 2 Acquisitions in the Notes To Consolidated Financial Statements in Item 8 of this Report for further details regarding the BlackRock/MLIM transaction.

Subsequent to the BlackRock/MLIM transaction, our BlackRock investment continues to be a strategic asset of PNC and a key component of our diversified earnings stream. The ability of BlackRock to grow assets under management is the key driver of increases in its revenue, earnings and, ultimately, shareholder value. BlackRock's strategies for growth in assets under management include a focus on achieving client investment performance objectives in a manner consistent with their risk preferences and delivering excellent client service. The business dedicates significant

Table of Contents

resources to attracting and retaining talented professionals and to the ongoing enhancement of its investment technology and operating capabilities to deliver on its strategy.

PFPC

PFPC is a leading full service provider of processing, technology and business solutions for the global investment industry. Securities services include custody, securities lending, and accounting and administration for funds registered under the 1940 Act and alternative investments. Investor services include transfer agency, managed accounts, subaccounting, and distribution. PFPC serviced \$2.2 trillion in total assets and 68 million shareholder accounts as of December 31, 2006 both domestically and internationally through its Ireland and Luxembourg operations.

PFPC focuses technological resources on driving efficiency through streamlining operations and developing flexible systems architecture and client-focused servicing solutions.

SUBSIDIARIES Our corporate legal structure at December 31, 2006 consisted of two subsidiary banks, including their subsidiaries, and approximately 60 active non-bank subsidiaries. PNC Bank, N.A., headquartered in Pittsburgh, Pennsylvania, is our principal bank subsidiary. At December 31, 2006, PNC Bank, N.A. had total consolidated assets representing approximately 89% of our consolidated assets. Our other bank subsidiary is PNC Bank, Delaware. For additional information on our subsidiaries, you may review Exhibit 21 to this Report.

STATISTICAL DISCLOSURE BY BANK HOLDING COMPANIES The following statistical information is included on the indicated pages of this Report and is incorporated herein by reference:

	Form 10-K page
Average Consolidated Balance Sheet And Net Interest Analysis	119
Analysis Of Year-To-Year Changes In Net Interest Income	118
Book Values Of Securities	28 and 89-91
Maturities And Weighted-Average Yield Of Securities	91
Loan Types	27, 92 and 120
Selected Loan Maturities And Interest Sensitivity	122
Nonaccrual, Past Due And Restructured Loans And Other Nonperforming Assets	49,75-76, 94 and 120
Potential Problem Loans And Loans Held For Sale	29-30, 49
Summary Of Loan Loss Experience	49-50 and 121
Assignment Of Allowance For Loan And Lease Losses	49-50 and 121
Average Amount And Average Rate Paid On Deposits	119
Time Deposits Of \$100,000 Or More	97 and 122
Selected Consolidated Financial Data	18-19

SUPERVISION AND REGULATION

OVERVIEW

PNC is a bank holding company registered under the Bank Holding Company Act of 1956 as amended (“BHC Act”) and

a financial holding company under the Gramm-Leach-Bliley Act (“GLB Act”).

We are subject to numerous governmental regulations, some of which are highlighted below. You should also read Note 4 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, included here by reference, for additional information regarding our regulatory issues. Applicable laws and regulations restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, among other things. They also restrict our ability to repurchase stock or to receive dividends from bank subsidiaries and impose capital adequacy requirements. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions.

In addition, we are subject to comprehensive examination and supervision by, among other regulatory bodies, the Board of Governors of the Federal Reserve System (“Federal Reserve”) and the Office of the Comptroller of the Currency (“OCC”). We are subject to examination by these regulators, which results in examination reports and ratings (which are not publicly available) that can impact the conduct and growth of our businesses. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. An examination downgrade by any of our federal bank regulators potentially can result in the imposition of significant limitations on our activities and growth. These regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies. This supervisory framework could materially impact the conduct, growth and profitability of our operations.

We are also subject to regulation by the Securities and Exchange Commission (“SEC”) by virtue of our status as a public company and due to the nature of some of our businesses.

As a regulated financial services firm, our relationships and good standing with regulators are of fundamental importance to the continuation and growth of our businesses. The Federal Reserve, OCC, SEC, and other domestic and foreign regulators have broad enforcement powers, and powers to approve, deny, or refuse to act upon our applications or notices to conduct new activities, acquire or divest businesses or assets, or reconfigure existing operations.

Over the last several years, there has been an increasing regulatory focus on compliance with anti-money laundering laws and regulations, resulting in, among other things, several

Table of Contents

significant publicly announced enforcement actions. There has also been a heightened focus recently on the protection of confidential customer information.

There are numerous rules governing the regulation of financial services institutions and their holding companies. Accordingly, the following discussion is general in nature and does not purport to be complete or to describe all of the laws and regulations that apply to us.

BANK REGULATION

As a bank holding company and a financial holding company, we are subject to supervision and regular inspection by the Federal Reserve. Our subsidiary banks and their subsidiaries are subject to supervision and examination by applicable federal and state banking agencies, principally the OCC with respect to PNC Bank, N.A. and the Federal Reserve Bank of Cleveland and the Office of the State Bank Commissioner of Delaware with respect to PNC Bank, Delaware.

Notwithstanding PNC's reduced ownership interest in BlackRock and the deconsolidation resulting from the BlackRock/MLIM transaction, BlackRock continues to be subject to the supervision and regulation of the Federal Reserve to the same extent as it was prior to the transaction.

Parent Company Liquidity and Dividends. The principal source of our liquidity at the parent company level is dividends from PNC Bank, N.A. Our subsidiary banks are subject to various federal and state restrictions on their ability to pay dividends to PNC Bancorp, Inc., the direct parent of the subsidiary banks, which in turn may affect the ability of PNC Bancorp, Inc. to pay dividends to PNC at the parent company level. Our subsidiary banks are also subject to federal laws limiting extensions of credit to their parent holding company and non-bank affiliates as discussed in Note 4 Regulatory Matters included in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated herein by reference. Further information is also available in the Liquidity Risk Management section of Item 7 of this Report.

Under Federal Reserve policy, a bank holding company is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each such bank. Consistent with the "source of strength" policy for subsidiary banks, the Federal Reserve has stated that, as a matter of prudent banking, a bank holding company generally should not maintain a rate of cash dividends unless its net income available to common shareholders has been sufficient to fully fund the dividends and the prospective rate of earnings retention appears to be consistent with the corporation's capital needs, asset quality and overall financial condition. This policy does not currently have a negative impact on PNC's ability to pay dividends at our current level.

Additional Powers Under the GLB Act. The GLB Act permits a qualifying bank holding company to become a "financial

holding company" and thereby to affiliate with financial companies engaging in a broader range of activities than would otherwise be permitted for a bank holding company. Permitted affiliates include securities underwriters and dealers, insurance companies and companies engaged in other activities that are determined by the Federal Reserve, in consultation with the Secretary of the Treasury, to be "financial in nature or incidental thereto" or are determined by the Federal Reserve unilaterally to be "complementary" to financial activities. We became a financial holding company as of March 13, 2000.

The Federal Reserve is the "umbrella" regulator of a financial holding company, with its operating entities, such as its subsidiary broker-dealers, investment managers, investment companies, insurance companies and banks, also subject to the jurisdiction of various federal and state "functional" regulators with normal regulatory responsibility for companies in their lines of business.

As subsidiaries of a financial holding company under the GLB Act, our non-bank subsidiaries are allowed to conduct new financial activities or acquire non-bank financial companies with after-the-fact notice to the Federal Reserve. In addition, our non-bank subsidiaries (and any financial subsidiaries of subsidiary banks) are now permitted to engage in certain activities that were not permitted for banks and bank holding companies prior to enactment of the GLB Act, and to engage on less restrictive terms in certain activities that were previously permitted. Among other activities, we currently rely on our status as a financial holding company to conduct mutual fund distribution activities, merchant banking activities, and underwriting and dealing activities.

To continue to qualify for financial holding company status, our subsidiary banks must maintain "well capitalized" capital ratios, examination ratings of "1" or "2" (on a scale of 1 to 5), and certain other criteria that are incorporated into the definition of "well managed" under the BHC Act and Federal Reserve rules. If we were to no longer qualify for this status, we could not continue to enjoy the after-the-fact notice process for new non-banking activities and non-banking acquisitions, and would be required promptly to enter into an agreement with the Federal Reserve providing a plan for our subsidiary banks to meet the "well capitalized" and "well managed" criteria. The Federal Reserve would have broad authority to limit our activities. Failure to satisfy the criteria within a six-month period could result in a requirement that we conform existing non-banking activities to activities that were permissible prior to the enactment of the GLB Act. If a subsidiary bank failed to maintain a "satisfactory" or better rating under the Community Reinvestment Act of 1977, as amended ("CRA"), we could not commence new activities or make new investments in reliance on the GLB Act.

In addition, the GLB Act permits a national bank, such as PNC Bank, N.A., to engage in expanded activities through the

Table of Contents

formation of a “financial subsidiary.” In order to qualify to establish or acquire a financial subsidiary, PNC Bank, N.A. and each of its depository institution affiliates must be “well capitalized” and “well managed” and may not have a less than “satisfactory” CRA rating. A national bank that is one of the largest 50 insured banks in the United States, such as PNC Bank, N.A., must also have issued debt (which, for this purpose, may include the uninsured portion of PNC Bank, N.A.’s long-term certificates of deposit) with certain minimum ratings. PNC Bank, N.A. has filed a financial subsidiary certification with the OCC and currently engages in insurance agency activities through a financial subsidiary. PNC Bank, N.A. may also generally engage through a financial subsidiary in any activity that is financial in nature or incidental to a financial activity. Certain activities, however, are impermissible for a financial subsidiary of a national bank, including insurance underwriting, insurance investments, real estate investment or development, and merchant banking.

If one of our subsidiary banks were to fail to meet the “well capitalized” or “well managed” and related criteria, PNC Bank, N.A. would be required to enter into an agreement with the OCC to correct the condition. The OCC would have the authority to limit the activities of the bank. If the condition were not corrected within six months or within any additional time granted by the OCC, PNC Bank, N.A. could be required to conform the activities of any of its financial subsidiaries to activities in which a national bank could engage directly. In addition, if the bank or any insured depository institution affiliate receives a less than satisfactory CRA examination rating, PNC Bank, N.A. would not be permitted to engage in any new activities or to make new investments in reliance on the financial subsidiary authority.

Other Federal Reserve and OCC Regulation. The federal banking agencies possess broad powers to take corrective action as deemed appropriate for an insured depository institution and its holding company. The extent of these powers depends upon whether the institution in question is considered “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” or “critically undercapitalized.” Generally, the smaller an institution’s capital base in relation to its total assets, the greater the scope and severity of the agencies’ powers, ultimately permitting the agencies to appoint a receiver for the institution. Business activities may also be influenced by an institution’s capital classification. For instance, only a “well capitalized” depository institution may accept brokered deposits without prior regulatory approval and an “adequately capitalized” depository institution may accept brokered deposits only with prior regulatory approval. At December 31, 2006 and December 31, 2005, both of our subsidiary banks exceeded the required ratios for classification as “well capitalized.” For additional discussion of capital adequacy requirements, we refer you to “Capital And Funding Sources” in the Consolidated Balance Sheet Review section of Item 7 of this Report and to Note 4 Regulatory Matters included in the

Notes To Consolidated Financial Statements in Item 8 of this Report.

Laws and regulations limit the scope of our permitted activities and investments. In addition to the activities that would be permitted a financial subsidiary, national banks (such as PNC Bank, N.A.) and their operating subsidiaries may engage in any activities that are determined by the OCC to be part of or incidental to the business of banking.

Moreover, examination ratings of “3” or lower, lower capital ratios than peer group institutions, regulatory concerns regarding management, controls, assets, operations or other factors, can all potentially result in practical limitations on the ability of a bank or bank holding company to engage in new activities, grow, acquire new businesses, repurchase its stock or pay dividends, or to continue to conduct existing activities.

The Federal Reserve’s prior approval is required whenever we propose to acquire all or substantially all of the assets of any bank or thrift, to acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank or thrift, or to merge or consolidate with any other bank holding company or thrift holding company. When reviewing bank acquisition applications for approval, the Federal Reserve considers, among other things, each subsidiary bank’s record in meeting the credit needs of the communities it serves in accordance with the CRA. Our ability to grow through acquisitions could be limited by these approval requirements.

At December 31, 2006, both of our bank subsidiaries, PNC Bank, N.A. and PNC Bank, Delaware, were rated “outstanding” with respect to CRA.

FDIC Insurance. Both of our subsidiary banks are insured by the FDIC and subject to premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank. Since 1996, the FDIC had not assessed banks in the most favorable capital and assessment risk classification categories for insurance premiums for most deposits, due to the favorable ratio of the assets in the FDIC’s deposit insurance funds to the aggregate level of insured deposits outstanding. This resulted in significant cost savings to all insured banks. Deposit insurance premiums are assessed as a percentage of the deposits of the insured institution.

Beginning January 1, 2007, the FDIC reinstituted the assessment premiums for all deposits, which could impose a significant cost to all insured banks, including our subsidiary banks, reducing the net spread between deposit and other bank funding costs and the earnings from assets and services of the bank, and thus the net income of the bank. Because of a one-time assessment credit based on deposit premiums that the subsidiary banks of PNC had paid prior to 1996, the deposit insurance assessment for PNC’s subsidiary banks should be substantially offset for at least the next two years.

Table of Contents

FDIC deposit insurance premiums are “risk based”; therefore, higher fee percentages would be charged to banks that have lower capital ratios or higher risk profiles. These risk profiles take into account weaknesses that are found by the primary banking regulator through its examination and supervision of the bank. A negative evaluation by the FDIC or a bank’s primary federal banking regulator could increase the costs to a bank and result in an aggregate cost of deposit funds higher than that of competing banks in a lower risk category.

Our subsidiary banks are subject to “cross-guarantee” provisions under federal law that provide that if one of these banks fails or requires FDIC assistance, the FDIC may assess a “commonly-controlled” bank for the estimated losses suffered by the FDIC. Such liability could have a material adverse effect on our financial condition or that of the assessed bank. While the FDIC’s claim is junior to the claims of depositors, holders of secured liabilities, general creditors and subordinated creditors, it is superior to the claims of the bank’s shareholders and affiliates, including PNC and intermediate bank holding companies.

SECURITIES AND RELATED REGULATION

The SEC, together with either the OCC or the Federal Reserve, regulates our registered broker-dealer subsidiaries. These subsidiaries are also subject to rules and regulations promulgated by the National Association of Securities Dealers, Inc. (“NASD”), among others. Hilliard Lyons is also a member of the New York Stock Exchange and subject to its regulations and supervision.

Several of our subsidiaries are registered with the SEC as investment advisers and, therefore, are subject to the requirements of the Investment Advisers Act of 1940 and the SEC’s regulations thereunder. The principal purpose of the regulations applicable to investment advisers is the protection of clients and the securities markets, rather than the protection of creditors and shareholders of investment advisors. The regulations applicable to investment advisers cover all aspects of the investment advisory business, including limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients; record-keeping; operational, marketing and reporting requirements; disclosure requirements; limitations on principal transactions between an adviser or its affiliates and advisory clients; as well as general anti-fraud prohibitions. These investment advisory subsidiaries also may be subject to state securities laws and regulations. In addition, our investment advisory subsidiaries that are investment advisors to registered investment companies and other managed accounts are subject to the requirements of the Investment Company Act of 1940, as amended, and the SEC’s regulations thereunder. PFPC is subject to regulation by the SEC as a service provider to registered investment companies.

Additional legislation, changes in rules promulgated by the SEC, other federal and state regulatory authorities and self-

regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of investment advisers. The profitability of investment advisers could also be affected by rules and regulations that impact the business and financial communities in general, including changes to the laws governing taxation, antitrust regulation and electronic commerce.

Recently, the SEC and other governmental agencies have been investigating the mutual fund industry, including its service providers. The SEC has adopted and proposed various rules, and legislation has been introduced in Congress, intended to reform the regulation of this industry. The effect of regulatory reform has, and is likely to continue to, increase the extent of regulation of the mutual fund industry and impose additional compliance obligations and costs on our subsidiaries involved with that industry.

Under various provisions of the federal securities laws (including in particular those applicable to broker-dealers, investment advisers and registered investment companies and their service providers), a determination by a court or regulatory agency that certain violations have occurred at a company or its affiliates can result in fines, a limitation of permitted activities, disqualification to continue to conduct certain activities and an inability to rely on certain favorable exemptions. Certain types of infractions and violations can also affect a public company in its timing and ability to expeditiously issue new securities into the capital markets. In addition, expansion of activities of a broker-dealer generally requires approval of the New York Stock Exchange and/or NASD, and regulators may take into account a variety of considerations in acting upon such applications, including internal controls, capital, management experience and quality, and supervisory concerns.

BlackRock has subsidiaries in securities and related businesses subject to SEC and NASD regulation, as described above. For additional information about the regulation of BlackRock, we refer you to the discussion under the “Regulation” section of Item 1 Business in BlackRock’s most recent Annual Report on Form 10-K, which may be obtained electronically at the SEC’s website at www.sec.gov.

COMPETITION We are subject to intense competition from various financial institutions and from non-bank entities that engage in similar activities without being subject to bank regulatory supervision and restrictions.

In making loans, our subsidiary banks compete with traditional banking institutions as well as consumer finance companies, leasing companies and other non-bank lenders, and institutional investors including CLO managers, hedge funds, mutual fund complexes and private equity firms. Loan pricing, structure and credit standards are under competitive pressure as lenders seek to deploy capital and a broader range

Table of Contents

of borrowers have access to capital markets. Traditional deposit activities are subject to pricing pressures and customer migration as a result of intense competition for consumer investment dollars.

Our subsidiary banks compete for deposits with the following:

- Other commercial banks,
- Savings banks,
- Savings and loan associations,
- Credit unions,
- Treasury management service companies,
- Insurance companies, and
- Issuers of commercial paper and other securities, including mutual funds.

Our various non-bank businesses engaged in investment banking and private equity activities compete with the following:

- Commercial banks,
- Investment banking firms,
- Merchant banks,
- Insurance companies,
- Private equity firms, and
- Other investment vehicles.

In providing asset management services, our businesses compete with the following:

- Investment management firms,
- Large banks and other financial institutions,
- Brokerage firms,
- Mutual fund complexes, and
- Insurance companies.

The fund servicing business is also highly competitive, with a relatively small number of providers. Merger, acquisition and consolidation activity in the financial services industry has also impacted the number of existing or potential fund servicing clients and has intensified competition.

We include here by reference the additional information regarding competition included in the Item 1A Risk Factors section of this Report.

EMPLOYEES Period-end employees totaled 23,783 at December 31, 2006 (comprised of 21,455 full-time and 2,328 part-time employees).

SEC REPORTS AND CORPORATE GOVERNANCE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements, and other information with the SEC. Our SEC File Number is 001-09718. You may read and copy this information at the SEC's Public Reference Room located at 100 F Street NE, Room 1580, Washington, D.C. 20549. You can obtain

information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

You can also obtain copies of this information by mail from the Public Reference Section of the SEC, 100F Street, N.E., Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an internet World Wide Web site that contains reports, proxy and information statements, and other information about issuers, like us, who file electronically with the SEC. The address of that site is www.sec.gov. You can also inspect reports, proxy statements and other information about us at the offices of The New York Stock Exchange, 20 Broad Street, New York, New York 10005.

We also make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act available free of charge on or through our internet website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. PNC's corporate internet address is www.pnc.com and you can find this information under "About PNC – Investor Relations – Financial Information – SEC filings – Form 10-K." Shareholders and bondholders may also obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via e-mail at web.queries@computershare.com for copies without exhibits, or by contacting Shareholder Relations at (800) 843-2206 or via e-mail at investor.relations@pnc.com for copies of exhibits. We filed the certifications of our Chairman and Chief Executive Officer and our Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 with respect to our Annual Report on Form 10-K for 2005 with the SEC as exhibits to that Report and have filed the CEO and CFO certifications required by Section 302 of that Act with respect to this Form 10-K as exhibits to this Report.

Information about our Board and its committees and corporate governance at PNC is available on PNC's corporate website at www.pnc.com under "About PNC – Investor Relations – Corporate Governance." Shareholders who would like to request printed copies of the PNC Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, or 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 One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707. Copies will be provided without charge to shareholders.

Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "PNC." Our Chairman and Chief Executive Officer submitted the required annual CEO's Certification regarding the NYSE's corporate governance

Table of Contents

listing standards (a Section 12(a) CEO Certification) to the NYSE within 30 days after our 2006 annual shareholders meeting.

ITEM 1A – RISK FACTORS

We are subject to a number of risks potentially impacting our business, financial condition, results of operations and cash flows. Indeed, as a financial services organization, certain elements of risk are inherent in every one of our transactions and are presented by every business decision we make. Thus, we encounter risk as part of the normal course of our business, and we design risk management processes to help manage these risks.

There are risks that are known to exist at the outset of a transaction. For example, every loan transaction presents credit risk (the risk that the borrower may not perform in accordance with contractual terms) and interest rate risk (a potential loss in earnings or economic value due to adverse movement in market interest rates or credit spreads), with the nature and extent of these risks principally depending on the identity of the borrower and overall economic conditions. These risks are inherent in every loan transaction; if we wish to make loans, we must manage these risks through the terms and structure of the loans and through management of our deposits and other funding sources. The success of our business is dependent on our ability to identify, understand and manage the risks presented by our business activities so that we can balance appropriately revenue generation and profitability with these inherent risks. We discuss our principal risk management processes and, in appropriate places, related historical performance in the Risk Management section included in Item 7 of this Report.

The following are the key risk factors that affect us. These risk factors are also discussed further in other parts of this Report.

A sustained weakness or weakening in business and economic conditions generally or specifically in the principal markets in which we do business could adversely affect our business and operating results.

PNC's business could be adversely affected to the extent that weaknesses in business and economic conditions have direct or indirect impacts on us or on our customers and counterparties. These conditions could lead, for example, to one or more of the following:

- A decrease in the demand for loans and other products and services offered by us,
- A decrease in the value of our loans held for sale,
- A decrease in the usage of unfunded commitments,
- A decrease in customer savings generally and in the demand for savings and investment products offered by us, and
- An increase in the number of customers and counterparties who become delinquent, file for

protection under bankruptcy laws, or default on their loans or other obligations to us. An increase in the number of delinquencies, bankruptcies or defaults could result in a higher level of nonperforming assets, net charge-offs, provision for credit losses, and valuation adjustments on loans held for sale.

Although many of our businesses are national and some are international in scope, our retail banking business is concentrated within our retail branch network footprint (Delaware, Indiana, Kentucky, New Jersey, Ohio, Pennsylvania, and the greater Washington, D.C. area, including Maryland and Virginia), and thus that business is particularly vulnerable to adverse changes in economic conditions in these regions.

Changes in interest rates or in valuations in the debt or equity markets could directly impact our assets and liabilities and our performance.

Given our business mix, our traditional banking activities of gathering deposits and extending loans, and the fact that most of our assets and liabilities are financial in nature, we tend to be particularly sensitive to market interest rate movement and the performance of the financial markets. In addition to the impact on the economy generally, with some of the potential effects outlined above, changes in interest rates, in the shape of the yield curve, or in valuations in the debt or equity markets could directly impact us in one or more of the following ways:

- Such changes could affect the difference between the interest that we earn on assets and the interest that we pay on liabilities, as well as the value of some or all of our on-balance sheet and off-balance sheet financial instruments or the value of equity investments that we hold or of our equity funding obligations;
- To the extent to which we access capital markets to raise funds to support our business, such changes could affect the cost of such funds or our ability to raise such funds; and
- Such changes could affect the value of the assets that we manage or otherwise administer for others or the assets for which we provide processing services. Although we are not directly impacted by changes in the value of assets that we manage or administer for others or for which we provide processing services, decreases in the value of those assets would affect our fee income relating to those assets and could result in decreased demand for our services.

As a result of the high percentage of our assets and liabilities that are in the form of interest-bearing instruments, the monetary, tax and other policies of the government and its agencies, including the Federal Reserve, which have a significant impact on interest rates and overall financial market performance, can affect the activities and results of

Table of Contents

operations of bank holding companies and their subsidiaries, such as PNC and our subsidiaries. An important function of the Federal Reserve is to regulate the national supply of bank credit and market interest rates. The actions of the Federal Reserve influence the rates of interest that we charge on loans and that we pay on borrowings and interest-bearing deposits and can also affect the value of our on-balance sheet and off-balance sheet financial instruments. Both due to the impact on rates and by controlling access to direct funding from the Federal Reserve Banks, the Federal Reserve's policies also influence, to a significant extent, our cost of funding. We cannot predict the nature or timing of future changes in monetary, tax and other policies or the effect that they may have on our activities and results of operations.

We operate in a highly competitive environment, both in terms of the products and services we offer, the geographic markets in which we conduct business, as well as our labor markets and competition for talented employees. Competition could adversely impact our customer acquisition, growth and retention, as well as our credit spreads and product pricing, causing us to lose market share and deposits and revenues.

We are subject to intense competition from various financial institutions and from non-bank entities that engage in similar activities without being subject to bank regulatory supervision and restrictions. This competition is described in Item 1 under "Competition."

In all, the principal bases for competition are pricing (including the interest rates charged on loans or paid on interest-bearing deposits), structure, the range of products and services offered, and the quality of customer service (including convenience and responsiveness to customer needs and concerns). The ability to access and use technology is an increasingly important competitive factor in the financial services industry. Technology is important not only with respect to delivery of financial services but also in processing information. Each of our businesses consistently must make significant technological investments to remain competitive.

A failure to address adequately the competitive pressures we face could make it harder for us to attract and retain customers across our businesses. On the other hand, meeting these competitive pressures could require us to incur significant additional expenses or to accept risk beyond what we would otherwise view as desirable under the circumstances. In addition, in our interest sensitive businesses, pressures to increase rates on deposits or decrease rates on loans could reduce our net interest margin with a resulting negative impact on our net interest income. Any of these results would likely have an adverse effect on our overall financial performance.

We grow our business in part by acquiring from time to time other financial services companies, and these acquisitions present us with a number of risks and uncertainties related both to the acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing.

Acquisitions of other financial services companies also present risks to PNC other than those presented by the nature of the business acquired. In particular, acquisitions may be substantially more expensive to complete (including costs incurred in connection with the integration of the acquired company) and the anticipated benefits (including anticipated cost savings and strategic gains) may be significantly harder or take longer to achieve than expected. In some cases, acquisitions involve our entry into new businesses or new geographic or other markets, and these situations also present risks resulting from our inexperience in these new areas. As a regulated financial institution, our pursuit of attractive acquisition opportunities could be negatively impacted due to regulatory delays or other regulatory issues. Regulatory and/or legal issues relating to the pre-acquisition operations of an acquired business may cause reputational harm to PNC following the acquisition and integration of the acquired business into ours and may result in additional future costs and expenses arising as a result of those issues.

Our pending acquisition of Mercantile presents many of the risks and uncertainties related to acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing described above.

The performance of our asset management businesses may be adversely affected by the relative performance of our products compared with alternative investments.

Asset management revenue is primarily based on a percentage of the value of assets under management and, in some cases, performance fees, in most cases expressed as a percentage of the returns realized on assets under management, and thus is impacted by general changes in capital markets valuations and customer preferences. In addition, investment performance is an important factor influencing the level of assets under management. Poor investment performance could impair revenue and growth as existing clients might withdraw funds in favor of better performing products. Also, performance fees could be lower or nonexistent. Additionally, the ability to attract funds from existing and new clients might diminish.

The performance of our fund servicing business may be adversely affected by changes in investor preferences, or changes in existing or potential fund servicing clients or alternative providers.

Fund servicing fees are primarily derived from the market value of the assets and the number of shareholder accounts that we administer for our clients. The performance of our

Table of Contents

fund processing business is thus partially dependent on the underlying performance of its fund clients and, in particular, their ability to attract and retain customers. Changes in interest rates or a sustained weakness, weakening or volatility in the debt and equity markets could (in addition to affecting directly the value of assets administered as discussed above) influence an investor's decision to invest or maintain an investment in a particular mutual fund or other pooled investment product. Other factors beyond our control may impact the ability of our fund clients to attract or retain customers or customer funds, including changes in preferences as to certain investment styles. Further, to the extent that our fund clients' businesses are adversely affected by ongoing governmental investigations into the practices of the mutual and hedge fund industries, our fund processing business' results also could be adversely impacted. As a result of these types of factors, fluctuations may occur in the level or value of assets for which we provide processing services. In addition, this regulatory and business environment is likely to continue to result in operating margin pressure for our various services.

As a regulated financial services firm, we are subject to numerous governmental regulations and to comprehensive examination and supervision by regulators, which affects our business as well as our competitive position.

PNC is a bank and financial holding company and is subject to numerous governmental regulations involving both its business and organization. Our businesses are subject to regulation by multiple bank regulatory bodies as well as multiple securities industry regulators. Applicable laws and regulations restrict our ability to repurchase stock or to receive dividends from bank subsidiaries and impose capital adequacy requirements. They also restrict permissible activities and investments and require compliance with protections for loan, deposit, brokerage, fiduciary, mutual fund and other customers, and for the protection of customer information, among other things. The consequences of noncompliance can include substantial monetary and nonmonetary sanctions as well as damage to our reputation and business.

In addition, we are subject to comprehensive examination and supervision by banking and other regulatory bodies. Examination reports and ratings (which often are not publicly available) and other aspects of this supervisory framework can materially impact the conduct, growth, and profitability of our businesses.

We discuss these and other regulatory issues applicable to PNC in the Supervision and Regulation section included in Item 1 of this Report and in Note 4 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report and here by reference.

Over the last several years, there has been an increasing regulatory focus on compliance with anti-money laundering laws and regulations, resulting in, among other things, several

significant publicly-announced enforcement actions. There has also been a heightened focus recently, by customers and the media as well as by regulators, on the protection of confidential customer information. A failure to have adequate procedures to comply with anti-money laundering laws and regulations or to protect the confidentiality of customer information could expose us to damages, fines and regulatory penalties, which could be significant, and could also injure our reputation with customers and others with whom we do business.

We must comply with generally accepted accounting principles established by the Financial Accounting Standards Board, rules set forth by the SEC, income tax regulations established by the Department of the Treasury, and revenue rulings and other guidance issued by the Internal Revenue Service, which affect our financial condition and results of operations.

Changes in accounting standards, or interpretations of those standards, can impact our revenue recognition and expense policies and affect our estimation methods used to prepare the consolidated financial statements. Changes in income tax regulations, revenue rulings, revenue procedures, and other guidance can impact our tax liability and alter the timing of cash flows associated with tax deductions and payments. New guidance often dictates how changes to standards and regulations are to be presented in our consolidated financial statements, as either an adjustment to beginning retained earnings for the period or as income or expense in current period earnings. Certain changes may also be required to be applied retrospectively.

Our business and financial performance could be adversely affected, directly or indirectly, by natural disasters, by terrorist activities or by international hostilities.

The impact of natural disasters, terrorist activities and international hostilities cannot be predicted with respect to severity or duration. However, any of these could impact us directly (for example, by causing significant damage to our facilities or preventing us from conducting our business in the ordinary course), or could impact us indirectly through a direct impact on our borrowers, depositors, other customers, suppliers or other counterparties. We could also suffer adverse consequences to the extent that natural disasters, terrorist activities or international hostilities affect the economy and financial and capital markets generally. These types of impacts could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could result in our experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, including our ability to anticipate the

Table of Contents

nature of any such event that occurs. The adverse impact of natural disasters or terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, particularly those that we depend upon.

ITEM 1B – UNRESOLVED STAFF COMMENTS

There are no SEC staff comments regarding PNC's periodic or current reports under the Exchange Act that are pending resolution.

ITEM 2 – PROPERTIES

Our executive and administrative offices are located at One PNC Plaza, Pittsburgh, Pennsylvania. The thirty-story structure is owned by PNC Bank, N. A. We occupy the entire building. In addition, PNC Bank, N.A. owns a thirty-four story structure adjacent to One PNC Plaza, known as Two PNC Plaza, that houses additional office space.

We own or lease numerous other premises for use in conducting business activities. We consider the facilities owned or occupied under lease by our subsidiaries to be adequate. We include here by reference the additional information regarding our properties in Note 10 Premises, Equipment and Leasehold Improvements in the Notes To Consolidated Financial Statements in Item 8 of this Report.

ITEM 3 – 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. The bank defendants, including the PNC defendants, have entered into a settlement of the consolidated class action referred to above. This settlement was approved by the district court in November 2006. In December 2006, a group of class members appealed the order approving the settlement agreement to the United States Court of Appeals for the Second Circuit. The amount for which we would be responsible under this settlement is insignificant. 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 the remaining 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 the remaining lawsuits other than the one for which a settlement is pending. It is not possible to determine what the likely aggregate recoveries on the part of the plaintiffs in these remaining 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.

In April 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. In November 2005, the court granted our motion to dismiss the amended complaint. Plaintiffs appealed this ruling to the United States Court of Appeals for the Third Circuit, which affirmed the district court ruling in an opinion dated January 30, 2007. On February 13, 2007, plaintiffs filed in the court of appeals a petition for rehearing. Plaintiffs may seek further judicial review of the dismissal of their complaint.

In March 2006, a first amended complaint was filed in the United States District Court for the Eastern District of Texas by Data Treasury Corporation against PNC and PNC Bank,

Table of Contents

N.A., as well as more than 50 other financial institutions, vendors, and other companies, claiming that the defendants are infringing, and inducing or contributing to the infringement of, the plaintiff's patents, which allegedly involve check imaging, storage and transfer. The plaintiff seeks unspecified damages and interest and trebling of both, attorneys' fees and other expenses, and injunctive relief against the alleged infringement. We are not in a position to assess the likely outcome of this matter, including our exposure, if any. We believe that we have defenses to the claims against us in this lawsuit and intend to defend it vigorously. In January 2007, the district court entered an order staying the claims asserted against PNC under two of the four patents allegedly infringed by PNC, pending reexamination of these patents by the United States Patent and Trademark Office. The lawsuit will proceed with respect to the other two patents. Further, the stay may be lifted once the Patent and Trademark Office completes its reexamination.

In August 2006, a lawsuit was filed in the United States District Court for the Eastern District of Texas by Ronald A. Katz Technology Licensing L. P. ("RAKTL") against PNC, PNC Bank, N.A., and other defendants. In September 2006, this lawsuit was divided into separate actions, and amended complaints were then filed, one of which was against PNC and PNC Bank, N.A. This lawsuit is one of many related RAKTL patent infringement actions pending in various federal district courts against a large number of defendants. Each of the actions involves a single family of related patents that RAKTL refers to as the "interactive call processing patents." The amended complaint alleged that PNC and PNC Bank, N.A. are infringing, and inducing or contributing to the infringement of, certain of the plaintiff's patents. In January 2007, the court dismissed the lawsuit against PNC following a settlement under which PNC and its affiliates received a non-exclusive license covering patents held by RAKTL. As part of the settlement, we agreed to pay a licensing fee to RAKTL. The amount of the fee is not material to PNC.

In its Form 10-Q for the quarter ended March 31, 2005, Riggs disclosed a number of pending lawsuits. All material lawsuits have been finally resolved, except one where a settlement agreement has been reached, subject to final documentation. The pending settlement is not material to PNC.

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. These pending proceedings or other matters are described below. 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 referred to below. 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 settlements are described below, following a description of each of these pending proceedings and other matters.

The several putative class action complaints filed during 2002 in the United States District Court for the Western District of Pennsylvania arising out of the PAGIC transactions were consolidated in a consolidated class action complaint brought on behalf of purchasers of our common stock between July 19, 2001 and July 18, 2002 (the "Class Period"). The consolidated class action complaint names PNC, our Chairman and Chief Executive Officer, our former Chief Financial Officer, our Controller, and our independent auditors for 2001 as defendants and seeks unquantified damages, interest, attorneys' fees and other expenses. The consolidated class action complaint alleges violations of federal securities laws related to disclosures regarding the PAGIC transactions and related matters.

In August 2002, the United States Department of Labor began a formal investigation of the Administrative Committee of our Incentive Savings Plan ("Plan") in connection with the Administrative Committee's conduct relating to our common stock held by the Plan. Both the Administrative Committee and PNC have cooperated fully with the investigation. In June 2003, the Administrative Committee retained Independent Fiduciary Services, Inc. ("IFS") to serve as an independent fiduciary charged with the exclusive authority and responsibility to act on behalf of the Plan in connection with the pending securities class action litigation referred to above and to evaluate any legal rights the Plan might have against any parties relating to the PAGIC transactions. This authority includes representing the Plan's interests in connection with the Restitution Fund set up under the Deferred Prosecution Agreement. The Department of Labor has communicated with IFS in connection with the engagement.

We received a letter in June 2003 on behalf of an alleged shareholder demanding that we take appropriate legal action

Table of Contents

against our Chairman and Chief Executive Officer, our former Chief Financial Officer, and our Controller, as well as any other individuals or entities allegedly responsible for causing damage to PNC as a result of the PAGIC transactions. The Board referred this matter to a special committee of the Board for evaluation. The special committee completed its evaluation and reported its findings to the Board of Directors and to counsel for the alleged shareholder. The special committee recommended against bringing any claims against our current or former executive officers but made certain recommendations with respect to resolution of potential claims we had with respect to certain other third parties.

In July 2003, the lead underwriter on our Executive Blended Risk insurance coverage filed a lawsuit for a declaratory judgment against PNC and PNC ICLC in the United States District Court for the Western District of Pennsylvania. The complaint seeks a determination that the defendants breached the terms and conditions of the policy and, as a result, the policy does not provide coverage for any loss relating to or arising out of the Department of Justice investigation or the PAGIC transactions. Alternatively, the complaint seeks a determination that the policy does not provide coverage for the payments made pursuant to the Deferred Prosecution Agreement. The complaint also seeks attorneys' fees and costs. In July 2004, the court granted our motion to stay the action until resolution of the claims against PNC in the pending consolidated class action described above.

In December 2004, we entered into a tentative settlement of the consolidated class action. In March 2005, the parties filed a stipulation of settlement of this lawsuit with the United States District Court for the Western District of Pennsylvania. This settlement also covered claims by the plaintiffs against AIG Financial Products and others related to the PAGIC transactions.

In July 2006, the district court approved this settlement. The defendant in that class action not participating in this settlement, our former independent auditors for the years ended 2001 and before, had objected to it and, on August 10, 2006, appealed the decision of the district court approving the settlement to the United States Court of Appeals for the Third Circuit.

On December 20, 2006, our former independent auditors for the years ended 2001 and before filed with the district court a tentative settlement agreement with the plaintiffs regarding the plaintiffs' claims against it. This tentative settlement remains subject to court approval. If this tentative settlement agreement is finally approved by the court and after it becomes effective, this defendant will dismiss its appeal of the court's approval of our settlement, which would then become final.

In December 2004, we also settled all claims between us, on the one hand, and AIG Financial Products and its affiliate, American International Surplus Lines Insurance Company ("AISLIC"), on the other hand, related to the PAGIC

transactions. AIG Financial Products was our counterparty in the PAGIC transactions, and AISLIC is one of the insurers under our Executive Blended Risk insurance coverage. Subsequently, we settled claims against two of the other insurers under our Executive Blended Risk insurance coverage, as described below. Each of the amounts in these settlements represents a portion of the insurer's share of our overall claim against our insurers with respect to any amounts disbursed out of the Restitution Fund. We are preserving our claim against our insurers with which we have not settled.

The following are the key elements of these settlements that remain conditional at present, pending resolution of the appeal of the district court's approval of the settlement of the consolidated class action:

- **Payments into Settlement Fund.** The insurers under our Executive Blended Risk insurance coverage have funded \$30 million to be used for the benefit of the class. Third parties have funded additional amounts to be used for the same purpose. The plaintiffs have been in contact with Mr. Fryman, the administrator of the Restitution Fund, and intend to coordinate the administration and distribution of these settlement funds with the distribution of the Restitution Fund. Neither PNC nor any of our current or former officers, directors or employees will be required to contribute any funds to this settlement.
- **Assignment of Claims.** We have assigned to the plaintiffs claims we may have against our former independent auditors for the years ended 2001 and before and all other unaffiliated third parties (other than AIG Financial Products and its predecessors, successors, parents, subsidiaries, affiliates and their respective directors, officers and employees (collectively, "AIG")) relating to the subject matter of this lawsuit.
- **Insurance Claims.** In March 2005, we settled our claim against one of our insurers under our Executive Blended Risk insurance coverage related to our contribution of \$90 million to the Restitution Fund. Under this settlement, the insurer has paid us \$11.25 million, but we are obligated to return this amount if the settlement of the consolidated class action referred to above does not receive court approval, does not become effective or becomes unenforceable. The amount of this settlement will not be recognized in our income statement until the potential obligation to return the funds has been eliminated. This settlement was in addition to settlements with AISLIC in December 2004 and with another of our insurers under the Executive Blended Risk policy in January 2005.
- **Other Claims.** In connection with the settlement of the consolidated class action, the claims of IFS on

Table of Contents

behalf of our Incentive Savings Plan and its participants are being resolved and the class covered by the settlement has been expanded to include participants in the Plan. The Department of Labor is not, however, a party to this settlement and thus the settlement does not necessarily resolve its investigation. In addition, the derivative claims asserted by one of our putative shareholders and any other derivative demands that may be filed in connection with the PAGIC transactions are being resolved as a result of the settlement of the consolidated class action.

- **Releases.** We are releasing the insurers providing our Executive Blended Risk insurance coverage from any further liability to PNC arising out of the events that gave rise to the consolidated class action, except for the claims against these insurers (other than those with whom we have settled) relating to the \$90 million payment to the Restitution Fund. In addition, PNC and AIG are releasing each other with respect to all claims between us arising out of the PAGIC transactions.

We will be responsible for the costs of administering the settlement and the Restitution Fund and may incur additional costs in the future in connection with the advancement of expenses and/or indemnification obligations related to the subject matter of this lawsuit. We do not expect such costs to be material.

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, as a result of the regulated nature of our business and that of a number of our subsidiaries, particularly in the banking and securities areas, we and our subsidiaries are the subject from time to time of investigations and other forms of regulatory inquiry, often as part of industry-wide regulatory reviews of specified activities. Our practice is to cooperate fully with these investigations and inquiries.

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.

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

None during the fourth quarter of 2006.

EXECUTIVE OFFICERS OF THE REGISTRANT Information regarding each of our executive officers as of February 16, 2007 is set forth below. Executive officers do not have a stated term of office. Each executive officer has held the position or positions indicated or another executive position with the same entity or one of its affiliates for the past five years unless otherwise indicated below.

Name	Age	Position with PNC	Year Employed(1)
James E. Rohr	58	Chairman and Chief Executive Officer (2)	1972
Joseph C. Guyaux	56	President	1972
William S. Demchak	44	Vice Chairman	2002
William C. Mutterperl	60	Vice Chairman	2002
Timothy G. Shack	56	Executive Vice President and Chief Information Officer	1976
Thomas K. Whitford	50	Executive Vice President and Chief Risk Officer	1983
Michael J. Hannon	50	Senior Vice President and Chief Credit Policy Officer	1982
Richard J. Johnson	50	Senior Vice President and Chief Financial Officer	2002
Samuel R. Patterson	48	Senior Vice President and Controller	1986
Helen P. Pudlin	57	Senior Vice President and General Counsel	1989
John J. Wixted, Jr.	55	Senior Vice President and Chief Compliance and Regulatory Officer	2002

(1) Where applicable, refers to year employed by predecessor company.

(2) Also serves as a director of PNC.

William S. Demchak joined PNC as Vice Chairman and Chief Financial Officer in September 2002. In August 2005, he took on additional oversight responsibilities for the Corporation's Corporate & Institutional Banking business and continued to oversee PNC's asset and liability management and equity management activities while transitioning the responsibilities of Chief Financial Officer to Richard J. Johnson. From 1997 to 2002, he served as Global Head of Structured Finance and Credit Portfolio for J.P. Morgan Chase & Co.

Table of Contents

William C. Mutterperl joined PNC as Vice Chairman in October 2002. From August 2002 to October 2002, he was a partner in the business law division of the international law firm of Brown Rudnick Berlack Israels LLP. From February 2002 to May 2002, he served as Executive Director of the Independent Oversight Board for Arthur Andersen LLP, headed by former Federal Reserve Chairman Paul Volcker.

Richard J. Johnson joined PNC in December 2002 and served as Senior Vice President and Director of Finance until his appointment as Chief Financial Officer of the Corporation effective in August 2005. From 1999 to 2002 he served as President and Chief Executive Officer for J.P. Morgan Services.

John J. Wixted, Jr. joined PNC as Senior Vice President and Chief Regulatory Officer in August 2002. From 1996 to 2002 he served as Senior Vice President for Banking Supervision and Regulation for the Federal Reserve Bank of Chicago.

DIRECTORS OF THE REGISTRANT The name, age and principal occupation of each of our directors as of February 16, 2007, and the year he or she first became a director is set forth below:

- Paul W. Chellgren, 64, Operating Partner, SPG Partners, LLC, (1995),
- Robert N. Clay, 60, President and Chief Executive Officer of Clay Holding Company (investments), (1987),
- J. Gary Cooper, 70, Chairman of Commonwealth National Bank (community banking), (2002),
- George A. Davidson, Jr., 68, Retired Chairman of Dominion Resources, Inc. (public utility holding company), (1988),
- Kay Coles James, 57, President and Founder of The Gloucester Institute (non-profit), (2006),
- Richard B. Kelson, 60, Operating Advisor, Pegasus Capital Advisors, L.P., (2002),
- Bruce C. Lindsay, 65, Chairman and Managing Member of 2117 Associates, LLC (advisory company), (1995),
- Anthony A. Massaro, 62, Retired Chairman and Chief Executive Officer of Lincoln Electric Holdings, Inc. (full-line manufacturer of welding and cutting products), (2002),
- Jane G. Pepper, 61, President of Pennsylvania Horticultural Society (nonprofit membership organization), (1997),

- James E. Rohr, 58, Chairman and Chief Executive Officer of PNC, (1990),
- Lorene K. Steffes, 61, Independent Business Advisor, (2000),
- Dennis F. Strigl, 60, President and Chief Operating Officer of Verizon Communications Inc. (telecommunications), (2001),
- Stephen G. Thieke, 60, Retired Chairman, Risk Management Committee of JP Morgan Incorporated (financial and investment banking services), (2002),
- Thomas J. Usher, 64, Retired Chairman of United States Steel Corporation (integrated steelmaker) and Chairman of Marathon Oil Corporation (oil and gas industry), (1992),
- George H. Walls, Jr., 64, former Chief Deputy Auditor of the State of North Carolina, (2006),
- Helge H. Wehmeier, 64, Retired President and Chief Executive Officer of Bayer Corporation (healthcare, crop protection, and chemicals), (1992).

PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Our common stock is listed on the New York Stock Exchange and is traded under the symbol “PNC.” At the close of business on February 16, 2007, there were 41,285 common shareholders of record.

Holders of PNC common stock are entitled to receive dividends when declared by the Board of Directors out of funds legally available for this purpose. Our Board of Directors may not pay or set apart dividends on the common stock until dividends for all past dividend periods on any series of outstanding preferred stock have been paid or declared and set apart for payment. The Board presently intends to continue the policy of paying quarterly cash dividends. However, the amount of any future dividends will depend on earnings, our financial condition and other factors, including contractual restrictions and applicable government regulations and policies (such as those relating to the ability of bank and non-bank subsidiaries to pay dividends to the parent company).

The Federal Reserve has the power to prohibit us from paying dividends without its approval. For further information concerning dividend restrictions and restrictions on loans or advances from bank subsidiaries to the parent company, you may review “Supervision and Regulation” in Item 1 of this Report, “Liquidity Risk Management” in the Risk

Table of Contents

Management section and “Perpetual Trust Securities” in the Off-Balance Sheet Arrangements and VIEs section of Item 7 of this Report, and Note 4 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report, which we include here by reference.

We include here by reference additional information relating to PNC common stock under the caption “Common Stock Prices/Dividends Declared” in the Statistical Information (Unaudited) section of Item 8 of this Report.

We include here by reference the information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2006 in the table (with introductory paragraph and notes) that appears under Item 12 of this Report.

Our registrar, stock transfer agent, and dividend disbursing agent is:

Computershare Investor Services, LLC
250 Royall Street
Canton, MA 02021
800-982-7652

(b) Not applicable.

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

In thousands, except per share data

2006 period	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
October 1 – October 31	210	\$70.95	95	15,732
November 1 – November 30	871	\$69.50	614	15,118
December 1 – December 31	816	\$73.09	615	14,503
Total	1,897	\$71.21	1,324	

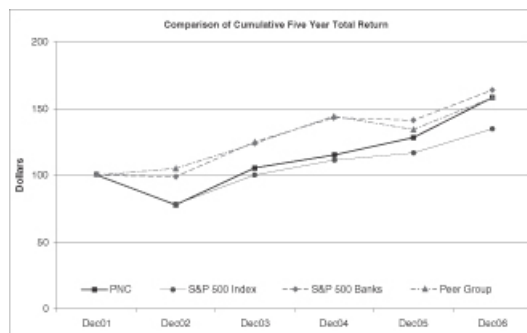
(a) Includes PNC common stock purchased under the program referred to in note (b) to this table and PNC common stock purchased in connection with our various employee benefit plans.

(b) 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.

Common Stock Performance Graph

This graph shows the cumulative total shareholder return (i.e., price change plus reinvestment of dividends) on our common stock during the five-year period ended December 31, 2006, as compared with: (1) a selected peer group of our competitors, called the “Peer Group;” (2) an overall stock

market index, the S&P 500 Index; and (3) a published industry index, the S&P 500 Banks. The yearly points marked on the horizontal axis of the graph correspond to December 31 of that year. The stock performance graph assumes that \$100 was invested on January 1, 2002 for the five-year period and that any dividends were reinvested. The table below the graph shows the resultant compound annual growth rate for the performance period.



	Base Period	Assumes \$100 investment at Close of Market on December 31, 2001 Total Return = Price change plus reinvestment of dividends					5-Year Compound Growth Rate
PNC	\$100	77.60	105.58	115.04	128.36	158.53	9.65%
S&P 500 Index	\$100	77.91	100.24	111.14	116.59	134.99	6.18%
S&P 500 Banks	\$100	98.96	125.34	143.42	141.37	164.17	10.42%
Peer Group	\$100	105.16	124.25	144.53	134.68	158.53	9.65%

The Peer Group for the preceding chart and table consists of the following companies: The Bank of New York Company, Inc.; BB&T Corporation; Fifth Third Bancorp; KeyCorp; National City Corporation; The PNC Financial Services Group, Inc.; SunTrust Banks, Inc.; U.S. Bancorp.; Wachovia Corporation; Regions Financial; and Wells Fargo & Company. The Peer Group shown is the Peer Group approved by the Board’s Personnel and Compensation Committee in 2006. For 2007, the Peer Group will be revised to include Comerica Incorporated and exclude The Bank of New York Company, Inc.

Each yearly point for the Peer Group is determined by calculating the cumulative total shareholder return for each company in the Peer Group from December 31, 2001 to December 31 of that year (End of Month Dividend Reinvestment Assumed) and then using the median of these returns as the yearly plot point.

In accordance with the rules of the SEC, this section, captioned “Common Stock Performance Graph,” shall not be incorporated by reference into any of our future filings made under the Securities Exchange Act of 1934 or the Securities Act of 1933. The Common Stock Performance Graph, including its accompanying table and footnotes, is not deemed to be soliciting material or to be filed under the Exchange Act or the Securities Act.

[Table of Contents](#)
ITEM 6 - SELECTED FINANCIAL DATA

Dollars in millions, except per share data	2006 (a)	Year ended December 31			
		2005	2004	2003	2002
SUMMARY OF OPERATIONS					
Interest income	\$4,612	\$3,734	\$2,752	\$2,712	\$3,172
Interest expense	2,367	1,580	783	716	975
Net interest income	2,245	2,154	1,969	1,996	2,197
Provision for credit losses	124	21	52	177	309
Noninterest income	6,327	4,173	3,572	3,263	3,197
Noninterest expense	4,443	4,306	3,712	3,467	3,223
Income before minority interests and income taxes	4,005	2,000	1,777	1,615	1,862
Minority interest in income of BlackRock	47	71	42	47	41
Income taxes	1,363	604	538	539	621
Income from continuing operations	2,595	1,325	1,197	1,029	1,200
(Loss) income from discontinued operations, net of tax					(16)
Income before cumulative effect of accounting change	2,595	1,325	1,197	1,029	1,184
Cumulative effect of accounting change, net of tax				(28)	
Net income	\$2,595	\$1,325	\$1,197	\$1,001	\$1,184
PER COMMON SHARE					
Basic earnings (loss)					
Continuing operations	\$8.89	\$4.63	\$4.25	\$3.68	\$4.23
Discontinued operations					(.05)
Before cumulative effect of accounting change	8.89	4.63	4.25	3.68	4.18
Cumulative effect of accounting change				(.10)	
Net income	\$8.89	\$4.63	\$4.25	\$3.58	\$4.18
Diluted earnings (loss)					
Continuing operations	\$8.73	\$4.55	\$4.21	\$3.65	\$4.20
Discontinued operations					(.05)
Before cumulative effect of accounting change	8.73	4.55	4.21	3.65	4.15
Cumulative effect of accounting change				(.10)	
Net income	\$8.73	\$4.55	\$4.21	\$3.55	\$4.15
Book value (At December 31)	\$36.80	\$29.21	\$26.41	\$23.97	\$24.03
Cash dividends declared	\$2.15	\$2.00	\$2.00	\$1.94	\$1.92

(a) See Note (a) on page 19.

Certain prior-period amounts have been reclassified to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. See Note 2 Acquisitions in the Notes To Consolidated Financial Statements in Item 8 of this Report for information on significant recent and planned business acquisitions.

For information regarding certain business risks, see Item 1A Risk Factors and the Risk Management section of Item 7 of this Report. Also, see our Cautionary Statement Regarding Forward-Looking Information included in Item 7 of this Report for certain risks and uncertainties that could cause actual results to differ materially from those anticipated in forward-looking statements or from historical performance.

Table of Contents

Dollars in millions, except as noted	At or year ended December 31				
	2006 (a)	2005	2004	2003	2002
BALANCE SHEET HIGHLIGHTS					
Assets	\$101,820	\$91,954	\$79,723	\$68,168	\$66,377
Loans, net of unearned income	50,105	49,101	43,495	36,303	35,450
Allowance for loan and lease losses	560	596	607	632	673
Securities	23,191	20,710	16,761	15,690	13,763
Loans held for sale	2,366	2,449	1,670	1,400	1,607
Equity investments (b)	5,330	1,323	1,058	997	862
Deposits	66,301	60,275	53,269	45,241	44,982
Borrowed funds (c)	15,028	16,897	11,964	11,453	9,116
Shareholders' equity	10,788	8,563	7,473	6,645	6,859
Common shareholders' equity	10,781	8,555	7,465	6,636	6,849
ASSETS ADMINISTERED (in billions)					
Managed (d)	\$54	\$494	\$383	\$354	\$313
Nondiscretionary	86	84	93	87	82
FUND ASSETS SERVICED (in billions)					
Accounting/administration net assets	\$837	\$835	\$721	\$654	\$510
Custody assets	427	476	451	401	336
SELECTED RATIOS					
From Continuing Operations					
Net interest margin	2.92%	3.00%	3.22%	3.64%	3.99%
Noninterest income to total revenue	74	66	64	62	59
Efficiency	52	68	67	66	60
From Net Income					
Return on					
Average common shareholders' equity	27.97	16.58	16.82	15.06	18.83
Average assets	2.73	1.50	1.59	1.49	1.78
Loans to deposits	76	81	82	80	79
Dividend payout	24.4	43.4	47.2	54.5	46.1
Leverage (e)	9.3	7.2	7.6	8.2	8.1
Common shareholders' equity to total assets	10.6	9.3	9.4	9.7	10.3
Average common shareholders' equity to average assets	9.8	9.0	9.4	9.9	9.4

(a) Noninterest income for 2006 included the pretax impact of the following: gain on the BlackRock/Merrill Lynch Investment Managers ("MLIM") transaction of \$2.1 billion; securities portfolio rebalancing loss of \$196 million; and mortgage loan portfolio repositioning loss of \$48 million. Noninterest expense for 2006 included the pretax impact of BlackRock/MLIM transaction integration costs of \$91 million. An additional \$10 million of integration costs, recognized in the fourth quarter of 2006, were included in noninterest income as a negative component of the asset management line. The after-tax impact of these items was as follows: BlackRock/MLIM transaction gain - \$1.3 billion; securities portfolio rebalancing loss - \$127 million; mortgage loan portfolio repositioning loss - \$31 million; and BlackRock/MLIM transaction integration costs - \$47 million.

(b) The balance at December 31, 2006 includes our investment in BlackRock.

(c) Includes long-term borrowings of \$6.6 billion, \$6.8 billion, \$5.7 billion, \$5.8 billion and \$6.0 billion for 2006, 2005, 2004, 2003 and 2002, respectively.

(d) Assets under management at December 31, 2006 do not include BlackRock's assets under management as we deconsolidated BlackRock effective September 29, 2006.

(e) The leverage ratio represents tier 1 capital divided by adjusted average total assets as defined by regulatory capital requirements for bank holding companies.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE SUMMARY

THE PNC FINANCIAL SERVICES GROUP, INC.

PNC is one of the largest diversified financial services companies in the United States based on assets, with 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; the greater Washington, DC area, including Maryland and Virginia; Ohio; Kentucky; and Delaware. We also provide certain 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 fee-based 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 and shape of the yield curve. Our actions have created a balance sheet characterized by strong asset quality and flexibility to adjust, where appropriate, to changing interest rates and market conditions.

BLACKROCK/MLIM TRANSACTION

On September 29, 2006, Merrill Lynch contributed its investment management business to BlackRock in exchange for 65 million shares of newly issued BlackRock common and preferred stock. BlackRock accounted for the MLIM transaction under the purchase method of accounting.

Immediately following the closing, PNC continued to own approximately 44 million shares of BlackRock common stock, representing an ownership interest of approximately 34% of the combined company after the closing (as compared with 69% immediately prior to the closing). Although PNC's share ownership percentage declined, PNC's investment in BlackRock increased due to the increase in total equity recorded by BlackRock as a result of the MLIM transaction.

Further information regarding the BlackRock/MLIM transaction is included in the BlackRock discussion within the Business Segments Review section of this Item 7.

MERCANTILE BANKSHARES ACQUISITION

On October 8, 2006, we entered into a definitive agreement with Mercantile Bankshares Corporation ("Mercantile") for PNC to acquire Mercantile. Mercantile shareholders will be entitled to .4184 shares of PNC common stock and \$16.45 in cash for each share of Mercantile, or in the aggregate approximately 53 million shares of PNC common stock and \$2.1 billion in cash. Based on PNC's recent stock prices, the transaction is valued at approximately \$6.0 billion in the aggregate.

Mercantile is a bank holding company with approximately \$18 billion in assets that provides banking and investment and wealth management services through 240 offices in Maryland, Virginia, the District of Columbia, Delaware and southeastern Pennsylvania. This transaction will enable us to significantly expand our presence in the mid-Atlantic region, particularly within the attractive Baltimore and Washington, DC markets.

Our Mercantile integration strategy development and planning is progressing on track and has achieved several important objectives, including identifying leadership personnel for certain key positions within the Mercantile service territory. Our priority for the integration is the retention of customers and customer-facing staff. The transaction is subject to customary closing conditions, including regulatory approvals, and is expected to close in March 2007.

THE ONE PNC INITIATIVE

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 annual pretax earnings benefit by mid-2007 from this initiative.

PNC plans to achieve approximately \$300 million of cost savings through a combination of workforce reduction and other efficiencies. Approximately 3,000 positions had been eliminated through December 31, 2006. We recognized employee severance and other implementation costs of \$11 million in 2006 and \$54 million in 2005. Estimated remaining charges to be incurred in early 2007 are not significant. 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. The initiative is progressing according to plan.

We realized a net pretax financial benefit from the One PNC program of approximately \$265 million in 2006. We achieved an annualized run rate benefit of \$320 million in the fourth quarter of 2006.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

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

- General economic conditions,

Table of Contents

- Loan demand and utilization of credit commitments,
- Movement of customer deposits from lower to higher rate accounts or to off-balance sheet accounts,
- 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 2007 will depend, among other things, upon:

- Further success in the acquisition, growth and retention of customers,
- The successful consummation and integration of the planned Mercantile acquisition,
- Revenue growth,
- A sustained focus on expense management and efficiency,
- Maintaining strong overall asset quality, and
- Prudent risk and capital management.

SUMMARY FINANCIAL RESULTS

In billions, except for per share data	Year ended December 31	
	2006	2005
Net income	\$2.595	\$1.325
Diluted earnings per share	\$8.73	\$4.55
Return on		
Average common shareholders' equity	27.97%	16.58%
Average assets	2.73%	1.50%

Net income for 2006 included the after-tax impact of the following items:

- The third quarter gain on the BlackRock/MLIM transaction of \$1.3 billion, or \$4.36 per diluted share;
- The third quarter securities portfolio rebalancing loss of \$127 million, or \$.43 per diluted share;
- BlackRock/MLIM transaction integration costs of \$47 million, or \$.16 per diluted share, and
- The third quarter mortgage loan portfolio repositioning loss of \$31 million, or \$.10 per diluted share.

The aggregate impact of these items increased 2006 net income by \$1.1 billion, or \$3.67 per diluted common share.

We refer you to the Consolidated Income Statement Review portion of the 2005 Versus 2004 section of this Item 7 for significant items impacting 2005 results.

Our performance in 2006 included the following accomplishments:

- Our total assets at December 31, 2006 exceeded \$100 billion for the first time, as further detailed in

the Consolidated Balance Sheet Review section of this Item 7.

- Average total loans of \$49.6 billion for 2006 increased \$2.2 billion, or 5%, compared with 2005. Amounts for 2005 included \$1.7 billion of average loans related to the Market Street Funding LLC ("Market Street") commercial paper conduit that we deconsolidated in October 2005, while total 2006 average loans were impacted by the \$.5 billion decline in average residential mortgage loans related to PNC's third quarter 2006 balance sheet repositioning. Apart from the impact of these actions, the increase was largely due to growth in commercial, residential mortgage and commercial real estate loans.
- Average total deposits increased \$5.7 billion, or 10%, compared with the prior year, primarily the result of an increase in interest-bearing deposits as customers continued to shift deposits to higher-return accounts and other products.
- Asset quality remained very strong. Nonperforming loans totaled \$147 million at December 31, 2006, a decline of \$43 million, or 23%, compared with the balance at December 31, 2005.

BALANCE SHEET HIGHLIGHTS

Total average assets were \$95.0 billion for 2006 compared with \$88.5 billion for 2005. Average interest-earning assets were \$77.7 billion for 2006 compared with \$73.0 billion in 2005, an increase of \$4.7 billion or 6%. Increases of \$2.2 billion in average loans and \$2.0 billion in average securities were the primary factors for the increase in average interest-earning assets.

Average total loans were \$49.6 billion in 2006 and \$47.4 billion for 2005. This increase was driven by continued improvements in market loan demand and targeted sales efforts across our banking businesses, as well as the full year impact of our expansion into the greater Washington, D.C. area, which began in May 2005. The increase in average total loans reflected growth in commercial loans of \$1.2 billion, residential mortgages of \$.8 billion and commercial real estate loans of \$.6 billion, partially offset by modest declines in consumer and lease financing loans. In addition, average total loans for 2005 included \$1.7 billion related to Market Street for the period prior to our deconsolidation of that entity in October 2005. Loans represented 64% of average interest-earning assets for 2006 and 65% for 2005.

Average securities totaled \$21.3 billion in 2006 and \$19.3 billion for 2005. The overall higher average securities balances reflected our desire to continue investing through the interest rate cycle and the full year impact of our May 2005 Riggs acquisition. The \$2.0 billion increase over 2005 reflected an increase of \$4.0 billion in mortgage-backed, asset-backed and other debt securities, partially offset by a \$2.0 billion decline in US Treasury and government agencies

Table of Contents

securities. Our third quarter 2006 securities portfolio rebalancing actions are further described in the Consolidated Balance Sheet Review section of this Item 7. Securities comprised 27% of average interest-earning assets for 2006 and 26% for 2005.

Average total deposits were \$63.3 billion for 2006 compared with \$57.6 billion for 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. Growth in deposits from commercial mortgage loan servicing activities also contributed to the increase compared with 2005. 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 67% of total sources of funds for 2006 and 65% for 2005. Average transaction deposits were \$42.3 billion for 2006 and \$39.5 billion for 2005.

Average borrowed funds were \$15.0 billion for 2006 and \$16.2 billion for 2005. Commercial paper declined \$2.1 billion in the comparison as 2005 included \$1.8 billion of commercial paper related to Market Street, which was deconsolidated in October 2005. Apart from the decrease in commercial paper, average borrowed funds increased \$.9 billion in 2006 compared with the prior year primarily due to net increases in fed funds purchased.

Shareholders' equity totaled \$10.8 billion at December 31, 2006, compared with \$8.6 billion at December 31, 2005. The increase of \$2.2 billion in total shareholders' equity compared with December 31, 2005 reflected the impact of 2006 net income on retained earnings and an increase in capital surplus in connection with the BlackRock/MLIM transaction.

LINE OF BUSINESS HIGHLIGHTS

We refer you to Item 1 of this Report for an overview of our business segments in Review of Lines of Business and to the "Results of Businesses – Summary" table in the Business Segments Review section of this Item 7. Total business segment earnings were \$1.5 billion for 2006 and \$1.4 billion for 2005.

See Note 21 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report for a reconciliation of total business segment earnings to total PNC consolidated earnings as reported on a GAAP basis.

Retail Banking

Retail Banking's 2006 earnings increased \$83 million, or 12%, to \$765 million compared with 2005. Revenue increased 9% and noninterest expense increased 6% compared with the prior year, creating positive operating leverage. The increase in earnings was driven by improved fee income from customers, higher taxable-equivalent net interest income fueled by continued customer and balance sheet growth, and a sustained focus on expense management. Positive operating leverage allows for annual earnings growth as well as the ability to reinvest in the business for future growth.

Corporate & Institutional Banking

Earnings from Corporate & Institutional Banking for 2006 totaled \$463 million compared with \$480 million for 2005. This decline was primarily attributable to the year-over-year \$72 million change in the provision for credit losses principally as a result of a \$53 million loan recovery recognized in the second quarter of 2005. The provision for credit losses was \$42 million in 2006. In addition, the comparison was impacted by a \$137 million increase in total revenue while noninterest expenses grew by \$91 million in 2006 compared with 2005.

BlackRock

Our BlackRock business segment earned \$187 million for 2006 and \$152 million for 2005. These amounts represent BlackRock's contribution to PNC's earnings, including the impact of minority interest expense, as applicable, and additional income taxes recognized by PNC related to BlackRock's earnings. For our BlackRock business segment reporting presentation in this Item 7, we have reflected our portion of the 2006 BlackRock/MLIM integration costs in "Other" rather than in earnings from our BlackRock investment. BlackRock business segment earnings for 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 and higher general and administration expense, and a one-time expense of \$34 million incurred during the first quarter of 2006 related to the January 2005 acquisition of State Street Research and Management.

For 2004, 2005 and the nine months ended September 30, 2006, our Consolidated Income Statement included our former 69%-71% ownership interest in BlackRock's net income through the BlackRock/MLIM transaction closing date. However, beginning September 30, 2006, our Consolidated Balance Sheet no longer reflected the consolidation of BlackRock's balance sheet but recognized our 34% ownership interest in BlackRock as an investment accounted for under the equity method. Our share of BlackRock's net income is now reported within asset management noninterest income in our Consolidated Income Statement.

PFPC

PFPC's earnings of \$124 million in 2006 increased \$20 million, or 19%, compared with \$104 million in 2005. Earnings for 2006 included the impact of a \$14 million reversal of deferred taxes related to earnings from a foreign subsidiary following management's determination that the earnings would be indefinitely reinvested outside of the United States. Earnings for 2005 included the after-tax impact of a one-time termination fee of \$6 million and a prepayment penalty of \$5 million, along with \$4 million of various tax benefits. Higher earnings in 2006 reflected servicing revenue contributions from several growth areas of the business and the successful implementation of expense control initiatives.

Other

"Other" earnings for 2006 totaled \$1.1 billion, while "Other" 2005 was a net loss of \$93 million. "Other" earnings for 2006 included the \$1.3 billion after-tax gain on the BlackRock/MLIM transaction recorded in the third quarter of 2006, partially offset by the impact of charges related to the following, on an after-tax basis:

- Third quarter 2006 balance sheet repositioning activities amounting to \$158 million, and
- BlackRock/MLIM integration costs of \$47 million.

"Other" for 2005 included the impact of implementation costs related to the One PNC initiative totaling \$35 million after-tax, net securities losses of \$27 million after-tax, and Riggs acquisition integration costs totaling \$20 million after-tax. These factors were partially offset by the first quarter 2005 benefit recognized 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.

CONSOLIDATED INCOME STATEMENT REVIEW

NET INTEREST INCOME - OVERVIEW

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 – Analysis of Year-To-Year Changes In Net Interest Income and Average Consolidated Balance Sheet and Net Interest Analysis in Item 8 of this Report for additional information.

NET INTEREST INCOME - GAAP RECONCILIATION

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, we also provide net interest income on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable investments. This adjustment is not permitted under GAAP.

A reconciliation of net interest income as reported in the Consolidated Income Statement (GAAP basis) to net interest income on a taxable-equivalent basis follows (in millions):

	For the year ended December 31,		
	2006	2005	2004
Net interest income, GAAP basis	\$2,245	\$2,154	\$1,969
Taxable-equivalent adjustment	25	33	20
Net interest income, taxable- equivalent basis	\$2,270	\$2,187	\$1,989

Taxable-equivalent net interest income increased \$83 million, or 4%, in 2006 compared with 2005. The increase reflected the impact of the 6% increase in average interest-earning assets during 2006 partially offset by a decline in the net interest margin as further described below.

NET INTEREST MARGIN

The net interest margin was 2.92% in 2006 compared with 3.00% for 2005, an 8 basis point decline. The following factors contributed to the decline in net interest margin in 2006:

- An increase in the average rate paid on interest-bearing deposits of 104 basis points for 2006 compared with the 2005 period. The average rate paid on money market accounts, the largest single component of interest-bearing deposits, increased 111 basis points.
- An increase in the average rate paid on borrowed funds of 147 basis points for 2006 compared with 2005.

Table of Contents

- By comparison, the yield on interest-earning assets increased only 81 basis points. Loans, the single largest component, increased 83 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.

The average federal funds rate for 2006 was 4.97% compared with 3.21% for 2005.

We believe that net interest margins for our industry will continue to be challenged if the yield curve remains flat or inverted, as competition for loans and deposits remains intense, as customers continue to migrate from lower cost to higher cost deposits or other products and as the benefit of adding investment securities is diminished.

From PNC's perspective, we believe that net interest income will increase and net interest margin will remain relatively stable in 2007 compared with 2006. However, due to seasonal factors in the first quarter of the year, we expect that our net interest margin will be pressured and that our net interest income will be relatively flat for the first quarter of 2007. These projections are based on assumptions underlying our most likely net interest income scenario, which may change over time.

PROVISION FOR CREDIT LOSSES

The provision for credit losses was \$124 million for 2006 compared with \$21 million for 2005. The provision for credit losses for 2005 included the benefit of a \$53 million loan recovery in the second quarter of that year resulting from a litigation settlement. In addition to this item, the increase in the provision for credit losses in 2006 reflected the following factors:

- The impact of overall loan growth, as average total loans increased \$2.2 billion in 2006 compared with the prior year;
- The effect of a single large overdraft situation that occurred during the second quarter of 2006, and
- Growth in unfunded commitments.

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. To the extent actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce future earnings.

See the Credit Risk Management portion of the Risk Management section of this Item 7 for additional information regarding factors impacting the provision for credit losses.

NONINTEREST INCOME

Summary

Noninterest income was \$6.327 billion for 2006 and \$4.173 billion for 2005. Noninterest income for 2006 included the impact of the gain on the BlackRock/MLIM transaction, which totaled \$2.078 billion, partially offset by the effects of our third quarter 2006 balance sheet repositioning activities that resulted in charges totaling \$244 million.

Additional analysis

Asset management fees amounted to \$1.420 billion for 2006 and \$1.443 billion for 2005, a decline of \$23 million. Our equity income from BlackRock was included in asset management fees beginning with the fourth quarter of 2006. Asset management fees for 2005 and the first nine months of 2006 reflected the impact of BlackRock's revenue on a consolidated basis.

Assets managed at December 31, 2006 totaled \$54 billion compared with \$494 billion at December 31, 2005 and reflected the deconsolidation of BlackRock effective September 29, 2006. We refer you to the Retail Banking section of the Business Segments Review section of this Item 7 for further discussion of Retail Banking's assets under management.

Fund servicing fees increased \$23 million in 2006, to \$893 million, compared with \$870 million in the prior year. Included in these amounts were distribution/out-of-pocket revenue amounts at PFPC totaling \$170 million in 2006 and \$147 million in 2005, the impacts of which were offset by expenses in the same amounts in each year.

PFPC provided fund accounting/administration services for \$837 billion of net fund assets and provided custody services for \$427 billion of fund assets at December 31, 2006, compared with \$835 billion and \$476 billion, respectively, at December 31, 2005. The decrease in custody fund assets at December 31, 2006 compared with December 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.

Service charges on deposits increased \$40 million, to \$313 million, for 2006 compared with 2005. Customer growth, expansion of the branch network, including our expansion into the greater Washington, DC area that began in May 2005, and various pricing actions resulting from the One PNC initiative all contributed to the increase in 2006.

Brokerage fees increased \$21 million, to \$246 million, for 2006 compared with the prior year. The increase was primarily due to higher annuity income and mutual fund-related revenues, including favorable production from the fee-based fund advisory business.

Table of Contents

Consumer services fees increased \$72 million, to \$365 million, in 2006 compared with 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 was also due to higher debit card revenues resulting from higher transaction volumes, our expansion into the greater Washington, DC area, and pricing actions related to the One PNC initiative. These factors were partially offset by lower ATM surcharge revenue in 2006 resulting from changing customer behavior and a strategic decision to reduce the out-of-footprint ATM network.

Corporate services revenue was \$626 million for 2006, compared with \$485 million in 2005. The increase in corporate services revenue compared with the prior year was primarily due to the full year benefit in 2006 of our October 2005 acquisition of Harris Williams.

Equity management (private equity) net gains on portfolio investments totaled \$107 million in 2006 and \$96 million for 2005. Based on the nature of private equity activities, net gains or losses may be volatile from period to period.

Net securities losses totaled \$207 million in 2006 and \$41 million in 2005. Our discussion under the Consolidated Balance Sheet Review section of this Item 7 provides additional information regarding actions we took during the third quarter of 2006 that resulted in the sale of approximately \$6 billion of securities available for sale at an aggregate pretax loss of \$196 million during that quarter.

Noninterest revenue from trading activities, which is primarily customer-related, totaled \$183 million in 2006 compared with \$157 million for 2005. We provide additional information on our trading activities under Market Risk Management – Trading Risk in the Risk Management section of this Item 7.

Net gains related to our BlackRock investment were \$2.066 billion for 2006, comprised of the \$2.078 billion gain on the BlackRock/MLIM transaction partially offset by a fourth quarter mark-to-market adjustment of \$12 million on our BlackRock long-term incentive plan (“LTIP”) obligation. See the BlackRock portion of the Business Segments Review section of Item 7 of this Report for further information.

Other noninterest income decreased \$57 million, to \$315 million, in 2006 compared with 2005. Other noninterest income for 2006 included the impact of the following:

- A \$48 million pretax loss incurred in the third quarter of 2006 in connection with the rebalancing of our residential mortgage portfolio. Further information on these actions is included in the Loans Held For Sale portion of the Consolidated Balance Sheet Review section of this Item 7;

- A \$20 million charge for an accounting adjustment related to our trust preferred securities hedges recognized during the third quarter of 2006; and
- Lower other equity management income.

These factors were partially offset by higher gains on sales of education loans held for sale in 2006 compared with the prior year.

Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed.

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 \$424 million for 2006 and \$410 million for 2005. The higher revenue in 2006 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, which more than offset the reduced net interest margin due to rising rates.

Revenue from capital markets-related products and services, including mergers and acquisitions advisory activities, was \$283 million for 2006 compared with \$175 million for 2005. The acquisition of Harris Williams in October 2005 together with improved customer and proprietary trading activities drove the increase in capital markets revenue in the comparison.

Midland Loan Services offers servicing, real estate advisory and technology solutions for the commercial real estate finance industry. Midland’s revenue, which includes servicing fees and net interest income from servicing portfolio deposit balances, totaled \$184 million for 2006 and \$144 million for 2005. Revenue growth was primarily driven by growth in the commercial mortgage servicing portfolio and related services.

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

Table of Contents

Banking. Insurance products are sold by licensed PNC insurance agents and through licensed third-party arrangements. Revenue from these products was \$71 million in 2006 and \$61 million in 2005. The increase resulted from higher annuity fee revenue.

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

In the normal course of business, Alpine Indemnity Limited and PNC Insurance Corp. maintain insurance reserves for reported claims and for claims incurred but not reported based on actuarial assessments. We believe these reserves were adequate at December 31, 2006.

NONINTEREST EXPENSE

Total noninterest expense was \$4.443 billion for 2006, an increase of \$137 million compared with \$4.306 billion for 2005.

Item 6, Selected Financial Data, of this Report includes our efficiency ratios for 2006 and 2005 and notes regarding certain significant items impacting noninterest income and expense in 2006.

Noninterest expense for 2006 included the following:

- Our share of integration costs related to the BlackRock/MLIM transaction totaling \$91 million, which were almost entirely offset by a decrease in other BlackRock expenses of \$87 million due to our deconsolidation of BlackRock effective September 29, 2006,
- An increase of \$71 million of expenses related to Harris Williams, which we acquired in October 2005,
- An increase of \$60 million related to the consolidation of our merchant services activities in the fourth quarter of 2005, and
- An increase of \$23 million in PFPC's distribution/out-of-pocket expenses, the increase of which was entirely offset in noninterest income and which had no impact on our earnings.

Apart from the impact of these items, noninterest expense for 2006 decreased \$21 million compared with 2005 as the benefit of the One PNC initiative more than offset the impact of our expansion into the greater Washington, DC area and other investments in the business.

We will have a continued emphasis on expense management in 2007 as we continue our focus on sustaining positive operating leverage.

EFFECTIVE TAX RATE

Our effective tax rate was 34% for 2006 and 30.2% for 2005. The higher effective tax rate in 2006 compared with 2005 reflected the impact of the following:

- An increase in income taxes related to the third quarter 2006 gain on the BlackRock/MLIM transaction,
- A \$57 million cumulative adjustment to increase deferred income taxes made in the third quarter of 2006 in connection with the BlackRock/MLIM transaction, and
- The benefit in 2005 of a reversal of deferred tax liabilities in connection with the transfer of our ownership in BlackRock to our intermediate bank holding company. This transaction reduced our first quarter 2005 tax provision by \$45 million, or \$.16 per diluted share. See Note 2 Acquisitions in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Going forward, we believe that a more normal effective tax rate for PNC would be approximately 32%.

CONSOLIDATED BALANCE SHEET REVIEW

SUMMARIZED BALANCE SHEET DATA

December 31 - in millions	2006	2005
Assets		
Loans, net of unearned income	\$50,105	\$49,101
Securities available for sale	23,191	20,710
Loans held for sale	2,366	2,449
Equity investments	5,330	1,323
Other	20,828	18,371
Total assets	\$101,820	\$91,954
Liabilities		
Funding sources	\$81,329	\$77,172
Other	8,818	5,629
Total liabilities	90,147	82,801
Minority and noncontrolling interests in consolidated entities	885	590
Total shareholders' equity	10,788	8,563
Total liabilities, minority and noncontrolling interests, and shareholders' equity	\$101,820	\$91,954

The summarized balance sheet data above is based upon our Consolidated Balance Sheet in Item 8 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 Item 7 and included in the Statistical Information section of Item 8 of this Report) are normally more indicative of underlying business trends.

Table of Contents

The increase in Equity investments above reflects BlackRock as an equity investment at December 31, 2006. BlackRock's assets and liabilities were consolidated on our Consolidated Balance Sheet at December 31, 2005.

The impact of the deconsolidation of BlackRock's balance sheet amounts and recognition of our ownership interest in BlackRock as an equity investment upon the closing of the BlackRock/MLIM transaction is discussed in the BlackRock portion of the Business Segments Review section of this Item 7.

An analysis of changes in selected other balance sheet categories follows.

LOANS, NET OF UNEARNED INCOME

Loans increased \$1.0 billion, or 2%, as of December 31, 2006 compared with December 31, 2005. Increases in total commercial lending and consumer loans, driven by targeted sales efforts across our banking businesses, more than offset the decline in residential mortgage loans that resulted primarily from our third quarter 2006 mortgage loan repositioning.

Details Of Loans

December 31 - in millions	2006	2005
Commercial		
Retail/wholesale	\$5,301	\$4,854
Manufacturing	4,189	4,045
Other service providers	2,186	1,986
Real estate related	2,825	2,577
Financial services	1,324	1,438
Health care	707	616
Other	4,052	3,809
Total commercial	20,584	19,325
Commercial real estate		
Real estate projects	2,716	2,244
Mortgage	816	918
Total commercial real estate	3,532	3,162
Equipment lease financing	3,556	3,628
Total commercial lending	27,672	26,115
Consumer		
Home equity	13,749	13,790
Automobile	1,135	938
Other	1,631	1,445
Total consumer	16,515	16,173
Residential mortgage	6,337	7,307
Other	376	341
Unearned income	(795)	(835)
Total, net of unearned income	\$50,105	\$49,101

As the table above indicates, the loans that we hold continued to be diversified among numerous industries and types of businesses. The loans that we hold are also concentrated in, and diversified across, the geographic areas where we do business. See Note 7 Loans, Commitments To Extend Credit and Concentrations of Credit Risk in the Notes To

Consolidated Financial Statements in Item 8 of this Report for additional information.

Commercial loans are the largest category 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 \$443 million, or 79%, of the total allowance for loan and lease losses at December 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.

Commercial Lending Exposure (a)

December 31 - in millions	2006	2005
Investment grade or equivalent	49%	46%
Non-investment grade		
\$50 million or greater	2%	2%
All other non-investment grade	49%	52%
Total	100%	100%

(a) Includes total commercial, commercial real estate, and equipment lease financing categories.

Net Unfunded Credit Commitments

December 31 - in millions	2006	2005
Commercial	\$31,009	\$27,774
Consumer	10,495	9,471
Commercial real estate	2,752	2,337
Other	579	596
Total	\$44,835	\$40,178

Unfunded commitments are concentrated in our primary geographic markets. 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 \$8.3 billion at December 31, 2006 and \$6.7 billion at December 31, 2005. Consumer home equity lines of credit accounted for 74% of consumer unfunded credit commitments.

Unfunded liquidity facility commitments and standby bond purchase agreements totaled \$6.0 billion at December 31, 2006 and \$5.1 billion at December 31, 2005 and are included in the preceding table primarily within the "Commercial" and "Consumer" categories.

In addition to credit commitments, our net outstanding standby letters of credit totaled \$4.4 billion at December 31, 2006 and \$4.2 billion at December 31, 2005. Standby letters of credit commit us to make payments on behalf of our

Table of Contents

customers if specified future events occur. At December 31, 2006, the largest industry concentration was for general medical and surgical hospitals, which accounted for approximately 5% of the total letters of credit and bankers' acceptances.

Leases and Related Tax and Accounting Matters

The equipment lease portfolio totaled \$3.6 billion at December 31, 2006. Aggregate residual value at risk on the lease portfolio at December 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 December 31, 2006. Cross-border leases are 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 an examination of our 1998-2000 and 2001-2003 consolidated federal income tax returns, the IRS provided us with examination reports which propose increases in our tax liability, principally arising from adjustments to the timing of tax deductions from several of our cross-border lease transactions.

While the situation with respect to these proposed adjustments remains unresolved, we believe our reserves for these exposures were appropriate at December 31, 2006.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 13-2, *Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction* ("FSP 13-2"). FSP 13-2 became effective January 1, 2007 and requires a recalculation of the timing of income recognition and the reevaluation of lease classification for actual or projected changes in the timing of tax benefits for leveraged leases. Any cumulative adjustment must be recognized through retained earnings upon adoption of FSP 13-2. See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information. Effective January 1, 2007, we recorded a cumulative adjustment to beginning retained earnings from the recalculations of \$149 million, after-tax, as required by FSP 13-2. This adjustment was based on our best estimate as to the timing and amount of ultimate settlement of this exposure. Any immediate or future reductions in earnings from our adoption of FSP 13-2 would be recovered in subsequent years.

The US Senate has passed a bill that, if it became law, would have an adverse impact on the tax treatment for our cross-border lease transactions. The US House of Representatives has passed a different version of this legislation that does not contain any provisions relating to the taxation of cross-border lease transactions. The differences between the two versions of this legislation will be resolved in conference. We cannot predict whether or not any new law impacting the tax treatment for our cross-border lease transactions will be enacted.

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

SECURITIES

Details Of Securities (a)

In millions	Amortized Cost	Fair Value
December 31, 2006		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	\$611	\$608
Mortgage-backed	17,325	17,208
Commercial mortgage-backed	3,231	3,219
Asset-backed	1,615	1,609
State and municipal	140	139
Other debt	90	87
Corporate stocks and other	321	321
Total securities available for sale	\$23,333	\$23,191
December 31, 2005		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
U.S. Treasury and government agencies	\$3,816	\$3,744
Mortgage-backed	13,794	13,544
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 December 31, 2006 and 2005 were less than \$.5 million.

Securities represented 23% of total assets at both December 31, 2006 and December 31, 2005. The increase in total securities compared with December 31, 2005 was primarily due to higher balances of mortgage-backed and commercial mortgage-backed securities, which more than offset the decline in US Treasury and government agencies securities.

At December 31, 2006, the securities available for sale balance included a net unrealized loss of \$142 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. 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 fair value of securities available for sale generally decreases when interest rates increase and vice versa. Further increases in interest rates in 2007, if sustained, will adversely impact the fair value of securities available for sale going forward compared with the fair value at December 31, 2006.

The expected weighted-average life of securities available for sale was 3 years and 8 months at December 31, 2006 and 4 years and 1 month at December 31, 2005.

Table of Contents

We estimate that at December 31, 2006 the effective duration of securities available for sale is 2.6 years for an immediate 50 basis points parallel increase in interest rates and 2.2 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.

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.

During mid-August through early September 2006, we performed a comprehensive review of our securities available for sale portfolio and, by the end of September 2006, completed the process of executing portfolio rebalancing actions in response to the changing economic landscape, recent statements and actions by the Federal Open Market Committee (in particular, the decision not to raise the Fed funds target rate), and our desire to position the securities portfolio to optimize total return performance over the long term.

As a result, we repositioned our securities portfolio according to our market views. This included reallocating exposure to certain sectors, selling securities holdings we believed would likely underperform on a relative value basis, and retaining certain existing securities and purchasing incremental securities all of which we believe will outperform the market going forward as further discussed below.

As part of the rebalancing, we assessed the entire securities available for sale portfolio of which, for the majority of positions, fair value was less than amortized cost. We executed a strategy to reduce our US government agency and mortgage-backed security sector allocations and increase our interest rate swap sector allocation. We sold substantially all of our US government agency securities to reduce our interest rate spread exposure to that asset class. The US government agency securities that we retained are characterized by relatively short terms to maturity and smaller individual security balances. We also sold specific securities in the mortgage-backed portfolio (i.e., all of our holdings of specific coupon US government agency pass-through securities and collateralized mortgage obligations having specific collateral characteristics), and in the commercial mortgage-backed portfolio (i.e., all of our holdings of specific vintage securities) that we believe, given the underlying collateral, will underperform on a relative value basis. We retained the remaining holdings in our mortgage-backed portfolio including all of our holdings of mortgage-backed securities collateralized by hybrid adjustable rate mortgage loans, our commercial mortgage-backed portfolio and our asset-backed portfolio. Our objective was to reduce the portfolio credit spread and interest rate volatility exposures, to position the portfolio for a steeper yield curve and to optimize the relative value performance of the portfolio. We assessed the securities retained relative to the same portfolio objectives, our market view and outlook, our desired sector allocations and our

expectation of performance relative to market benchmarks, and, given our assessment, we confirmed our intent to hold these remaining securities until either recovery of fair value or maturity.

The portfolio rebalancing resulted in the sale during the third quarter of 2006 of \$6.0 billion of securities available for sale at an aggregate pretax loss of \$196 million, or \$127 million after-tax. In connection with this rebalancing, we purchased approximately \$1.8 billion of securities and added approximately \$4.0 billion of interest rate swaps to maintain our interest rate risk position. We also reduced wholesale funding as a result of the actions taken.

The resulting net realized losses on the sale of the securities during the third quarter of 2006 were previously reflected as net unrealized securities losses within accumulated other comprehensive loss in the shareholders' equity section of PNC's Consolidated Balance Sheet. Accordingly, total shareholders' equity did not change as a result of these actions.

See the Consolidated Income Statement Review portion of the 2005 Versus 2004 section of this Item 7 for details of steps taken in the second quarter of 2005 regarding the sale of securities available for sale and related actions.

LOANS HELD FOR SALE

During the third quarter of 2006, we announced our plan to sell or securitize approximately \$2.1 billion of loans from our residential mortgage portfolio. These transactions were substantially consummated during the fourth quarter of 2006. In accordance with GAAP, these loans were transferred to loans held for sale as of September 30, 2006. We recognized a pretax loss in the third quarter of 2006 of \$48 million as a reduction of noninterest income, representing the mark to market valuation of these loans upon transfer to held for sale status. This loss, which is reported in the "Other" business segment, represented the decline in value of the loans almost entirely from the impact of increases in interest rates over the holding period.

Education loans held for sale totaled \$1.3 billion at December 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 totaled \$33 million for 2006, \$19 million for 2005 and \$30 million for 2004. These gains are reflected in the other noninterest income line item in our Consolidated Income Statement and in the results of the Retail Banking business segment.

OTHER ASSETS

The increase of \$2.5 billion in "Assets-Other" in the preceding "Summarized Balance Sheet Data" table includes the impact

Table of Contents

of a \$1.4 billion increase in Federal funds sold and resale agreements and a \$.6 billion increase in other short-term investments.

CAPITAL AND FUNDING SOURCES

Details Of Funding Sources

December 31 - in millions	2006	2005
Deposits		
Money market	\$28,580	\$24,462
Demand	16,833	17,157
Retail certificates of deposit	14,725	13,010
Savings	1,864	2,295
Other time	1,326	1,313
Time deposits in foreign offices	2,973	2,038
Total deposits	66,301	60,275
Borrowed funds		
Federal funds purchased	2,711	4,128
Repurchase agreements	2,051	1,691
Bank notes and senior debt	3,633	3,875
Subordinated debt	3,962	4,469
Others	2,671	2,734
Total borrowed funds	15,028	16,897
Total	\$81,329	\$77,172

Various seasonal and other factors impact our period-end deposit balances whereas average balances (discussed under the Balance Sheet Highlights section of this Item 7 above) are normally more indicative of underlying business trends.

The increase in deposits as of December 31, 2006 was driven primarily by the impact of higher money market and certificates of deposit balances. In addition to growth in retail deposit balances, growth in deposits from commercial mortgage loan servicing activities also contributed to the increase compared with the prior year-end.

The decline in borrowed funds compared with the balance at December 31, 2005 reflected a decrease in federal funds purchased, maturities of \$2.0 billion of bank notes and senior debt during 2006, a decline in subordinated debt in connection with our December 2006 redemption of \$453 million of Capital Securities, and the deconsolidation of BlackRock's \$250 million of convertible debentures. These factors were partially offset by the issuance of \$1.5 billion of senior debt during the fourth quarter of 2006 and the issuance of \$500 million of bank notes in June 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 \$2.2 billion in total shareholders' equity at December 31, 2006 compared with December 31, 2005 reflected the impact of 2006 net income on retained earnings and an increase in capital surplus in connection with the BlackRock/MLIM transaction.

Common shares outstanding were 293 million at December 31, 2006 and December 31, 2005.

During 2006, we purchased 5 million common shares at a total cost of \$354 million under our current common stock repurchase program, which offset net share issuances related to various employee stock-based compensation plans and the exercise of employee stock options and other share issuances. Our current program, which was authorized as of February 16, 2005, permits us to purchase up to 20 million shares on the open market or in privately negotiated transactions and will remain in effect until fully utilized or until modified, superseded or terminated. As of December 31, 2006, remaining availability for purchases under this program was 14.5 million shares. 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, regulatory limitations resulting from merger activity, and the potential impact on our credit rating. We expect to continue to be active in share repurchases.

See "Mercantile Bankshares Acquisition" in the Executive Summary section of this Item 7 regarding our plans to issue PNC common stock and cash in connection with this pending acquisition. Also, our Liquidity Risk Management discussion in this Item 7 has further details on first quarter 2007 debt issuances related to funding the cash portion of this transaction.

Table of Contents

Risk-Based Capital

December 31 - dollars in millions	2006	2005
Capital components		
Shareholders' equity		
Common	\$10,781	\$8,555
Preferred	7	8
Trust preferred capital securities	965	1,417
Minority interest	494	291
Goodwill and other intangibles (net of eligible deferred taxes)	(3,540)	(4,122)
Pension, other postretirement and postemployment benefit plan adjustments	148	
Net unrealized securities losses	91	240
Net unrealized losses (gains) on cash flow hedge derivatives	13	26
Equity investments in nonfinancial companies	(30)	(40)
Other, net	(5)	(11)
Tier 1 risk-based capital	8,924	6,364
Subordinated debt	1,954	2,216
Eligible allowance for credit losses	681	697
Total risk-based capital	\$11,559	\$9,277
Assets		
Risk-weighted assets, including off-balance-sheet instruments and market risk equivalent assets	\$85,539	\$76,673
Adjusted average total assets	95,590	88,329
Capital ratios		
Tier 1 risk-based	10.4%	8.3%
Total risk-based	13.5	12.1
Leverage	9.3	7.2
Tangible common	7.4	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. The increases in the capital ratios at December 31, 2006 compared with the ratios at December 31, 2005 were primarily caused by the \$1.6 billion increase in capital recognized in the third quarter of 2006 related to the BlackRock/MLIM transaction, partially offset by asset growth.

At December 31, 2006 and December 31, 2005, each of our bank subsidiaries was considered "well capitalized" based on regulatory capital ratio requirements. See the Supervision And Regulation section of Item 1 of this Report and Note 4 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information. We believe our bank subsidiaries will continue to meet these requirements in 2007.

OFF-BALANCE SHEET ARRANGEMENTS AND VIES

We engage in a variety of activities that involve unconsolidated entities or that are otherwise not reflected in our Consolidated Balance Sheet that are generally referred to as "off-balance sheet arrangements." The following sections of this Report provide further information on these types of activities:

- Commitments, including contractual obligations and other commitments, included within the Risk Management section of this Item 7, and
- Note 24 Commitments and Guarantees in the Notes To Consolidated Financial Statements included in Item 8 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 December 31, 2006 and 2005.

Non-Consolidated VIEs – Significant Variable Interests

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss
December 31, 2006			
Market Street	\$4,020	\$4,020	\$6,117^(a)
Collateralized debt obligations	815	570	22
Partnership interests in low income housing projects	33	30	8
Total	\$4,868	\$4,620	\$6,147
December 31, 2005			
Collateralized debt obligations (b)	\$6,290	\$5,491	\$51
Private investment funds (b)	5,186	1,051	13
Market Street	3,519	3,519	5,089^(a)
Partnership interests in low income housing projects	35	29	2
Total	\$15,030	\$10,090	\$5,155

(a) PNC's risk of loss consists of off-balance sheet liquidity commitments to Market Street of \$5.6 billion and other credit enhancements of \$.6 at December 31, 2006. The comparable amounts at December 31, 2005 were \$4.6 billion and \$.4 billion, respectively.

(b) Primarily held by BlackRock. We deconsolidated BlackRock effective September 29, 2006. See Note 2 Acquisitions in the Notes To Consolidated Financial Statements for additional information. Includes both PNC's direct risk of loss and BlackRock's risk of loss, limited to PNC's ownership interest in BlackRock.

Table of Contents

The aggregate assets and liabilities of VIEs that we have consolidated in our financial statements are as follows:

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Liabilities
December 31, 2006		
Partnership interests in low income housing projects	\$834	\$834
Total	\$834	\$834
December 31, 2005		
Partnership interests in low income housing projects	\$680	\$680
Other	12	10
Total	\$692	\$690

Market Street

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

PNC Bank, N.A. provides certain administrative services, a portion of the program-level credit enhancement and the majority of liquidity facilities to Market Street in exchange for fees negotiated based on market rates. All of Market Street’s assets at December 31, 2006 and 2005 collateralize the commercial paper obligations. PNC views its credit exposure for the Market Street transactions as limited. Facilities requiring PNC to fund for defaulted assets totaled \$850 million at December 31, 2006. For 85% of the liquidity facilities at December 31, 2006, PNC is not required to fund if the assets are in default. PNC may be liable for funding under liquidity facilities for events such as borrower bankruptcies, collateral deficiencies or covenant violations. Additionally, PNC’s obligations under the liquidity facilities are secondary to the risk of first loss provided by the borrower or another third party in the form of deal-specific credit enhancement – for example, by the over collateralization of the assets. Deal-specific credit enhancement that supports the commercial paper issued by Market Street is generally structured to cover a multiple of the expected historical losses for the pool of assets and is sized to generally meet rating agency standards for comparably structured transactions. Credit enhancement is provided in part by PNC Bank, N.A. in the form of a cash collateral account that is funded by a loan facility that expires March 25, 2011. See Note 7 Loans, Commitments To Extend Credit and Concentrations of Credit Risk and Note 24

Commitments and Guarantees included in Item 8 of this Report for additional information. Neither creditors nor equity investors in Market Street have any recourse to our general credit. PNC accrued program administrator fees and commitment fees related to PNC’s portion of the liquidity facilities of \$11.3 million and \$3.7 million, respectively, for the year ended December 31, 2006.

Under the provisions of FASB Interpretation No. 46, “Consolidation of Variable Interest Entities (“FIN 46”), we consolidated Market Street effective July 1, 2003 as we were deemed the primary beneficiary of Market Street. In October 2005, Market Street was restructured as a limited liability company and entered into a subordinated Note Purchase Agreement (“Note”) with an unrelated third party. Consistent with other market participants, PNC elected to restructure Market Street and Market Street issued the Note for the primary purpose of providing our customers access to the asset-backed commercial paper markets in a more capital-efficient manner.

The Note provides first loss coverage whereby the investor absorbs losses up to the amount of the Note, which is \$5.7 million as of December 31, 2006. The Note has an original maturity of eight years and bears interest at 18% with any default-related interest/fees charged by Market Street on specific transactions accruing to the benefit of the Note holder. Proceeds from the issuance of the Note were placed in a first loss reserve account that may be used to reimburse any losses incurred by Market Street, PNC Bank, N.A. or other providers under the liquidity facilities and the credit enhancement arrangements.

As a result of the Note issuance, we reevaluated whether PNC continued to be the primary beneficiary of Market Street under the provisions of FIN 46R. PNC evaluated the design of Market Street, its capital structure and relationships among the variable interest holders. PNC also performed a quantitative analysis, which computes and allocates expected loss or residual returns to variable interest holders. PNC considered variability generated from the risks specific to Market Street such as expected credit losses, facility pricing (including default-related pricing), and fee volatility in determining that the Note investor absorbed the majority of the expected variability and therefore is the primary beneficiary and required to consolidate Market Street. Based on this analysis, we determined that we were no longer the primary beneficiary and deconsolidated Market Street from our Consolidated Balance Sheet effective October 17, 2005.

As required under FIN 46R, reconsideration events such as changes in the Note contractual terms, additional Note investors and or changes in the inherent Market Street risks would trigger PNC to determine if the primary beneficiary has changed.

Low Income Housing Projects

We make certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing

Table of Contents

the Low Income Housing Tax Credit (“LIHTC”) pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings and to assist us in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development and operation of multi-family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity, with equity typically comprising 30% to 60% of the total project capital.

We consolidated those LIHTC investments in which we own a majority of the limited partnership interests. We also consolidated entities in which we, as a national syndicator of affordable housing equity, serve as the general partner (together with the aforementioned LIHTC investments), and no other entity owns a majority of the limited partnership interests. In these syndication transactions, we create funds in which our subsidiary is the general partner and sells limited partnership interests to third parties, and in some cases may also purchase a limited partnership interest in the fund. The fund’s limited partners can generally remove the general partner without cause at any time. The purpose of this business is to generate income from the syndication of these funds and to generate servicing fees by managing the funds. General partner activities include selecting, evaluating, structuring, negotiating, and closing the fund investments in operating limited partnerships, as well as oversight of the ongoing operations of the fund portfolio. The assets are primarily included in Equity Investments on our Consolidated Balance Sheet. Neither creditors nor equity investors in the LIHTC investments have any recourse to our general credit. The consolidated aggregate assets and debt of these LIHTC investments are provided in the Consolidated VIEs – PNC Is Primary Beneficiary table and reflected in the Corporate & Institutional Banking business segment.

We have a significant variable interest in certain other limited partnerships that sponsor affordable housing projects. We do not own a majority of the limited partnership interests in these entities and are not the primary beneficiary. We use the equity method to account for our investment in these entities. Information regarding these partnership interests is reflected in the Non-Consolidated VIEs – Significant Variable Interests table.

We also have subsidiaries that invest in and act as the investment manager for private equity funds organized as limited partnerships as part of our equity management activities. The funds invest 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 these entities pending further action by the FASB. Information on these entities follows:

Investment Company Accounting – Deferred Application

In millions	Aggregate Assets	Aggregate Equity	PNC Risk of Loss
Private Equity Funds			
December 31, 2006	\$102	\$102	\$104
December 31, 2005	\$109	\$109	\$35

PNC’s risk of loss in the tables above includes both the value of our equity investments and any unfunded commitments to the respective entities.

Perpetual Trust Securities

In December 2006, one of our indirect subsidiaries, PNC REIT Corp., sold \$500 million of 6.517% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities (the “Trust Securities”) of PNC Preferred Funding Trust I, in a private placement. PNC REIT Corp. had previously acquired the Trust Securities from the trust in exchange for an equivalent amount of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Securities (the “LLC Preferred Securities”), of PNC Preferred Funding LLC (the “LLC”), held by PNC REIT Corp. The LLC’s initial material assets consist of indirect interests in mortgages and mortgage-related assets previously owned by PNC REIT Corp.

PNC REIT Corp. also owns 100% of the LLC’s common voting securities. As a result, the LLC is an indirect subsidiary of PNC Bank, N.A. and is consolidated in accordance with GAAP on our consolidated balance sheet. PNC Preferred Funding Trust I’s investment in the LLC Preferred Securities is characterized as a minority interest on our balance sheet since we are not the primary beneficiary of PNC Preferred Funding Trust I. This minority interest totaled approximately \$490 million at December 31, 2006.

Each Trust Security is automatically exchangeable into a share of Series F Non-Cumulative Perpetual Preferred Stock of PNC Bank, N.A. (the “PNC Bank Preferred Stock”) under certain conditions relating to the capitalization or the financial condition of PNC Bank, N.A. and upon the direction of the OCC.

Simultaneously with the closing of the Trust Securities sale, we entered into a replacement capital covenant (the “Covenant”) for the benefit of holders of a specified series of our long-term indebtedness (the “Covered Debt”). As of December 31, 2006, Covered Debt consists of our

Table of Contents

\$200 million Floating Rate Junior Subordinated Notes issued on June 9, 1998. We agreed in the Covenant that neither we nor our subsidiaries (other than PNC Bank, N.A. and its subsidiaries) would purchase the Trust Securities, the LLC Preferred Securities or the PNC Bank Preferred Stock (collectively, the “Covenant Securities”) unless: (i) we have received the prior approval of the Federal Reserve Board, if such approval is then required by the Federal Reserve Board and (ii) during the 180-day period prior to the date of purchase, we or our subsidiaries, as applicable, have received proceeds from the sale of Qualifying Securities in the amounts specified in the Covenant (which amounts will vary based on the type of securities sold). “Qualifying Securities” means debt and equity securities having terms and provisions specified in the Covenant and that, generally described, are intended to contribute to our capital base in a manner that is similar to the contribution to our capital base made by the Covenant Securities. The Covenant does not apply to redemptions of the Covered Securities by the issuers of those securities. We filed a copy of the Covenant with the SEC as Exhibit 99.1 to PNC’s Form 8-K filed on December 8, 2006.

PNC Bank, N.A. has contractually committed to PNC Preferred Funding Trust I that if full dividends are not paid in a dividend period on the Trust Securities, LLC Preferred Securities or any other parity equity securities issued by the LLC, neither PNC Bank, N. A. nor its subsidiaries will declare or pay dividends or other distributions with respect to, or redeem, purchase or acquire or make a liquidation payment with respect to, any of its equity capital securities during the next succeeding dividend period (other than to holders of the LLC Preferred Securities and any parity equity securities issued by the LLC) except: (i) in the case of dividends payable to subsidiaries of PNC Bank, N.A., to PNC Bank, N.A. or another wholly-owned subsidiary of PNC Bank, N.A. or (ii) in the case of dividends payable to persons that are not subsidiaries of PNC Bank, N.A., to such persons only if, (A) in the case of a cash dividend, PNC has first irrevocably committed to contribute amounts at least equal to such cash dividend or (B) in the case of in-kind dividends payable by PNC REIT Corp., PNC has committed to purchase such in-kind dividend from the applicable PNC REIT Corp. holders in exchange for a cash payment representing the market value of such in-kind dividend, and PNC has committed to contribute such in-kind dividend to PNC Bank, N.A.

BUSINESS SEGMENTS REVIEW

We have four major businesses engaged in providing banking, asset management and global fund processing services: Retail Banking; Corporate & Institutional Banking; BlackRock; and PFPC.

Certain of our products and services are offered through Corporate & Institutional Banking and marketed by several businesses across PNC, such as our treasury management activities, which include cash and investment management, receivables management, disbursement services, funds

transfer services, information reporting, and global trade services; capital markets-related products and services, which include foreign exchange, derivatives, loan syndications, securities underwriting, securities sales and trading, and mergers and acquisitions advisory and related services to middle-market companies; commercial loan servicing, real estate advisory and technology solutions for the commercial real estate finance industry; and equipment leasing products.

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.

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 PFPC has been increased to reflect its legal entity shareholders’ equity.

BlackRock business segment results for the nine months ended September 30, 2006 and full year 2005 reflected our majority ownership in BlackRock during those periods. Subsequent to the September 29, 2006 BlackRock/MLIM transaction closing, our investment in BlackRock and capital position increased significantly but our ownership interest was reduced to approximately 34%. BlackRock is now accounted for under the equity method and continues to be a separate reportable business segment. For our business segment reporting presentation, we have reclassified historical BlackRock segment results to conform to our current approach, as further described on page 41.

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

Table of Contents

business, such as gains or losses related to our BlackRock investment, 2006 BlackRock/MLIM integration costs, One PNC implementation costs, asset and liability management activities, related net securities gains or losses, certain trading activities, equity management activities and minority interest in income of BlackRock up to September 29, 2006, differences between business segment performance reporting and financial statement reporting (GAAP), and most corporate overhead.

Business segment results, including inter-segment revenues, are included in Note 21 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Employee data as reported by each business segment in the tables that follow reflect staff directly employed by the respective businesses and excludes corporate and shared services employees. Prior period employee statistics generally are not restated for organizational changes.

Results Of Businesses - Summary

Year ended December 31 - dollars in millions	Earnings		Revenue (a)		Average Assets (b)	
	2006	2005	2006	2005	2006	2005
Retail Banking	\$765	\$682	\$3,125	\$2,868	\$29,248	\$27,618
Corporate & Institutional Banking	463	480	1,472	1,335	26,548	25,309
BlackRock (c)(d)	187	152	1,170	1,229	3,937	1,848
PFPC (e)	124	104	879	846	2,204	2,128
Total business segments	1,539	1,418	6,646	6,278	61,937	56,903
Other	1,056	(93)	1,951	82	33,075	31,645
Total consolidated	\$2,595	\$1,325	\$8,597	\$6,360	\$95,012	\$88,548

- (a) Business segment revenue is presented on a taxable-equivalent basis. 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, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable investments. This adjustment is not permitted under GAAP. The following is a reconciliation of total consolidated revenue on a book (GAAP) basis to total consolidated revenue on a taxable-equivalent basis:

Year ended December 31 - dollars in millions	2006	2005
Total consolidated revenue, book (GAAP) basis	\$8,572	\$6,327
Taxable-equivalent adjustment	25	33
Total consolidated revenue, taxable-equivalent basis	\$8,597	\$6,360

- (b) Period-end balances for BlackRock and PFPC. BlackRock was an equity investment at December 31, 2006 and was consolidated at December 31, 2005.
- (c) These amounts have been reduced by minority interest in income of BlackRock, excluding MLIM integration costs, totaling \$65 million and \$71 million for the years ended December 31, 2006 and 2005, respectively. These amounts are also net of additional PNC income taxes recorded on PNC's share of BlackRock's earnings totaling \$24 million and \$11 million for the years ended December 31, 2006 and 2005, respectively that have been reclassified to BlackRock from "Other." For this PNC business segment earnings presentation, integration costs incurred by BlackRock for the MLIM transaction totaling \$47 for full year 2006 have been reclassified from BlackRock to "Other." This amount is after-tax and net of minority interest as applicable.
- (d) For 2005 and the first nine months of 2006, revenue for BlackRock represents the sum of total operating revenue and nonoperating income. For the fourth quarter of 2006, revenue represents our equity income from BlackRock.
- (e) Amounts for PFPC represent the sum of total operating revenue and nonoperating income (expense) less debt financing costs.

Table of Contents

RETAIL BANKING

Year ended December 31

Taxable-equivalent basis

Dollars in millions

	2006	2005
INCOME STATEMENT		
Net interest income	\$1,678	\$1,593
Noninterest income		
Asset management	352	337
Service charges on deposits	304	265
Brokerage	236	217
Consumer services	348	278
Other	207	178
Total noninterest income	1,447	1,275
Total revenue	3,125	2,868
Provision for credit losses	81	52
Noninterest expense	1,827	1,726
Pretax earnings	1,217	1,090
Income taxes	452	408
Earnings	\$765	\$682
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	\$13,813	\$13,351
Indirect	1,052	936
Other consumer	1,248	1,195
Total consumer	16,113	15,482
Commercial	5,721	5,094
Floor plan	910	975
Residential mortgage	1,440	1,405
Other	242	261
Total loans	24,426	23,217
Goodwill and other intangible assets	1,581	1,394
Loans held for sale	1,607	1,553
Other assets	1,634	1,454
Total assets	\$29,248	\$27,618
Deposits		
Noninterest-bearing demand	\$7,841	\$7,639
Interest-bearing demand	7,906	7,946
Money market	14,750	13,635
Total transaction deposits	30,497	29,220
Savings	2,035	2,574
Certificates of deposit	13,861	11,494
Total deposits	46,393	43,288
Other liabilities	553	392
Capital	2,986	2,852
Total funds	\$49,932	\$46,532
PERFORMANCE RATIOS		
Return on average capital	26%	24%
Noninterest income to total revenue	46	44
Efficiency	58	60
OTHER INFORMATION (a)		
Credit-related statistics:		
Nonperforming assets (b)	\$106	\$90
Net charge-offs	\$85	\$53
Net charge-off ratio	.35%	.23%
Home equity portfolio credit statistics:		
% of first lien positions	43%	46%
Weighted average loan-to-value ratios	70%	68%
Weighted average FICO scores	728	728
Loans 90 days past due	.24%	.21%

At December 31

Dollars in millions

	2006	2005
OTHER INFORMATION (a)		
Checking-related statistics:		
Retail Banking checking relationships	1,954,000	1,934,000
Consumer DDA households using online banking	938,000	855,000
% of consumer DDA households using online banking	53%	49%
Consumer DDA households using online bill payment	404,000	205,000
% of consumer DDA households using online bill payment	23%	12%
Small business managed deposits:		
On-balance sheet		
Noninterest-bearing demand	\$4,359	\$4,353
Interest-bearing demand	1,529	1,560
Money market	2,684	2,849
Certificates of deposit	645	412
Off-balance sheet (c)		
Small business sweep checking	1,619	1,305
Total managed deposits	10,836	10,479
Brokerage statistics:		
Margin loans	\$163	\$217
Financial consultants (d)	758	779
Full service brokerage offices	99	100
Brokerage account assets (billions)	\$46	\$42
Other statistics:		
Gains on sales of education loans (e)	\$33	\$19
Full-time employees	9,549	9,679
Part-time employees	1,829	1,117
ATMs	3,581	3,721
Branches (f)	852	839
ASSETS UNDER ADMINISTRATION		
(in billions) (g)		
Assets under management		
Personal	\$44	\$40
Institutional	10	9
Total	\$54	\$49
Asset Type		
Equity	\$34	\$31
Fixed income	12	12
Liquidity/other	8	6
Total	\$54	\$49
Nondiscretionary assets under administration		
Personal	\$25	\$27
Institutional	61	57
Total	\$86	\$84
Asset Type		
Equity	\$33	\$33
Fixed income	24	24
Liquidity/other	29	27
Total	\$86	\$84

(a) Presented as of December 31 except for net charge-offs, net charge-off ratio, gains on sales of education loans, and small business managed deposits.

(b) Includes nonperforming loans of \$96 million at December 31, 2006 and \$81 million at December 31, 2005.

(c) Represents small business balances, a portion of which are calculated on a one-month lag. These balances are swept into liquidity products managed by other PNC business segments, the majority of which are off-balance sheet.

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

(e) Included in "Noninterest income-Other."

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

(g) Excludes brokerage account assets.

Table of Contents

Retail Banking's 2006 earnings increased \$83 million, or 12%, to \$765 million compared with 2005. Revenue increased 9% and noninterest expense increased 6% compared with the prior year, creating positive operating leverage. The increase in earnings was driven by improved fee income from customers, higher taxable-equivalent net interest income fueled by continued customer and balance sheet growth, and a sustained focus on expense management. Retail Banking's sustained focus on expense management has allowed for additional investments in the business as described below.

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

- We made the following investments in the business:
 - Branch expansion and renovation,
 - Expansion of the private client group serving the mass affluent customer segment,
 - Execution on the fourth quarter 2005 purchase of majority ownership of our merchant services business, and
 - Introduction of a new simplified checking account line and PNC-branded credit card program.
- Retail Banking's efficiency ratio improved to 58% in 2006 compared with 60% a year earlier, despite the investments made in the business.
- Consumer and small business checking relationships increased 20,000 compared with December 31, 2005. Checking relationship growth has been mitigated by our focus on consolidating low-activity and low-balance accounts, while seeking higher quality deposits. Since the launch of our new simplified product line, the average balances of new accounts increased approximately 20% and account activation is up 5% when compared with the same period of last year.
- Since December 31, 2005, consumer-related checking households using online banking increased 10% and checking households using online bill payment increased 97%.
- The small business area continued its positive momentum. Average small business loans increased 13% for the year compared with 2005 on the strength of increased demand from both existing customers and new relationships. Small business checking relationships increased 3%.
- The wealth management business sustained solid growth over 2005 as asset management fees increased \$15 million, or 4%. Assets under management totaled \$54 billion at December 31, 2006, a 10% increase compared with December 31, 2005 due to the positive market impact in the second half of 2006 and increased sales efforts.
- Customer assets in brokerage accounts totaled \$46 billion at December 31, 2006 compared with \$42 billion at December 31, 2005. Brokerage fees increased \$19 million, or 9%, over the prior year.

- The branch network increased a net 13 branches to a total of 852 branches at December 31, 2006 compared with December 31, 2005. This increase was comprised of 24 new branches, offset by 11 branch consolidations. Our strategy is to continue to optimize our network by opening new branches in high growth areas, relocating branches to areas of higher opportunity and cost efficiency, and consolidating branches in areas of declining market opportunity. We relocated seven branches during 2006.

Total revenue for 2006 was \$3.125 billion compared with \$2.868 billion for 2005. Taxable-equivalent net interest income of \$1.678 billion increased \$85 million, or 5%, compared with 2005 due to a 7% increase in average deposits and a 5% increase in average loan balances. Net interest income growth has been somewhat mitigated by declining spreads on the loan portfolio. In the current rate environment, we expect the spread we receive on both loans and deposits to be under pressure.

Noninterest income increased \$172 million, or 13%, compared with the prior year primarily driven by increased asset management fees, brokerage fees, consumer services fees and service charges on deposits. This growth can be attributed primarily to the following:

- Consolidation of our merchant services activities,
- Customer growth,
- Higher gains on asset sales,
- Comparatively favorable equity markets,
- Increased assets under management,
- Increased brokerage account assets and activities,
- Expansion of the branch network, including our new greater Washington, DC area market,
- Increased third party loan servicing activities, and
- Various pricing actions resulting from the One PNC initiative.

The provision for credit losses increased \$29 million in 2006 compared with 2005. The increased provision is primarily a result of a single large overdraft situation and growth within the commercial loan portfolio.

Noninterest expense for 2006 totaled \$1.827 billion, an increase of \$101 million, or 6%, compared with 2005. Expense increases were primarily attributable to continued growth of the company's branch network, including our new greater Washington, DC area market, the consolidation of PNC's merchant services activities, expansion of the private client group, investments in various initiatives such as the new simplified checking account product line and new PNC-branded credit card, and an increase in volume-related expenses tied to revenue, partially offset by lower staff-related expense as a result of One PNC initiatives.

The new simplified checking product line is expected to continue to increase checking account households and average

Table of Contents

balances per account. Two features of the new product line, free access to ATMs worldwide and a first time overdraft fee waiver, will, however, negatively impact growth rates on service charges on deposits fee income and noninterest expenses.

Full-time employees at December 31, 2006 totaled 9,549, a decline of 130 from December 31, 2005. Part-time employees have increased by 712 since December 31, 2005. The decline in full-time employees and increase in part-time employees is a direct result of various customer service enhancement and efficiency initiatives. These initiatives include utilizing more part-time 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 \$627 million, or 12%, on the strength of increased loan demand from existing small business customers and the acquisition of new relationships through our sales efforts.
- Average home equity loans grew by \$462 million, or 3%, compared with 2005. Consumer loan demand has slowed as a result of the current rate environment.
- Average indirect loans grew \$116 million, or 12%, compared with 2005. The indirect auto business benefited from increased sales and marketing efforts.
- Average residential mortgage loans increased \$35 million, or 2%, primarily due to the addition of loans from our new greater Washington, DC area market. Payoffs in our existing portfolio, which will continue throughout 2007, reduced the impact of the additional loans acquired. Additionally, our transfer of residential mortgages to held for sale and subsequent sale of those loans at the end of September reduced the size of this loan portfolio.

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 \$3.1 billion, or 7%, compared with 2005. The deposit growth was driven by increases in the number of checking relationships and the recapture of consumer certificate of deposit balances as interest rates have risen.

During the current rate environment, we expect the rate of growth in demand deposit balances to be equal to or less than the rate of overall 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 loans. The shift has been evident during the past year and has impacted the level of average demand deposits in that period.

- Certificates of deposits increased \$2.4 billion and money market deposits increased \$1.1 billion. These increases were attributable to the current interest rate environment attracting customers back into these products.
- Average demand deposit growth of \$162 million, or 1%, was impacted by customers shifting funds into higher yielding deposits, small business sweep checking products, and investment products.
- Small business and consumer-related checking relationships retention remained strong and stable. Consumer-related checking relationship retention has benefited from improved penetration rates of debit cards, online banking and online bill payment.

Assets under management of \$54 billion at December 31, 2006 increased \$5 billion compared with the balance at December 31, 2005. Asset growth was driven by the effect of comparatively higher equity markets combined with a breakeven position in client net asset flows. Client net asset flows are the result of investment additions from new and existing clients net of ordinary course distributions from trust and investment management accounts and account closures.

Nondiscretionary assets under administration of \$86 billion at December 31, 2006 increased \$2 billion compared with the balance at December 31, 2005. The effect of comparatively higher equity markets was partially offset by the loss of one significant master custody account and a sizeable reduction of another client account with minimal earnings impact.

Table of Contents

CORPORATE & INSTITUTIONAL BANKING

Year ended December 31

Taxable-equivalent basis

Dollars in millions except as noted

	2006	2005
INCOME STATEMENT		
Net interest income	\$720	\$739
Noninterest income		
Corporate service fees	526	398
Other	226	198
Noninterest income	752	596
Total revenue	1,472	1,335
Provision for (recoveries of) credit losses	42	(30)
Noninterest expense	749	658
Pretax earnings	681	707
Income taxes	218	227
Earnings	\$463	\$480
AVERAGE BALANCE SHEET		
Loans		
Corporate (a) (b)	\$9,925	\$10,656
Commercial real estate	2,876	2,289
Commercial – real estate related	2,433	2,071
Asset-based lending	4,467	4,203
Total loans	19,701	19,219
Loans held for sale	893	752
Goodwill and other intangible assets	1,352	1,064
Other assets	4,602	4,274
Total assets	\$26,548	\$25,309
Deposits		
Noninterest-bearing demand	\$6,771	\$6,025
Money market	2,654	2,670
Other	907	687
Total deposits	10,332	9,382
Commercial paper (b)		1,838
Other liabilities	3,771	3,348
Capital	1,976	1,724
Total funds	\$16,079	\$16,292
PERFORMANCE RATIOS		
Return on average capital	23%	28%
Noninterest income to total revenue	51	45
Efficiency	51	49
COMMERCIAL MORTGAGE SERVICING		
PORTFOLIO (in billions)		
Beginning of period	\$136	\$98
Acquisitions/additions	102	74
Repayments/transfers	(38)	(36)
End of period	\$200	\$136
OTHER INFORMATION		
Consolidated revenue from (c):		
Treasury management	\$424	\$410
Capital markets	\$283	\$175
Midland Loan Services	\$184	\$144
Total loans (d)	\$20,054	\$18,817
Nonperforming assets (d) (e)	\$63	\$124
Net charge-offs (recoveries)	\$54	\$(23)
Full-time employees (d)	1,936	1,861
Net gains on commercial mortgage loan sales	\$55	\$61
Net carrying amount of commercial mortgage servicing rights (d)	\$471	\$344

(a) Includes lease financing.

(b) Includes Market Street as applicable for 2005. Market Street was deconsolidated from our Consolidated Balance Sheet effective October 17, 2005.

(c) Represents consolidated PNC amounts.

(d) Presented as of period end.

(e) Includes nonperforming loans of \$50 million at December 31, 2006 and \$108 million at December 31, 2005.

Earnings from Corporate & Institutional Banking for 2006 totaled \$463 million compared with \$480 million for 2005. This decline was primarily attributable to the year over year \$72 million change in the provision for credit losses principally as a result of a \$53 million loan recovery recognized in the second quarter of 2005. In addition, the comparison was impacted by a \$137 million increase in total revenue, while noninterest expenses grew by \$91 million in 2006 compared with 2005.

Highlights of 2006 for Corporate & Institutional Banking included:

- Average loan balances increased \$482 million, or 3%, over 2005. The prior year average of \$19.2 billion included \$1.7 billion in loans from the Market Street commercial paper conduit that was deconsolidated in October 2005. Excluding the impact of deconsolidating the conduit, average loan balances increased 12%. The growth in loans was driven by continuing customer demand for corporate, commercial real estate, and asset-based lending loans, and our expansion into the greater Washington, DC area beginning in May 2005. The large amount of liquidity in the credit markets has increased competitive pressures for risk-adjusted returns. This has resulted in shrinking loan spreads and a progressive slowing of loan growth. We expect this trend to continue into 2007 as we expect to maintain our moderate risk profile.
- Asset quality continued to be strong. Nonperforming assets at December 31, 2006 declined to \$63 million compared with \$124 million at December 31, 2005, while net charge-offs during 2006 were \$54 million. 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, at least for the near term. We expect the provision to increase with loan growth in 2007.
- Average deposits increased \$950 million, or 10%, over the comparable prior year period. The increase was primarily driven by noninterest-bearing deposit growth related to our commercial mortgage servicing portfolio and a modest increase in the sale of treasury management products. Money market deposits have remained relatively flat due to the attraction of customers to off-balance sheet sweep products in the current rate environment. Growth in deposits is expected to continue, however, at a moderate pace.
- Total revenue increased 10% compared with 2005 as strong growth in fee income offset a decline in taxable-equivalent net interest income. Fee income growth was driven by increases in merger and acquisition advisory activity, capital market-related activities, and treasury management products and services.

Commercial mortgage servicing revenue, which includes fees and net interest income, totaled \$184 million for 2006, an

[Table of Contents](#)

increase of \$40 million over 2005. The 28% revenue increase over 2005 was driven by growth in the commercial mortgage servicing portfolio, which increased to \$200 billion. The associated increase in deposits with the business has increased the net interest income portion of Midland Loan Services' total revenue.

Taxable-equivalent net interest income declined \$19 million, or 3%, to \$720 million, in 2006 compared with 2005.

Noninterest income totaled \$752 million in 2006, an increase of \$156 million, or 26%, compared with the prior year. Corporate service fees increased 32% primarily due to fee income attributable to Harris Williams (acquisition completed in October 2005) and growth of treasury management fees. Improved trading results drove the 14% increase in other noninterest income.

Noninterest expense increased 14% compared with 2005. The increases in noninterest expense and full-time employees were primarily due to acquisition activity, customer growth, continuing investments, and the increase in the commercial mortgage servicing portfolio.

See the additional revenue discussion regarding treasury management, capital markets and Midland Loan Services under the caption Product Revenue on page 25.

BLACKROCK

Our BlackRock business segment earned \$187 million in 2006 and \$152 million in 2005. For this PNC business segment presentation, our share of MLIM transaction integration costs for 2006 have been reclassified from BlackRock to "Other." In addition, these business segment earnings have been reduced by minority interest in income of BlackRock, excluding MLIM transaction integration costs, totaling \$65 million and \$71 million in 2006 and 2005, respectively. Also, these business segment earnings are net of additional PNC income taxes recorded on PNC's share of BlackRock's earnings.

PNC's BlackRock business segment earnings increased \$35 million, or 23%, compared with 2005. We have modified the presentation of historical BlackRock business segment results as described above to conform with the current business segment reporting presentation in this Item 7. Higher earnings in 2006 reflected higher investment advisory and administrative fees due to an increase in assets under management, including BlackRock's acquisition of MLIM at the end of the third quarter of 2006 as further discussed below.

PNC's investment in BlackRock was \$3.9 billion at December 31, 2006. Based upon BlackRock's closing market price of \$151.90 per common share at December 31, 2006, the market value of our investment in BlackRock was approximately \$6.7 billion at that date. As such, an additional \$2.8 billion of value was not recognized in our investment account at that date.

BLACKROCK/MLIM TRANSACTION

On September 29, 2006, Merrill Lynch contributed its investment management business to BlackRock in exchange for 65 million shares of newly issued BlackRock common and preferred stock. BlackRock accounted for the MLIM transaction under the purchase method of accounting.

Immediately following the closing, PNC continued to own approximately 44 million shares of BlackRock common stock, representing an ownership interest of approximately 34% of the combined company after the closing (as compared with 69% immediately prior to the closing). Although PNC's share ownership percentage declined, PNC's investment in BlackRock increased due to the increase in total equity recorded by BlackRock as a result of the MLIM transaction.

Upon the closing of the BlackRock/MLIM transaction, the carrying value of our investment in BlackRock increased by approximately \$3.1 billion to \$3.8 billion, primarily reflecting PNC's portion of the increase in BlackRock's equity resulting from the value of shares issued in that transaction.

We also recorded a liability at September 30, 2006 for deferred taxes of approximately \$.9 billion, related to the excess of the book value over the tax basis of our investment in BlackRock, and a liability of approximately \$.6 billion related to our obligation to provide shares of BlackRock

common stock to help fund BlackRock LTIP programs described below. The LTIP liability will be adjusted quarterly based on changes in BlackRock's common stock price and the number of remaining committed shares. Accordingly, at each quarter-end PNC will record a charge to earnings if the market price of BlackRock's common stock increases and will record a credit to earnings if BlackRock's stock price declines.

The overall balance sheet impact of the BlackRock/MLIM transaction was an increase to our shareholders' equity of approximately \$1.6 billion. The increase to equity was comprised of an after-tax gain of approximately \$1.3 billion, net of the expense associated with the LTIP liability and the deferred taxes, and an after-tax increase to capital surplus of approximately \$.3 billion. The recognition of the gain is consistent with our existing accounting policy for the sale or issuance by subsidiaries of their stock to third parties. The gain represents the difference between our basis in BlackRock stock prior to the BlackRock/MLIM transaction and the new book value per share and resulting increase in value of our investment realized from the transaction. The direct increase to capital surplus rather than inclusion in the gain resulted from the accounting treatment required due to existing BlackRock repurchase commitments or programs.

For 2005 and the nine months ended September 30, 2006, our Consolidated Income Statement included our former approximately 69% - 70% ownership interest in BlackRock's net income through the closing date. However, beginning September 30, 2006, our Consolidated Balance Sheet no longer reflected the consolidation of BlackRock's balance sheet but recognized our ownership interest in BlackRock as an investment accounted for under the equity method. This accounting has resulted in a reduction in certain revenue and noninterest expense categories on PNC's Consolidated Income Statement as our share of BlackRock's net income is now reported within asset management noninterest income.

BLACKROCK LTIP PROGRAMS

BlackRock adopted the 2002 LTIP program to help attract and retain qualified professionals. At that time, we agreed to transfer 4 million of the shares of BlackRock common stock then held by us to fund the 2002 and future programs approved by BlackRock's board of directors, subject to certain conditions and limitations. PNC's noninterest income in the fourth quarter of 2006 included a \$12 million charge related to our commitment to fund BlackRock LTIP programs. This charge represents the mark-to-market of our BlackRock LTIP obligation as of December 31, 2006 and is a result of the fourth quarter increase in the market value of BlackRock common shares. This increase in price also increased the unrecognized value of our investment in BlackRock at December 31, 2006 by approximately \$128 million.

Prior to 2006, BlackRock granted awards under the 2002 LTIP program of approximately \$230 million, of which approximately \$210 million was paid on January 30, 2007.

Table of Contents

The awards were funded by approximately 17% in cash from BlackRock and the remainder in BlackRock common stock transferred by us and distributed to LTIP participants (approximately 1 million shares). As permitted under the award agreements, employees elected to put approximately 95% of the stock portion of the awards back to BlackRock. These shares were retained by BlackRock as treasury stock.

We recognized a pretax gain of approximately \$82 million in the first quarter of 2007 from the transfer of BlackRock shares to satisfy the majority of our 2002 LTIP obligation. The gain reflected the excess of market value over book value of approximately 1 million shares transferred in January 2007. We also expect to recognize a loss in the first quarter of 2007 on the mark-to-market adjustment on our remaining 3 million LTIP shares obligation. Each of these items will be recorded in noninterest income.

BlackRock granted additional restricted stock unit awards in January 2007, all of which are subject to achieving earnings performance goals prior to the vesting date of September 29, 2011. Of the shares of BlackRock common stock that we have agreed to transfer to fund their LTIP programs, approximately 1.6 million shares have been committed to fund the restricted stock unit awards vesting in 2011 and the amount remaining would then be available for future awards.

While we may continue to see volatility in earnings as we mark to market our LTIP shares obligation each quarter-end, we will not be able to recognize additional gains, if applicable, for the difference between the market value and the book value of the committed BlackRock common shares until the shares are distributed to LTIP participants. As of January 31, 2007, when the BlackRock closing market price was \$167.76 per share, the unrecognized value related to the remaining 3 million LTIP shares was approximately \$225 million and the unrecognized value of our total BlackRock investment was approximately \$3.4 billion.

Table of Contents

PFPC

Year ended December 31

Dollars in millions except as noted

	2006	2005
INCOME STATEMENT		
Servicing revenue	\$747	\$732
Distribution/out-of-pocket revenue	170	147
Other revenue		10
Total operating revenue	917	889
Operating expense	519	524
Distribution/out-of-pocket expenses	170	147
Amortization of other intangibles, net	14	14
Total expense	703	685
Operating income	214	204
Debt financing	42	38
Nonoperating income (expense) (a)	4	(5)
Pretax earnings	176	161
Income taxes	52	57
Earnings	\$124	\$104
PERIOD-END BALANCE SHEET		
Goodwill and other intangible assets	\$1,012	\$1,025
Other assets	1,192	1,103
Total assets	\$2,204	\$2,128
Debt financing	\$792	\$890
Other liabilities	917	864
Shareholder's equity	495	374
Total funds	\$2,204	\$2,128
PERFORMANCE RATIOS		
Return on average equity	29%	32%
Operating margin (b)	23	23
Operating margin, as adjusted (c)	29	27
SERVICING STATISTICS (d)		
Accounting/administration net fund assets (IN BILLIONS) (e)		
Domestic	\$746	\$754
Offshore	91	81
Total	\$837	\$835
Asset type (in billions)		
Money market	\$281	\$361
Equity	354	305
Fixed income	117	104
Other	85	65
Total	\$837	\$835
Custody fund assets (in billions)		
	\$427	\$476
Shareholder accounts (in millions)		
Transfer agency	18	19
Subaccounting	50	43
Total	68	62
OTHER INFORMATION		
Full-time employees (d)	4,381	4,391

(a) Net of nonoperating expense.

(b) Total operating income divided by total operating revenue.

(c) Reconciliation of reported amounts to amounts used in the non-GAAP calculation of the operating margin, as adjusted:

Total operating revenue	\$917	\$889
Less: PFPC distribution/out-of-pocket revenue	170	147
Total operating revenue, as adjusted	\$747	\$742
Total expense	\$703	\$685
Less: PFPC distribution/out-of-pocket expenses	170	147
Total expense, as adjusted	\$533	\$538
Total operating income, as adjusted	\$214	\$204

PFPC distribution/out-of-pocket revenue and expenses are marketing, sales and servicing fees that we collect from pooled investment fund accounts and pass along to our fund clients. We do not earn any margin on this activity. Therefore, we believe that presenting the operating margin ratio as adjusted for these amounts, as well as the GAAP basis operating margin ratio, may be of assistance to shareholders, investor analysts, regulators and others in their evaluation of PFPC's performance.

(d) At December 31.

(e) Includes alternative investment net assets serviced.

PFPC's earnings of \$124 million in 2006 increased \$20 million, or 19%, compared with \$104 million in 2005. Earnings for 2006 included the impact of a \$14 million reversal of deferred taxes related to earnings from a foreign subsidiary following management's determination that the earnings would be indefinitely reinvested outside of the United States. Earnings for 2005 included the after-tax impact of a one time termination fee of \$6 million and a prepayment penalty of \$5 million, along with \$4 million of various tax benefits. Higher earnings in 2006 reflected servicing revenue contributions from several growth areas of the business and the successful implementation of expense control initiatives.

Highlights of PFPC's performance in 2006 included:

- Offshore revenues increased 22% compared with 2005 fueled by new business in the alternative investment arena.
- Managed account service revenue increased 29% as assets serviced increased by 71%.
- Subaccounting revenues were up 15% as shareholder accounts in this area grew from 43 million to 50 million during the year.

Servicing revenue for 2006 increased \$15 million over 2005, to \$747 million. Revenue increases related to offshore activities, custody, managed account services, subaccounting and securities lending drove the higher servicing revenue in 2006, partially offset by a decline in fund accounting and transfer agency revenue due to loss of clients and price concessions.

Operating expense declined \$5 million, to \$519 million, in 2006 compared with 2005. The decline was attributable to expense control and efficiencies implemented during the past year that resulted in a lower head count and associated lower compensation costs.

The impacts of distribution/out-of-pocket revenue and expenses entirely offset each other and have no net effect on PFPC's earnings. The increases in these line items reflect the increased 12b-1 fees (marketing, sales and servicing fees associated with investment funds) during the fourth quarter of 2006 received by PFPC from fund accounts and then passed on to PFPC's fund clients as a result of the BlackRock/MLIM transaction.

The decrease in custody fund assets at December 31, 2006 compared with December 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 \$2.2 trillion at December 31, 2006 and \$1.9 trillion at December 31, 2005.

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 in Item 8 of this Report describes 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.

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

We maintain allowances for loan and lease losses and unfunded loan commitments and letters of credit at levels that we believe to be adequate to absorb estimated probable credit losses inherent in the loan portfolio. We determine the adequacy of the allowances based on periodic evaluations of the loan and lease portfolios and other relevant factors. However, 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,
- Exposure at default,
- Loss given 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 imprecision.

In determining the adequacy of the allowance for loan and lease losses, we make specific allocations to significant 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

Table of Contents

allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

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 \$443 million, or 79%, of the allowance for loan and lease losses at December 31, 2006 to the commercial loan category. Consumer and residential mortgage loan allocations are made at a total portfolio level based on historical loss experience adjusted for portfolio activity. Approximately \$35 million, or 6.3%, of the allowance for loan and lease losses at December 31, 2006 have been allocated to these loans. The remainder of the allowance is allocated primarily to commercial real estate and lease financing loans.

To the extent actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce future earnings. See the following for additional information:

- Allowances For Loan And Lease Losses And Unfunded Loan Commitments And Letters Of Credit in the Credit Risk Management section of this Item 7 (which includes an illustration of the estimated impact on the aggregate of the allowance for loan and lease losses and allowance for unfunded loan commitments and letters of credit assuming we increased pool reserve loss rates for certain loan categories), and
- In Item 8 of this Report, Note 8 Asset Quality in the Notes To Consolidated Financial Statements, and Allocation Of Allowance For Loan And Lease Losses in the Statistical Information (Unaudited) section.

Private Equity Asset Valuation

At December 31, 2006, private equity investments carried at estimated fair value totaled \$463 million compared with \$449 million at December 31, 2005. We value private equity assets at each balance sheet date based primarily on either, in the case of limited partnership investments, the financial statements received from the general partner which reflect fair value or, for direct investments, the estimated fair value of the investments. There is a time lag in our receipt of the financial information that is the primary basis for the valuation of our limited partnership interests. We recognized in the fourth quarter of 2006 valuation changes related to limited partnership investments that reflected the impact of third quarter 2006 market conditions and performance of the underlying companies.

Due to the nature of the direct investments, we must make assumptions as to future performance, financial condition, liquidity, availability of capital, and market conditions, among others, to determine the estimated fair value of the investments. The valuation procedures that we apply to direct investments include techniques such as cash flow multiples for the entity, independent appraisals of the value 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 utilizing procedures consistent with those applied to direct investments.

We reflect changes in the value of equity management investments in our results of operations. Market conditions and actual performance of the companies that we invest in could differ from these assumptions, resulting in lower valuations that could reduce earnings in future periods. Accordingly, the valuations may not represent amounts that will ultimately be realized from these investments.

Lease Residuals

We 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 sum of lease payments and the estimated residual value of the leased property, less unearned income. Residual value insurance or guarantees by governmental entities cover a significant portion of the residual value. Residual values are subject to judgments as to the value of the underlying equipment that can be affected by changes in economic and market conditions and the financial viability of the residual guarantors and insurers. To the extent not guaranteed or assumed by a third party, or otherwise insured against, we bear the risk of ownership of the leased assets. This includes the risk that the actual value of the leased assets at the end of the lease term will be less than the residual value, which could result in an impairment charge and reduce earnings in the future. These residual values are reviewed for impairment on a quarterly basis.

Goodwill

Goodwill arising from business acquisitions represents the value attributable to unidentifiable intangible elements in the business acquired. Most of our goodwill relates to value inherent in the fund servicing, Retail Banking and Corporate & Institutional Banking businesses. The value of this goodwill is dependent upon our ability to provide quality, cost effective services in the face of competition from other market participants on a national and international basis. We also rely upon continuing investments in processing systems, the development of value-added service features, and the ease of access to our services.

As such, goodwill value is supported ultimately by earnings, which is driven by the volume of business transacted and, for certain businesses, the market value of assets under administration or for which processing services are provided. Lower earnings resulting from a lack of growth or our inability to deliver cost-effective services over sustained periods can lead to impairment of goodwill, which could result in a charge and reduced earnings in the future. At least annually, management evaluates events or changes in circumstances that may indicate impairment in the carrying

Table of Contents

amount of goodwill. See Note 9 Goodwill and Other Intangible Assets in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Revenue Recognition

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

- Lending,
- Securities portfolio,
- Asset management and fund servicing,
- Customer deposits,
- Loan servicing,
- Brokerage services,
- Merger and acquisition advisory services,
- Sale of loans and securities,
- Certain private equity activities, and
- Securities and derivatives trading activities including foreign exchange.

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.

The timing and amount of revenue that we recognize in any period is dependent on estimates, judgments, assumptions, and interpretation of contractual terms. Changes in these factors can have a significant impact on revenue recognized in any period due to changes in products, market conditions or industry norms.

Income Taxes

In the normal course of business, we and our subsidiaries enter into transactions for which the tax treatment is unclear or subject to varying interpretations. In addition, filing requirements, methods of filing and the calculation of taxable income in various state and local jurisdictions are subject to differing interpretations.

We evaluate and assess the relative risks and merits of the appropriate tax treatment of transactions, filing positions, filing methods and taxable income calculations after considering statutes, regulations, judicial precedent, and other information, and maintain tax accruals consistent with our evaluation of these relative risks and merits. The result of our evaluation and assessment is by its nature an estimate. We and our subsidiaries are routinely subject to audit and challenges from taxing authorities. In the event we resolve a challenge for an amount different than amounts previously accrued, we will account for the difference in the period in which we resolve the matter.

Our tax treatment of certain leasing transactions is currently being challenged by the IRS, as described in greater detail in Cross-Border Leases and Related Tax and Accounting Matters in the Consolidated Balance Sheet Review section of this Item 7.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on the following recent accounting pronouncements that are relevant to our business, including a description of each new pronouncement, the required date of adoption, our planned date of adoption, and the expected impact on our consolidated financial statements. All of the following pronouncements were issued by the FASB unless otherwise noted.

The following was issued in 2007:

- SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115”

The following were issued during 2006:

- SFAS 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Benefit Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)”
- SFAS 157, “Fair Value Measurements”
- SFAS 156, “Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140”
- SFAS 155, “Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140”
- FASB Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109”
- FASB Staff Position No. (“FSP”) FAS 13-2, “Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction”

Issued during 2005 with an effective date in 2006:

- In June 2005, the FASB’s Emerging Issues Task Force (“EITF”) 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”

STATUS OF DEFINED BENEFIT PENSION PLAN

We have a noncontributory, qualified defined benefit pension plan (“plan” or “pension plan”) covering eligible employees. 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

Table of Contents

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 from the 8.50% used for 2005 to 8.25% for determining net periodic pension cost for 2006. Under current accounting rules, the difference between expected long-term returns and actual returns is 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 approximately \$3 million.

The table below reflects the estimated effects on pension expense of certain changes in assumptions, using 2007 estimated expense as a baseline.

Change in Assumption	Estimated Increase to 2007 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	\$ 2

We currently estimate a pretax pension benefit of \$33 million in 2007 compared with a pretax benefit of \$12 million in 2006.

In September 2006, the FASB issued SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132 (R)." This statement affects the accounting and reporting for our qualified pension plan, our nonqualified retirement plans, our postretirement welfare benefit plans, and our postemployment benefit plans. SFAS 158 requires recognition on the balance sheet of the over- or underfunded position of these plans as the difference between the fair value of plan assets and the related benefit obligations. To the extent that a plan's net funded status differs from the amounts currently recognized on the balance sheet, the difference, net of tax, will be recorded as a part of accumulated other comprehensive income or loss ("AOCI") within the shareholders' equity section of the balance sheet.

This guidance also requires the recognition of any unrecognized actuarial gains and losses and unrecognized prior services costs to AOCI, net of tax. Post-adoption changes in unrecognized actuarial gains and losses as well as unrecognized prior service costs will be recognized in other comprehensive income, net of tax. The year-end 2006 adjustment to our plans' funded status for all unamortized net actuarial losses and prior service costs was \$132 million after tax. SFAS 158 was effective for PNC as of December 31, 2006, with no restatements permitted for prior year-end reporting periods.

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, including the provisions of the Pension Protection Act of 2006, sets limits as to both minimum and maximum contributions to the plan. In any event, any large near-term contributions to the plan will be at our discretion, as we expect that the minimum required contributions under the law will be minimal or zero for several years.

During the second quarter of 2005, we acquired a frozen defined benefit pension plan as a result of the Riggs acquisition. Plan assets and projected benefit obligations of the Riggs plan were approximately \$107 million and \$116 million, respectively, at acquisition date. The \$9 million funding deficit was recognized as part of the Riggs acquisition purchase price allocation. For determining contribution amounts to the plan, deficits are calculated using ERISA-mandated rules, and on this basis we contributed approximately \$16 million to the Riggs plan during the third quarter of 2005. We integrated the Riggs plan into the PNC plan on December 30, 2005.

We maintain other defined benefit plans that have a less significant effect on financial results, including various nonqualified supplemental retirement plans for certain employees. See Note 17 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

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. This Risk Management section first provides an overview of the risk measurement, control strategies, and monitoring aspects of our corporate-level risk management processes. Following that discussion is an analysis of the risk management process for what we view as our primary areas of risk: credit, operational, liquidity, and market. The discussion of market risk is further subdivided into interest rate, trading, and equity and other investment risk areas. Our use of financial derivatives as part of our overall asset and liability

Table of Contents

risk management process is also addressed within the Risk Management section of this Item 7. In appropriate places within this section, historical performance is also addressed.

OVERVIEW

As a financial services organization, we take a certain amount of risk in every business decision. For example, every time we open an account or approve a loan for a customer, process a payment, hire a new employee, or implement a new computer system, we incur a certain amount of risk. As an organization, we must balance revenue generation and profitability with the risks associated with our business activities. Risk management is not about eliminating risks, but about identifying and accepting risks and then effectively managing them so as to optimize shareholder value.

The key to effective risk management is to be proactive in identifying, measuring, evaluating, and monitoring risk on an ongoing basis. Risk management practices support decision-making, improve the success rate for new initiatives, and strengthen the market's confidence in an organization.

CORPORATE-LEVEL RISK MANAGEMENT OVERVIEW

We support risk management through a governance structure involving the Board, senior management and a corporate risk management organization.

Although our Board as a whole is responsible generally for oversight of risk management, committees of the Board provide oversight to specific areas of risk with respect to the level of risk and risk management structure.

We use management level risk committees to help ensure that business decisions are executed within our desired risk profile. The Executive Risk Management Committee ("ERMC"), consisting of senior management executives, provides oversight for the establishment and implementation of new comprehensive risk management initiatives, reviews enterprise level risk profiles and discusses key risk issues.

The corporate risk management organization has the following key roles:

- Facilitate the identification, assessment and monitoring of risk across PNC,
- Provide support and oversight to the businesses, and
- Identify and implement risk management best practices, as appropriate.

Risk Measurement

We conduct risk measurement activities specific to each area of risk. The primary vehicle for aggregation of enterprise-wide risk is a comprehensive risk management methodology that is based on economic capital. This primary risk aggregation measure is supplemented with secondary measures of risk to arrive at an estimate of enterprise-wide risk. The economic capital framework is a measure of potential losses above and beyond expected losses. Potential one year losses are

capitalized to a level commensurate with a financial institution with an A rating by the credit rating agencies. Economic capital incorporates risk associated with potential credit losses (Credit Risk), fluctuations of the estimated market value of financial instruments (Market Risk), failure of people, processes or systems (Operational Risk), and income losses associated with declining volumes, margins and/or fees, and the fixed cost structure of the business (Business Risk). We estimate credit and market risks at an exposure level while we estimate the remaining risk types at an institution or business segment level. We routinely compare the output of our economic capital model with industry benchmarks.

Risk Control Strategies

We centrally manage policy development and exception oversight through corporate-level risk management. Corporate risk management is authorized to take action to either prevent or mitigate exceptions to policies and is responsible for monitoring compliance with risk management policies. The Corporate Audit function performs an independent assessment of the internal control environment. Corporate Audit plays a critical role in risk management, testing the operation of the internal control system and reporting findings to management and to the Audit Committee of the Board.

Risk Monitoring

Corporate risk management reports on a regular basis to our Board regarding the enterprise risk profile of the Corporation. These reports aggregate and present the level of risk by type of risk and communicate significant risk issues, including performance relative to risk tolerance limits. Both the Board and the ERMC provide guidance on actions to address key risk issues as identified in these reports.

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.

Approved risk tolerances, in addition to credit policies and procedures, set portfolio objectives for the level of credit risk. We have established guidelines for acceptable levels of total borrower exposure, problem loans, and other credit measures. We seek to achieve our credit portfolio objectives by maintaining a customer base that is diverse in borrower exposure and industry types. We use loan participations with third parties, loan sales and syndications, and the purchase of credit derivatives to reduce risk concentrations.

The credit granting businesses maintain direct responsibility for monitoring credit risk within PNC. The Corporate Credit Policy area provides independent oversight to the measurement, monitoring and reporting of our credit risk and

Table of Contents

reports to the Chief Risk Officer. Corporate Audit also provides an independent assessment of the effectiveness of the credit risk management process.

Nonperforming, Past Due And Potential Problem Assets

See the Nonperforming Assets And Related Information table in the Statistical Information (Unaudited) section of Item 8 of this Report and included here by reference for details of the types of nonperforming assets that we held at December 31, 2006, 2005, 2004, 2003 and 2002. In addition, certain performing assets that have interest payments that are past due or have the potential for future repayment problems.

Total nonperforming assets at December 31, 2006 decreased \$45 million, to \$171 million, compared with the prior year-end as nonperforming loans declined \$43 million in the comparison.

The amount of nonperforming loans that was current as to principal and interest was \$59 million at December 31, 2006 and \$115 million at December 31, 2005. While we believe that overall asset quality will remain strong for the near term, the current level of asset quality is not sustainable for the foreseeable future.

Nonperforming Assets By Business

In millions	December 31 2006	December 31 2005
Retail Banking	\$ 106	\$ 90
Corporate & Institutional Banking	63	124
Other	2	2
Total nonperforming assets	\$ 171	\$ 216

Change In Nonperforming Assets

In millions	2006	2005
January 1	\$216	\$175
Transferred from accrual	225	340
Returned to performing	(17)	(10)
Principal reductions and payoffs	(116)	(183)
Asset sales	(17)	(16)
Charge-offs and valuation adjustments	(120)	(90)
December 31	\$171	\$216

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

Dollars in millions	Amount		Percent of Total Outstandings	
	Dec. 31 2006	Dec. 31 2005	Dec. 31 2006	Dec. 31 2005
Commercial	\$9	\$12	.04%	.06%
Commercial real estate	5	2	.14	.06
Consumer	28	22	.17	.14
Residential mortgage	7	10	.11	.14
Other	1		.27	
Total loans	50	46	.10	.09
Loans held for sale	9	47	.38	1.92
Total loans and loans held for sale	\$59	\$93	.11%	.18%

Loans 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 \$41 million at December 31, 2006, compared with \$67 million at December 31, 2005. Approximately 59% 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.

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.

We refer you to Note 8 Asset Quality in the Notes To Consolidated Financial Statements in Item 8 of this Report regarding changes in the allowance for loan and lease losses and in the allowance for unfunded loan commitments and letters of credit. Also see the Allocation Of Allowance For Loan And Lease Losses table in the Statistical Information (Unaudited) section of Item 8 of this Report for additional information included herein by reference.

We establish specific allowances for loans considered impaired using a method prescribed by SFAS 114,

Table of Contents

“Accounting by Creditors for Impairment of a Loan.” All nonperforming loans are considered impaired under SFAS 114. Specific allowances for individual loans over a set dollar threshold are determined by our Special Asset Committee based on an analysis of the present value of expected future cash flows from the loans discounted at their effective interest rate, observable market price, or the fair value of the underlying collateral. We establish specific allowance on all other impaired loans based on the loss given default credit risk rating.

Allocations to non-impaired commercial and commercial real estate loans (pool reserve allocations) are assigned to pools of loans as defined by our business structure and are based on internal probability of default and loss given default credit risk ratings.

Key elements of the pool reserve methodology include:

- Probability of default (“PD”), which is based on historical default analyses and is derived from the borrower’s internal PD credit risk rating and expected loan term;
- Exposure at default (“EAD”), which is derived from historical default data; and
- Loss given default (“LGD”), which is based on historical loss data, collateral value and other structural factors that may affect our ultimate ability to collect on the loan and is derived from the loan’s internal LGD credit risk rating.

Our pool reserve methodology is sensitive to changes in key risk parameters such as PDs, LGDs and EADs. In general, a given change in any of the major risk parameters will have a corresponding change in the pool reserve allocations for non-impaired commercial loans. Our commercial loans are the largest category of credits and are most sensitive to changes in the key risk parameters and pool reserve loss rates. To illustrate, if we increase the pool reserve loss rates by 5% for all categories of non-impaired commercial loans, then the aggregate of the allowance for loan and lease losses and allowance for unfunded loan commitments and letters of credit would increase by \$29 million. Additionally, other factors such as the rate of migration in the severity of problem loans or changes in the maturity distribution of the loans will contribute to the final pool reserve allocations.

We make consumer (including residential mortgage) loan allocations at a total portfolio level by consumer product line based on historical loss experience. We compute a four-quarter average loss rate from net charge-offs for the prior four quarters as a percentage of the average loans outstanding in those quarters. We apply this loss rate to loans outstanding at the end of the current period to determine the consumer loan allocation.

Charge-Offs And Recoveries

Year ended December 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs (Recoveries)	Percent of Average Loans
2006				
Commercial	\$ 108	\$ 19	\$ 89	.44%
Commercial real estate	3	1	2	.06
Consumer	52	15	37	.23
Residential mortgage	3		3	.04
Lease financing	14	5	9	.32
Total	\$ 180	\$ 40	\$ 140	.28
2005				
Commercial (a)	\$ 52	\$ 82	\$ (30)	(.16)%
Commercial real estate	1	1		
Consumer	45	15	30	.19
Residential mortgage	2		2	.03
Lease financing	29	1	28	.95
Total	\$ 129	\$ 99	\$ 30	.06

(a) Includes a \$53 million loan recovery.

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 primarily based on the relative specific and pool allocation amounts. The amount of reserve allocated for qualitative factors represented 8.0% of the total allowance and .09% of total loans at December 31, 2006.

The provision for credit losses for the year ended December 31, 2006 and the evaluation of the allowances for loan and lease losses and unfunded loan commitments and letters of credit as of December 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 by historical standards for at least 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 381% and as a percent of total loans was 1.12% at December 31,

[Table of Contents](#)

2006. The comparable percentages at December 31, 2005 were 314% and 1.21%.

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. Net losses from credit default swaps are reflected in the Trading line item on our Consolidated Income Statement and were not significant in 2006 or 2005.

OPERATIONAL RISK MANAGEMENT

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

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

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

To monitor and control operational risk, we maintain a comprehensive framework including policies and a system of internal controls that is designed to manage risk and to provide management with timely and accurate information about the operations of PNC. Management at each business unit is primarily responsible for its operational risk management program, given that operational risk management is integral to direct business management and most easily effected at the business unit level. Corporate Operational Risk Management, reporting to the Chief Risk Officer, oversees day-to-day operational risk management activities.

Technology Risk

The technology risk management program is a significant component of the operational risk framework. We have an integrated security and technology risk management framework designed to help ensure a secure, sound, and compliant infrastructure for information management. The technology risk management process is aligned with the strategic direction of the businesses and is integrated into the technology management culture, structure and practices. The application of this framework across the enterprise helps to support comprehensive and reliable internal controls.

Our business resiliency program manages the organization's capabilities to provide services in the case of an event that results in material disruption of business activities. Prioritization of investments in people, processes, technology and facilities are based on different types of events, business risk and criticality. Comprehensive testing validates our resiliency capabilities on an ongoing basis, and an integrated governance model is designed to help assure transparent management reporting.

Insurance

As a component of our risk management practices, we purchase insurance designed to protect us against accidental loss or losses which, in the aggregate, may significantly affect personnel, property, financial objectives, or our ability to continue to meet our responsibilities to our various stakeholder groups.

PNC, through subsidiary companies, Alpine Indemnity Limited and PNC Insurance Corp., participates as a direct writer for its general liability, automobile liability, workers' compensation, property and terrorism programs. PNC's risks associated with its participation as a direct writer for these programs are mitigated through policy limits and annual aggregate limits. Risks in excess of Alpine and PNC Insurance Corp. policy limits and annual aggregates are mitigated through the purchase of direct coverage provided by various insurers up to limits established by PNC's Corporate Insurance Committee.

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.

Asset and Liability Management ("ALM") is accountable for managing the liquidity position within the limits and guidelines set forth in our risk management policies. Market Risk Management provides independent oversight for the measurement, monitoring and reporting of PNC's liquidity risk.

We typically maintain our liquidity position through:

- A large and stable deposit base derived from our retail and wholesale banking activities,
- A portfolio of liquid investment securities,
- Diversified sources of short-term and long-term wholesale funding, and
- Significant unused borrowing capacity at both the Federal Home Loan Bank of Pittsburgh ("FHLB-Pittsburgh") and the Federal Reserve discount window.

Our largest source of liquidity on a consolidated basis is the deposit base that comes from our retail and wholesale banking

Table of Contents

activities. Other borrowed funds come from a diverse mix of short and long-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, including trading securities) and securities available for sale. At December 31, 2006, our liquid assets totaled \$28.1 billion, with \$10.6 billion pledged as collateral for borrowings, trust, and other commitments.

Bank Level Liquidity

PNC Bank, N.A. is a member of 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 December 31, 2006, we maintained significant unused borrowing capacity from the FHLB-Pittsburgh under current collateral requirements.

We can also obtain funding through alternative forms of borrowing, including federal funds purchased, repurchase agreements, and short 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 December 31, 2006, PNC Bank, N.A. had issued \$2.9 billion of debt under this program, including \$500 million of 18-month floating rate notes, due January 2008, issued during the second quarter of 2006. None of the 2006 issuances outlined above is redeemable or subject to repayment at the option of the holder prior to maturity.

In December 2004, PNC Bank, N.A. established a program to offer up to \$3.0 billion of its commercial paper. As of December 31, 2006, there were no issuances outstanding under this program.

Parent Company Liquidity

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. We provide additional information on these limitations in Note 4 Regulatory Matters in the Notes To Consolidated Financial Statements included in Item 8 of this Report and include such information here by reference. Dividends may also be impacted by the bank's capital needs and by contractual restrictions. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately \$625 million at December 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 and dividends or distributions from equity investments. As of December 31, 2006, the parent company had approximately \$1.4 billion in funds available from its cash and short-term investments. During 2006, BlackRock dividends of approximately \$74 million were paid to our intermediate bank holding company and were available for payment to the parent company.

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.

- In October 2006, we issued \$450 million of floating rate senior notes that mature in October 2008. Interest will be reset monthly to 1-month LIBOR plus 2 basis points and will be paid monthly.
- In December 2006, we issued \$1 billion of floating-rate exchangeable senior notes due December 2036 through a private placement. Interest is reset quarterly to 3-month LIBOR less 40 basis points and is paid quarterly. See Note 13 Borrowed Funds in the Notes To Consolidated Financial Statements in Item 8 of this Report for further information on this issuance.

During 2006, \$1.1 billion of parent company senior debt matured, all during the third quarter. As of December 31, 2006, there were \$566 million of parent company obligations with maturities of less than one year.

In December 2006, we elected to redeem all of the underlying Capital Securities related to the following trusts, totaling \$453 million:

- PNC Capital Trust A (\$350 million),
- Riggs Trust I (\$73 million), and
- UNB Trust II (\$30 million).

At December 31, 2006, we had unused capacity under effective shelf registration statements of approximately

[Table of Contents](#)

\$150 million of debt or equity securities. In January 2007, we filed two new shelf registration statements which will enable us to issue additional debt and equity securities, including certain hybrid capital instruments.

During February 2007, in connection with our planned acquisition of Mercantile, we issued \$1.9 billion of debt to fund the cash portion of this transaction, comprised of the following:

- On February 1, 2007, we issued \$775 million of floating rate senior notes due January 2012. Interest will be reset quarterly to 3-month LIBOR plus 14 basis points and interest will be paid quarterly.

- Also on February 1, 2007, we issued \$500 million of floating rate senior notes due January 2014. Interest will be reset quarterly to 3-month LIBOR plus 20 basis points and will be paid quarterly.
- On February 8, 2007, we issued \$600 million of subordinated notes due February 2017. These notes pay interest semiannually at a fixed rate of 5.625%.

We currently expect to issue additional debt or hybrid capital instruments in March 2007 for the remainder of the financing for our planned acquisition of Mercantile.

Table of Contents

Commitments

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

Contractual Obligations

December 31, 2006 - in millions	Total	Payment Due By Period			
		Less than one year	One to three years	Four to five years	After five years
Remaining contractual maturities of time deposits	\$19,024	\$16,464	\$994	\$255	\$1,311
Borrowed funds	15,028	8,410	2,298	764	3,556
Minimum annual rentals on noncancellable leases	965	140	233	178	414
Nonqualified pension and post retirement benefits	293	30	62	63	138
Purchase obligations (a)	320	116	111	44	49
Total contractual cash obligations	\$35,630	\$25,160	\$3,698	\$1,304	\$5,468

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

Other Commitments (a)

December 31, 2006 - in millions	Total Amounts Committed	Amount Of Commitment Expiration By Period			
		Less than one year	One to three years	Four to five years	After five years
Loan commitments	\$44,835	\$15,940	\$18,728	\$9,729	\$438
Standby letters of credit	4,360	2,375	1,202	716	67
Other commitments (b)	239	102	56	10	71
Total commitments	\$49,434	\$18,417	\$19,986	\$10,455	\$576

(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 equity funding commitments related to equity management and affordable housing.

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. We are exposed to market risk primarily by our involvement in the following activities, among others:

- Traditional banking activities of taking deposits and extending loans,
- Private equity and other investments and activities whose economic values are directly impacted by market factors, and
- Trading in fixed income products, equities, derivatives, and foreign exchange, as a result of customer activities, underwriting, and proprietary trading.

We have established enterprise-wide policies and methodologies to identify, measure, monitor, and report market risk. Market Risk Management provides independent oversight by monitoring compliance with these limits and guidelines, and reporting significant risks in the business to the Joint Risk Committee of the Board.

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.

ALM centrally manages interest rate risk within limits and guidelines set forth in our risk management policies approved by the Asset and Liability Committee and the Joint Risk Committee of the Board.

Sensitivity results and market interest rate benchmarks for the years ended December 31, 2006 and December 31, 2005 follow:

Interest Sensitivity Analysis

	Fourth Quarter 2006	Fourth 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	(2.6)%	(.5)%
100 basis point decrease	2.5%	.2%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	(5.5)%	(1.2)%
100 basis point decrease	3.7%	(1.1)%
Duration of Equity Model		
Base case duration of equity (in years):	1.5	.3
Key Period-End Interest Rates		
One month LIBOR	5.32%	4.39%
Three-year swap	5.10%	4.84%

Table of Contents

In addition to measuring the effect on net interest income assuming parallel changes in current interest rates, we routinely simulate the effects of a number of nonparallel interest rate environments. The following Net Interest Income Sensitivity To Alternative Rate Scenarios table reflects the percentage change in net interest income over the next two 12-month periods assuming (i) the PNC Economist's most likely rate forecast, (ii) implied market forward rates, and (iii) a Two-Ten Inversion (a 200 basis point inversion between two-year and ten-year rates superimposed on current base rates) scenario. We are inherently sensitive to a flatter or inverted yield curve.

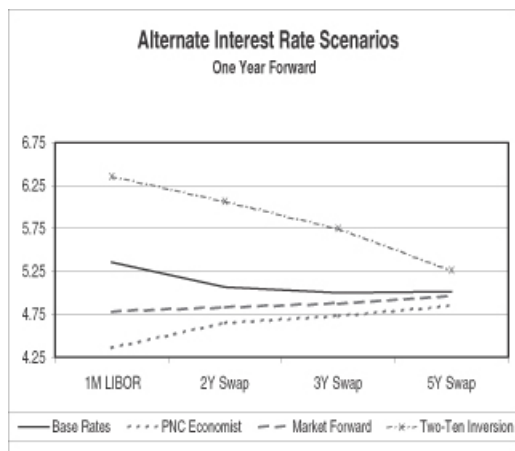
Net Interest Income Sensitivity To Alternative Rate Scenarios (as of December 31, 2006)

	PNC Economist	Market Forward	Two-Ten Inversion
First year sensitivity	2.3%	1.6%	(6.6)%
Second year sensitivity	8.4%	4.9%	(6.1)%

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.

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.

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



Our risk position has become increasingly liability sensitive 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 adjust, where appropriate, to changing interest rates and market conditions.

MARKET RISK MANAGEMENT – TRADING RISK

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

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

During 2006, our VaR ranged between \$3.8 million and \$7.7 million, averaging \$5.5 million.

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 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.

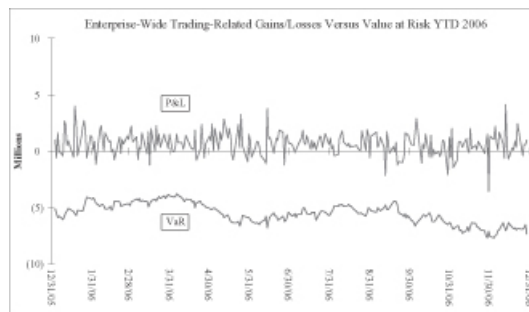


Table of Contents

Total trading revenue for 2006, 2005 and 2004 was as follows:

Year end December 31 - in millions	2006	2005	2004
Net interest income (expense)	\$(6)	\$9	\$13
Noninterest income	183	157	113
Total trading revenue	\$177	\$166	\$126
Securities underwriting and trading (a)	\$38	\$47	\$48
Foreign exchange	55	39	31
Financial derivatives	84	80	47
Total trading revenue	\$177	\$166	\$126

(a) Includes changes in fair value for certain loans accounted for at fair value.

Average trading assets and liabilities consisted of the following:

Year ended - in millions	December 31 2006	December 31 2005	December 31 2004
Assets			
Securities (a)	\$1,712	\$1,850	\$871
Resale agreements (b)	623	663	166
Financial derivatives (c)	1,148	772	605
Loans at fair value (c)	128		
Total assets	\$3,611	\$3,285	\$1,642
Liabilities			
Securities sold short (d)	\$965	\$993	\$275
Repurchase agreements and other borrowings (e)	833	1,044	249
Financial derivatives (f)	1,103	825	594
Borrowings at fair value (f)	31		
Total liabilities	\$2,932	\$2,862	\$1,118

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

The primary risk measurement for equity and other investments is economic capital. Economic capital is a common measure of risk for credit, market and operational risk. It is an estimate of the worst-case value depreciation over one year within a 99.9% confidence level. Given the illiquid

nature of many of these types of investments, it can be a challenge to determine their fair values. Market Risk Management and Finance provide independent oversight of the valuation process.

Various PNC business units manage our private equity and other investment activities. Our businesses are responsible for making investment decisions within the approved policy limits and associated guidelines.

Private Equity

The private equity portfolio is comprised of investments that vary by industry, stage and type of investment. Private equity investments are reported at fair value. Changes in the values of private equity investments are reflected in our results of operations. Due to the nature of the direct investments, we must make assumptions as to future performance, financial condition, liquidity, availability of capital, and market conditions, among other factors, to determine the estimated fair value of the investments. Market conditions and actual performance of the investments could differ from these assumptions. Accordingly, lower valuations may occur that could adversely impact earnings in future periods. Also, the valuations may not represent amounts that will ultimately be realized from these investments. See Private Equity Asset Valuation in the Critical Accounting Policies And Judgments section of this Item 7 for additional information.

At December 31, 2006, private equity investments carried at estimated fair value totaled \$463 million compared with \$449 million at December 31, 2005. As of December 31, 2006, approximately 45% of the amount is invested directly in a variety of companies and approximately 55% is invested in various limited partnerships. Private equity unfunded commitments totaled \$123 million at December 31, 2006 compared with \$78 million at December 31, 2005.

See Note 24 Commitments And Guarantees in the Notes To Consolidated Financial Statements regarding our commitment to PNC Mezzanine Partners III, LP, which is consolidated for financial reporting purposes as PNC has a 57% ownership interest.

Other Investments

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

PNC owns approximately 44 million shares of BlackRock common stock, accounted for under the equity method. The primary risk measurement, similar to other equity investments, is economic capital.

In November 2006, we invested an aggregate of \$100 million in FIM Holdings, LLC ("FIM") as a non-managing member with a 1.25% ownership interest. FIM acquired a 51%

Table of Contents

ownership position in GMAC LLC from General Motors Corporation (“GM”) and purchased redeemable preferred stock from GMAC LLC.

IMPACT OF INFLATION

Our assets and liabilities are primarily monetary in nature. Accordingly, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. During periods of inflation, monetary assets lose value in terms of purchasing power and monetary liabilities have corresponding purchasing power gains. The concept of purchasing power, however, is not an adequate indicator of the effect of inflation on banks because it does not take into account changes in interest rates, which are an important determinant of our earnings.

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 we use 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 as of December 31, 2006 and December 31, 2005, is presented in Note 1 Accounting Policies and Note 16 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.

Table of Contents

The following tables provide the notional amount and net fair value of financial derivatives used for risk management and designated as accounting hedges as well as free-standing derivatives at December 31, 2006 and 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

	Notional/ Contract Amount	Net Fair Value	Weighted Average Maturity	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
December 31, 2006 - dollars in millions					
Accounting Hedges					
Interest rate risk management					
Asset rate conversion					
Interest rate swaps (a)					
Receive fixed	\$7,815	\$62	3 yrs. 9 mos.	5.30%	5.43%
Interest rate floors (b)	6		4 yrs. 3 mos.	NM	NM
Total asset rate conversion	7,821	62			
Liability rate conversion					
Interest rate swaps (a)					
Receive fixed	4,245	6	6 yrs. 11 mos.	5.15	5.43
Total liability rate conversion	4,245	6			
Total interest rate risk management	12,066	68			
Commercial mortgage banking risk management					
Pay fixed interest rate swaps (a)	745	(7)	9 yrs. 11 mos.	5.25	5.09
Total commercial mortgage banking risk management	745	(7)			
Total accounting hedges (c)	\$12,811	\$61			
Free-Standing Derivatives					
Customer-related					
Interest rate					
Swaps					
	\$48,816	\$9	4 yrs. 11 mos.	5.00%	5.01%
Caps/floors					
Sold	1,967	(3)	7 yrs. 4 mos.	NM	NM
Purchased	897	3	7 yrs. 2 mos.	NM	NM
Futures	2,973	2	9 mos.	NM	NM
Foreign exchange	5,245		6 mos.	NM	NM
Equity	2,393	(63)	1 yr. 6 mos.	NM	NM
Swaptions	8,685	16	6 yrs. 10 mos.	NM	NM
Other	20		10 yrs. 6 mos.	NM	NM
Total customer-related	70,996	(36)			
Other risk management and proprietary					
Interest rate					
Swaps					
	19,631	4	7 yrs. 8 mos.	4.81%	4.97%
Caps/floors					
Sold	6,500	(50)	2 yrs. 11 mos.	NM	NM
Purchased	7,010	59	3 yrs.	NM	NM
Futures	13,955	(3)	1 yr. 4 mos.	NM	NM
Foreign exchange	1,958		5 yrs. 2 mos.	NM	NM
Credit derivatives	3,626	(11)	7 yrs.	NM	NM
Risk participation agreements	786		5 yrs. 5 mos.	NM	NM
Commitments related to mortgage-related assets	2,723	10	2 mos.	NM	NM
Options					
Futures	63,033	(2)	8 mos.	NM	NM
Swaptions	25,951	54	6 yrs. 10 mos.	NM	NM
Total other risk management and proprietary	145,173	61			
Total free-standing derivatives	\$216,169	\$25			

(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, 27% on 3-month LIBOR and 6% on Prime Rate.

(b) Interest rate floors have a weighted-average strike of 3.21%.

(c) Fair value amounts include accrued interest receivable of \$94 million.

NM Not meaningful

Table of Contents

Financial Derivatives - 2005

December 31, 2005 - dollars in millions

Accounting Hedges

Interest rate risk management

	Notional/ Contract Amount	Net Fair Value	Weighted Average Maturity	Weighted-Average Interest Rates Paid	Weighted-Average Interest Rates Received
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 a notional amount, 67% were based on 1-month LIBOR, 33% on 3-month LIBOR.

(b) Fair value amounts include accrued interest receivable of \$81 million.

NM Not meaningful

2005 VERSUS 2004

CONSOLIDATED INCOME STATEMENT REVIEW

Summary Results

Consolidated net income for 2005 was \$1.325 billion or \$4.55 per diluted share and for 2004 was \$1.197 billion or \$4.21 per diluted share.

Results for 2005 included the impact of the following items:

- The reversal of deferred tax liabilities that benefited earnings by \$45 million, or \$.16 per diluted share, in the first quarter related to our transfer of ownership in BlackRock from PNC Bank, N.A. to our intermediate bank holding company, PNC Bancorp, Inc.;
- Implementation costs totaling \$35 million after-tax, or \$.12 per diluted share, related to the One PNC initiative;
- The \$34 million after-tax benefit of a second quarter 2005 loan recovery; and
- Integration costs of \$20 million after-tax, or \$.07 per diluted share, comprised of provision for credit losses, noninterest expense and deferred taxes, related to the May 2005 acquisition of Riggs.

Results for 2004 reflected the impact of charges totaling \$49 million after taxes, or \$.17 per diluted share, related to the 2002 BlackRock LTIP.

Net Interest Income

Net interest income was \$2.154 billion for 2005 and \$1.969 billion for 2004. Net interest income on a taxable-equivalent basis was \$2.187 billion for 2005 compared with \$1.989 billion in 2004, an increase of \$198 million, or 10%. The net interest margin was 3.00% for 2005, a decline of 22 basis points compared with 2004. Net interest income increased in 2005 compared with the prior year as strong growth in earning assets and deposits in 2005 more than offset the decline in the net interest margin.

Provision For Credit Losses

The provision for credit losses decreased \$31 million, to \$21 million, for 2005 compared with 2004. The decline in the provision for credit losses was primarily due to the benefit of a \$53 million loan recovery in the second quarter of 2005 resulting from a litigation settlement, in addition to continued strong asset quality. The favorable impact of these factors on the provision was partially offset by the impact of total average loan and commitments growth in 2005 compared with the prior year.

Noninterest Income

Noninterest income was \$4.173 billion for 2005 and \$3.572 billion for 2004. An increase in asset management fees was the largest factor in the increase, driven largely by

BlackRock's acquisition of SSRM in January 2005 and higher performance fees. In addition, noninterest income in 2005 reflected increases in all other major categories other than net securities losses in 2005 compared with net gains in 2004 and Other, which was flat.

Additional Analysis

Combined asset management and fund servicing fees amounted to \$2.313 billion for 2005 compared with \$1.811 billion for 2004. The increase reflected the impact of the first quarter 2005 SSRM acquisition, higher performance fees at BlackRock, and other growth in assets managed and serviced.

Assets under management at December 31, 2005 totaled \$494 billion compared with \$383 billion at December 31, 2004. In addition to the impact of net new business during 2005, the acquisition of SSRM added \$50 billion of assets under management during the first quarter of 2005. PFPC provided fund accounting/administration services for \$835 billion of net fund assets and provided custody services for \$476 billion of fund assets at December 31, 2005, compared with \$721 billion and \$451 billion, respectively, at December 31, 2004. These increases were driven by net new business and asset inflows from existing customers, as well as comparatively favorable market conditions.

Service charges on deposits increased \$21 million for 2005 compared with 2004. Although growth in service charges was limited due to our offering of free checking in both the consumer and small business channels, free checking positively impacted customer and demand deposit growth as well as other deposit-related fees.

Brokerage fees increased \$6 million, to \$225 million, for 2005 compared with the prior year. The increase was primarily due to higher mutual fund-related revenues in 2005.

Consumer services fees increased \$34 million, to \$293 million, in 2005 compared with 2004. Higher fees reflected additional fees from debit card transactions, primarily due to higher volumes and the expansion into the greater Washington, D.C. area in May 2005.

Corporate services revenue was \$485 million for 2005, compared with \$423 million in 2004. Corporate services revenue in 2005 benefited from the impact of higher net gains on commercial mortgage loan sales, higher fees related to commercial mortgage servicing activities, increased loan syndication fees and higher capital markets-related revenues, including revenues attributable to Harris Williams beginning in October 2005, compared with the prior year. These increases were partially offset by a \$45 million decline in 2005 of net gains in excess of valuation adjustments related to our liquidation of institutional loans held for sale. Our liquidation of institutional loans held for sale is complete.

Table of Contents

Equity management (private equity) net gains on portfolio investments totaled \$96 million for 2005 and \$67 million for 2004.

Net securities losses amounted to \$41 million for 2005 compared with net securities gains of \$55 million in 2004. In late April and early May 2005 we sold \$2.1 billion of securities available for sale and terminated \$1.0 billion of resale agreements that were most sensitive to extension risk due to rising short-term interest rates. We also purchased \$2.1 billion of securities with higher yields and lower extension risk. These transactions resulted in realized net securities and other losses of approximately \$31 million.

Noninterest revenue from trading activities totaled \$157 million for 2005 and \$113 million for 2004. While customer activity represented the majority of trading revenue, the increase compared with 2004 was primarily the result of proprietary trading activities. We provide additional information on our trading activities under Market Risk Management – Trading Risk in the Risk Management section of this Item 7.

Other noninterest income decreased \$1 million, to \$372 million, in 2005 compared with 2004. Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed.

Other noninterest income for 2005 included the following pretax items:

- A \$33 million gain related to contributions of BlackRock stock to the PNC Foundation, transactions that also impacted noninterest expense, and
- Income related to the 2005 SSRM and Riggs acquisitions.

The factors above offset the impact of the following pretax gains in 2004:

- A first quarter \$34 million gain related to the sale of our modified coinsurance contracts, and
- A second quarter \$13 million gain recognized in connection with BlackRock's sale of its interest in Trepp LLC, a provider of commercial mortgage-backed security information, analytics and technology.

Noninterest Expense

Total noninterest expense was \$4.306 billion for 2005, an increase of \$594 million compared with 2004. The efficiency ratio was 68% for 2005 and 67% for 2004.

Noninterest expense for 2005 included the following:

- An increase of \$325 million in BlackRock non-LTIP operating expenses that reflected the impact of costs resulting from the first quarter 2005 SSRM acquisition and other investments to fund growth;

- Costs totaling approximately \$132 million resulting from our Riggs acquisition, including approximately \$16 million of integration costs;
- BlackRock LTIP charges of \$64 million;
- Implementation costs totaling \$53 million related to the One PNC initiative;
- Contributions of BlackRock stock to the PNC Foundation of \$40 million; and
- Costs totaling \$17 million related to the Harris Williams acquisition.

The effect of these increases was partially offset by cost reductions of approximately \$90 million realized in 2005 from the One PNC initiative. The impact of the Riggs integration and One PNC implementation costs was reflected in several noninterest expense items in the Consolidated Income Statement.

Noninterest expense of \$3.712 billion for 2004 included a \$110 million charge associated with the BlackRock LTIP and conversion-related and other nonrecurring costs totaling approximately \$11 million related to our acquisition of United National Bancorp, Inc.

Apart from the impact of these items, noninterest expense increased \$174 million, or 5%, in 2005 compared with 2004. These higher expenses were driven by investments in our businesses and increased sales incentives.

EFFECTIVE TAX RATE

Our effective tax rate was 30.2% for 2005 and 30.3% for 2004. The low effective tax rate for 2005 was primarily attributable to the impact of the reversal of deferred tax liabilities that year in connection with the transfer of our ownership in BlackRock described under "Summary Results" above.

The following favorably impacted the effective tax rate for 2004:

- A reduced state and local tax expense due to tax benefits of \$18 million recorded in connection with New York state and city audit findings, primarily associated with BlackRock, and
- A \$14 million reduction in income tax expense following our determination that we no longer required an income tax reserve related to bank-owned life insurance.

CONSOLIDATED BALANCE SHEET REVIEW

Loans

Loans increased \$5.6 billion, or 13%, as of December 31, 2005 compared with December 31, 2004. The increase in total loans reflected the following, in part due to our expansion into the greater Washington, DC market beginning in May 2005:

- Residential mortgage loans increased \$2.5 billion, and

Table of Contents

- Demand for commercial loans, including commercial real estate loans grew during the year, reflected in the \$3.1 billion increase in these loan categories.

Securities

Total securities at December 31, 2005 were \$20.7 billion compared with \$16.8 billion at December 31, 2004. Securities represented 23% of total assets at December 31, 2005 compared with 21% at December 31, 2004. The increase in total securities compared with December 31, 2004 was primarily due to increases in mortgage-backed securities and commercial mortgage-backed securities, partially offset by declines in US Treasury and government agencies and asset-backed securities. The increase in 2005 also reflected the impact of Riggs.

At December 31, 2005, the securities available for sale balance included a net unrealized loss of \$370 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2004 was a net unrealized loss of \$102 million. The impact on bond prices of increases in interest rates during 2005 was reflected in the net unrealized loss position at December 31, 2005. The expected weighted-average life of securities available for sale was 4 years and 1 month at December 31, 2005 compared with 2 years and 8 months at December 31, 2004.

Loans Held For Sale

Education loans held for sale totaled \$1.9 billion at December 31, 2005, and \$1.1 billion at December 31, 2004 and represented the majority of our loans held for sale at each date. Gains on sales of education loans totaled \$19 million for 2005 and \$30 million for 2004. These gains are reflected in the other noninterest income line item in our Consolidated Income Statement.

Asset Quality

Nonperforming assets were \$216 million at December 31, 2005, an increase of \$41 million from December 31, 2004. The increase in nonperforming assets was primarily due to an increase in nonaccrual asset-based loans. The ratio of nonperforming assets to total loans, loans held for sale and foreclosed assets was .42% at December 31, 2005 compared with .39% at December 31, 2004. The allowance for loan and lease losses was \$596 million and represented 1.21% of total loans and 314% of nonperforming loans at December 31, 2005. The comparable amounts were \$607 million, 1.40% and 424%, respectively, at December 31, 2004.

Funding Sources

Total funding sources were \$77.2 billion at December 31, 2005 and \$65.2 billion at December 31, 2004. The increase of \$12 billion in funding sources was comprised of a \$7 billion increase in total deposits and a \$5 billion increase in total borrowed funds. The increase in deposits reflected sales and retention efforts related to core deposits as well as the impact of our expansion into the greater Washington, DC area.

Higher borrowed funds at December 31, 2005 were driven in part by the following 2005 transactions:

- Senior bank note issuances totaling \$925 million,
- Senior debt issuances of \$1.1 billion and BlackRock's issuance of \$250 million of convertible debentures,
- Subordinated bank debt issuance of \$500 million and the assumption of \$345 million of subordinated debt related to the Riggs transaction,
- \$1 billion of FHLB advances, and
- Higher short-term borrowings to fund asset growth.

These increases were partially offset by maturities of \$750 million of senior bank notes and \$350 million of subordinated debt during 2005.

Shareholders' Equity

The increase of \$1.1 billion, to \$8.6 billion, in total shareholders' equity at December 31, 2005 compared with the prior year-end was primarily attributable to the impact of retained earnings of \$750 million and the issuance of \$356 million of shares in connection with the Riggs acquisition.

Regulatory capital ratios at December 31, 2005 were 7.2% for leverage, 8.3% for tier 1 risk-based and 12.1% for total risk-based capital. At December 31, 2004, the regulatory capital ratios were 7.6% for leverage, 9.0% for tier 1 risk-based and 13.0% for total risk-based capital.

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 (net of eligible deferred taxes).

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 our balance sheet because it is considered uncollectible. We also record a charge-off when a loan is transferred to held for sale by reducing the loan's carrying amount by the allowance for loan losses associated with such loan or if the loan's market value is less than its carrying amount.

Table of Contents

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 - 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 our 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.*, positioned for declining interest rates). For example, if the duration of equity 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 our business segments 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 our target credit rating. As such, economic risk serves as a "common currency" of risk that allows us 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 our business segments. We assign these balances 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

Table of Contents

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, foreclosed assets and other assets. We do not accrue interest income on assets classified as nonperforming.

Nonperforming loans - Nonperforming loans include loans to commercial, commercial real estate, equipment lease financing, consumer, 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. We do not accrue interest income 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 we had previously charged off. We credit the amount received 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 - Period-end common shareholders' equity less goodwill and other intangible assets (net of eligible deferred taxes), and excluding mortgage servicing rights, divided by period-end assets less goodwill and other intangible assets (net of eligible deferred taxes), and 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 asset. To provide more meaningful comparisons of yields and margins for all interest-earning assets, we also provide revenue on a taxable-equivalent basis by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable assets. 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 (net of eligible deferred taxes), less equity investments in nonfinancial companies and less net unrealized holding losses on available-for-sale equity securities. Net unrealized holding gains on available-for-sale equity securities, net unrealized holding gains (losses) on available-for-sale debt securities and net unrealized holding gains (losses) on cash flow hedge derivatives are excluded from total shareholders' equity for tier 1 risk-based capital purposes.

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

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

Total return swap - A non-traditional swap where one party agrees to pay the other the "total return" of a defined underlying asset (e.g., 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 subordinated debt and trust preferred securities, other minority interest not qualified as tier 1, and the allowance for loan and lease losses, subject to certain limitations.

Table of Contents

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 - 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. An "inverted" or "negative" yield curve exists when short-term bonds have higher yields than long-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. Because forward-looking statements are subject to assumptions and uncertainties, 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 some of these factors elsewhere in this Report, 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' and counterparties' financial performance, as well as changes in customer preferences and behavior, including as a result of changing business and economic conditions.
- The value of our assets and liabilities, as well as our overall financial performance, are also 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 business initiatives and strategies, including the final phases of our One PNC

Table of Contents

initiative, 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 our pending acquisition of Mercantile Bankshares Corporation.
- 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 unfavorable 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 equity interest in BlackRock, Inc. are discussed in more detail in BlackRock's filings with the SEC, including in the Risk Factors sections of BlackRock's reports, accessible on the SEC's website and on or through BlackRock's website at www.blackrock.com.

In addition, our pending acquisition of Mercantile Bankshares presents us with a number of risks and uncertainties related both to the acquisition transaction itself and to the integration of the acquired businesses into PNC after closing. These risks and uncertainties include the following:

- Completion of the transaction remains dependent on customary closing conditions, including regulatory approvals. The impact of the completion of the transaction on PNC's financial statements will be affected by the timing of the transaction.
- The transaction may be more expensive to complete than anticipated, including as a result of unexpected factors or events.
- The integration of Mercantile's business and operations with those of PNC, which will include conversion of Mercantile's different systems and procedures, may take longer than anticipated, may be more costly than anticipated, and may have unanticipated adverse results relating to Mercantile's or PNC's existing businesses.
- The anticipated benefits, including anticipated strategic gains and anticipated cost savings and other synergies of the transaction, may be significantly harder or take longer to be realized than anticipated or may not be achieved in their entirety, including as a result of unexpected factors or events, and attrition in key client, partner and other relationships relating to the transaction may be greater than expected.
- The anticipated benefits to PNC are dependent in part on Mercantile's business performance in the future, and there can be no assurance as to actual future results, which could be impacted by various factors, including the risks and uncertainties generally related to PNC's and Mercantile's performance (with respect to Mercantile, see Mercantile's SEC reports, accessible on the SEC's website) or due to factors related to the acquisition of Mercantile and the process of integrating it into PNC.

**ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES
ABOUT MARKET RISK**

This information is set forth in the Risk Management section of Item 7 of this Report.

**ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of
The PNC Financial Services Group, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying consolidated balance sheet of The PNC Financial Services Group, Inc. and subsidiaries (the “Company”) as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The PNC Financial Services Group, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard No. 158, “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*” as of December 31, 2006.

As a result of the transaction discussed in Note 2 to the consolidated financial statements, the Company no longer

consolidates BlackRock, Inc. (“BlackRock”). Beginning September 30, 2006, the Company recognized its investment in BlackRock using the equity method of accounting.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2007 expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 1, 2007

[Table of Contents](#)

CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

	Year ended December 31		
	2006	2005	2004
<i>In millions, except per share data</i>			
Interest Income			
Loans	\$3,203	\$2,669	\$2,043
Securities available for sale	1,049	822	568
Other	360	243	141
Total interest income	4,612	3,734	2,752
Interest Expense			
Deposits	1,590	981	484
Borrowed funds	777	599	299
Total interest expense	2,367	1,580	783
Net interest income	2,245	2,154	1,969
Provision for credit losses	124	21	52
Net interest income less provision for credit losses	2,121	2,133	1,917
Noninterest Income			
Asset management	1,420	1,443	994
Fund servicing	893	870	817
Service charges on deposits	313	273	252
Brokerage	246	225	219
Consumer services	365	293	259
Corporate services	626	485	423
Equity management gains	107	96	67
Net securities gains (losses)	(207)	(41)	55
Trading	183	157	113
Net gains related to BlackRock	2,066		
Other	315	372	373
Total noninterest income	6,327	4,173	3,572
Noninterest Expense			
Compensation	2,128	2,061	1,755
Employee benefits	304	332	309
Net occupancy	310	313	267
Equipment	303	296	290
Marketing	104	106	87
Other	1,294	1,198	1,004
Total noninterest expense	4,443	4,306	3,712
Income before minority interest and income taxes	4,005	2,000	1,777
Minority interest in income of BlackRock	47	71	42
Income taxes	1,363	604	538
Net income	\$2,595	\$1,325	\$1,197
Earnings Per Common Share			
Basic	\$8.89	\$4.63	\$4.25
Diluted	\$8.73	\$4.55	\$4.21
Average Common Shares Outstanding			
Basic	292	286	281
Diluted	297	290	284

See accompanying Notes To Consolidated Financial Statements.

[Table of Contents](#)

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

	December 31	
	2006	2005
<i>In millions, except par value</i>		
Assets		
Cash and due from banks	\$3,523	\$3,518
Federal funds sold and resale agreements	1,763	350
Other short-term investments, including trading securities	3,130	2,543
Loans held for sale	2,366	2,449
Securities available for sale	23,191	20,710
Loans, net of unearned income of \$795 and \$835	50,105	49,101
Allowance for loan and lease losses	(560)	(596)
Net loans	49,545	48,505
Goodwill	3,402	3,619
Other intangible assets	641	847
Equity investments	5,330	1,323
Other	8,929	8,090
Total assets	\$101,820	\$91,954
Liabilities		
Deposits		
Noninterest-bearing	\$16,070	\$14,988
Interest-bearing	50,231	45,287
Total deposits	66,301	60,275
Borrowed funds		
Federal funds purchased	2,711	4,128
Repurchase agreements	2,051	1,691
Bank notes and senior debt	3,633	3,875
Subordinated debt	3,962	4,469
Other	2,671	2,734
Total borrowed funds	15,028	16,897
Allowance for unfunded loan commitments and letters of credit	120	100
Accrued expenses	3,970	2,770
Other	4,728	2,759
Total liabilities	90,147	82,801
Minority and noncontrolling interests in consolidated entities	885	590
Shareholders' Equity		
Preferred stock (a)		
Common stock - \$5 par value		
Authorized 800 shares, issued 353 shares	1,764	1,764
Capital surplus	1,651	1,299
Retained earnings	10,985	9,023
Accumulated other comprehensive loss	(235)	(267)
Common stock held in treasury at cost: 60 and 60 shares	(3,377)	(3,256)
Total shareholders' equity	10,788	8,563
Total liabilities, minority and noncontrolling interests, and shareholders' equity	\$101,820	\$91,954

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

See accompanying Notes To Consolidated Financial Statements.

[Table of Contents](#)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

THE PNC FINANCIAL SERVICES GROUP, INC.

	Shares Outstanding						
<i>In millions</i>	Common Stock	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at January 1, 2004 (a)	277	1,764	1,079	7,642	60	(3,900)	\$ 6,645
Net income				1,197			1,197
Net unrealized securities losses					(69)		(69)
Net unrealized losses on cash flow hedge derivatives					(42)		(42)
Other					(3)		(3)
Comprehensive income							1,083
Cash dividends declared							
Common				(565)			(565)
Preferred				(1)			(1)
Treasury stock activity	6		116			176	292
Tax benefit of stock option plans			15				15
Stock options granted			22				22
Subsidiary stock transactions			4				4
Restricted stock transactions			(22)				(22)
Balance at December 31, 2004 (a)	283	1,764	1,214	8,273	(54)	(3,724)	7,473
Net income				1,325			1,325
Net unrealized securities losses					(174)		(174)
Net unrealized losses on cash flow hedge derivatives					(32)		(32)
Other					(7)		(7)
Comprehensive income							1,112
Cash dividends declared							
Common				(574)			(574)
Preferred				(1)			(1)
Treasury stock activity	10		61			468	529
Tax benefit of stock option plans			7				7
Stock options granted			30				30
Subsidiary stock transactions			(5)				(5)
Restricted stock transactions			(8)				(8)
Balance at December 31, 2005 (a)	293	1,764	1,299	9,023	(267)	(3,256)	8,563
Net income				2,595			2,595
Net unrealized securities gains					149		149
Net unrealized gains on cash flow hedge derivatives					13		13
Additional minimum pension liability under SFAS 87					(1)		(1)
Other (b)					3		3
Comprehensive income							2,759
Cash dividends declared							
Common				(632)			(632)
Preferred				(1)			(1)
BlackRock/MLIM transaction (c)			262				262
Treasury stock activity (d)			(12)			(121)	(133)
Tax benefit of stock option plans			29				29
Stock options granted			31				31
Subsidiary stock transactions			27				27
Restricted stock transactions			15				15
Net effect of adopting SFAS 158					(132)		(132)
Balance at December 31, 2006 (a)	293	\$1,764	\$1,651	\$10,985	\$ (235)	\$ (3,377)	\$10,788

(a) Our preferred stock outstanding as of December 31, 2006, 2005, and 2004 and January 1, 2004 was less than \$.5 million at each date and, therefore, is excluded from this presentation.

(b) Consists of interest-only strip valuation adjustments and foreign currency translation adjustments.

(c) Represents the portion of our gain on the BlackRock/MLIM transaction that was credited to capital surplus.

(d) Our net treasury stock activity in 2006 was less than .1 million shares issued and is excluded from this presentation.

See accompanying Notes To Consolidated Financial Statements.

[Table of Contents](#)
CONSOLIDATED STATEMENT OF CASH FLOWS
 THE PNC FINANCIAL SERVICES GROUP, INC.

<i>In millions</i>	Year ended December 31		
	2006	2005	2004
Operating Activities			
Net income	\$ 2,595	\$ 1,325	\$ 1,197
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	124	21	52
Depreciation, amortization and accretion	345	375	302
Deferred income taxes	752	1	(194)
Net securities losses (gains)	207	41	(55)
Valuation adjustments	45	(6)	(37)
Net gains related to BlackRock	(2,066)		
Undistributed earnings of BlackRock	(39)		
Excess tax benefits from share-based payment arrangements	(29)	(4)	(3)
Net change in			
Loans held for sale	435	(680)	(265)
Other short-term investments	156	(613)	(1,191)
Accrued expenses and other liabilities	83	(1,326)	2,432
Other	40	186	(1,778)
Net cash provided (used) by operating activities	2,648	(680)	460
Investing Activities			
Repayment of securities	3,667	4,261	4,297
Sales			
Securities	11,102	13,304	14,206
Loans	1,110	39	151
Foreclosed and other nonperforming assets	14	20	23
Purchases			
Securities	(15,707)	(21,484)	(18,094)
Loans	(3,072)	(2,746)	(2,741)
Net change in			
Loans	(278)	(219)	(3,228)
Federal funds sold and resale agreements	(1,413)	1,775	241
Cash received from divestitures		26	512
Net cash paid for acquisitions	(58)	(530)	(299)
Purchases of corporate and bank-owned life insurance	(425)		
Other	(302)	(242)	(261)
Net cash used by investing activities	(5,362)	(5,796)	(5,193)
Financing Activities			
Net change in			
Noninterest-bearing deposits	968	(280)	1,023
Interest-bearing deposits	4,940	3,538	4,724
Federal funds purchased	(1,417)	3,908	
Repurchase agreements	359	5	265
Commercial paper	(10)	(2,241)	25
Other short-term borrowed funds	249	(404)	775
Sales/issuances			
Bank notes and senior debt	1,964	2,285	500
Subordinated debt		494	504
Other long-term borrowed funds	279	1,641	464
Treasury stock	343	220	159
Repayments/maturities			
Bank notes and senior debt	(2,200)	(755)	(900)
Subordinated debt	(471)	(351)	(200)
Other long-term borrowed funds	(1,150)	(559)	(1,489)
Excess tax benefits from share-based payment arrangements	29	4	3
Acquisition of treasury stock	(531)	(166)	(292)
Cash dividends paid	(633)	(575)	(566)
Net cash provided by financing activities	2,719	6,764	4,995
Net Increase In Cash And Due From Banks			
	5	288	262
Cash and due from banks at beginning of period	3,518	3,230	2,968
Cash and due from banks at end of period	\$ 3,523	\$ 3,518	\$ 3,230
Cash Paid For			
Interest	\$ 2,376	\$ 1,515	\$ 782
Income taxes	471	504	486
Non-cash Items			
Investment in BlackRock, net	3,179		
Transfer from (to) loans to (from) loans held for sale, net	2,280	93	(32)
Transfer from loans to other assets	13	16	22

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE PNC FINANCIAL SERVICES GROUP, INC.

BUSINESS

We are one of the largest diversified financial services companies in the United States based on assets, with 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; the greater Washington, DC area, including Maryland and Virginia; Ohio; Kentucky; and Delaware. We also provide certain 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 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. See Note 2 Acquisitions regarding the deconsolidation of BlackRock, Inc. (“BlackRock”) from PNC’s Consolidated Balance Sheet effective September 29, 2006. Our investment in BlackRock has been accounted for under the equity method of accounting since that date. We prepared these 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 intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform with the 2006 presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

SPECIAL PURPOSES 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 equity for the entity to finance 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 absorbing the majority of the expected losses 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 3 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.

SUBSIDIARY STOCK TRANSACTIONS

We recognize as income, when appropriate, any gain from the sale or issuance by subsidiaries of their stock to third parties. The gain is the difference between our basis in the stock and the increase in the book value per share of the subsidiaries’ equity and is recorded in noninterest income in the Consolidated Income Statement. We provide applicable taxes on the gain.

USE OF ESTIMATES

We prepare the 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 may differ from these estimates and the differences may be material to the consolidated financial statements.

Table of Contents

REVENUE RECOGNITION

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

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

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

- Issuing loan commitments, standby letters of credit and financial guarantees,
- Selling various insurance products,
- Providing treasury management services,
- Providing merger and acquisition advisory and related 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. Beginning in the fourth quarter of 2006, asset management fees also includes our proportionate share of the earnings of BlackRock under the equity method of accounting.

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 GAAP.

CASH AND CASH EQUIVALENTS

Cash and due from banks are considered “cash and cash equivalents” for financial reporting purposes.

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.

Investment in BlackRock

As described in Note 2 Acquisitions, we deconsolidated the assets and liabilities of BlackRock from our Consolidated Balance Sheet at September 30, 2006 and now account for our investment in BlackRock under the equity method of accounting. Under the equity method, our investment in the equity of BlackRock is reflected on our Consolidated Balance Sheet in the caption Equity Investments, while our proportionate share of BlackRock’s earnings is reported on our Consolidated Income Statement in the caption Asset Management.

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 on the Consolidated Balance Sheet in Equity Investments. Changes in the fair value of these assets are recognized in noninterest income.

We consolidate private equity funds when we are the sole 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 BlackRock and 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

Table of Contents

these securities is recognized in net interest income. Those purchased with the intention of recognizing short-term profits are classified as trading, carried at market value and classified as short-term investments. Both realized and unrealized 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 method of accounting. The cost method is used for those investments since 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 include nonmarketable equity securities in Other Assets on the Consolidated Balance Sheet.

For investments in limited partnerships, limited liability companies and other minor investments that are not required to be consolidated, we use either the cost method or the equity method. The cost method is described above for nonmarketable equity securities. We use the cost method for minor investments in which we have no influence over the operations of the investee and when cost appropriately reflects our economic interest in the underlying investment. We use the equity method for all other general and limited partner ownership interests and limited liability company investments. Under the equity method, we record our equity ownership share of net income or loss of the investee in noninterest income. Investments described above are included in Equity Investments on the Consolidated Balance Sheet.

Debt Securities

Debt securities are recorded on a trade-date basis. We classify debt securities as held to maturity 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. Realized and unrealized gains and losses on trading 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 all debt securities that are in an unrealized loss position for other-than-temporary impairment on a quarterly basis.

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 using the interest method. 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 are not materially different from the interest method.

As of January 1, 2006, we adopted SFAS 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140," which was issued in February 2006. SFAS 155 permits a fair value election for previously bifurcated hybrid financial instruments on an instrument-by-instrument basis, 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. Beginning January 1, 2006, we elected to account for certain previously bifurcated hybrid instruments under this standard. As such, certain loans are accounted for at fair value with changes in fair value reported in trading revenue. The fair value of these loans was \$216 million, or less than .5% of the total loan portfolio, at December 31, 2006. The adoption of SFAS 155 did not have a significant impact on our accounting for beneficial interests.

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

Table of Contents

lease using the interest method. Lease residual values are reviewed for other-than-temporary impairment on a quarterly 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.

As of January 1, 2006, we adopted SFAS 156, "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140." SFAS 156 was issued in March 2006 and requires all newly recognized servicing rights and obligations to be initially measured at fair value. For each class of recognized servicing rights and obligations, the standard permits the election of either the amortization method or the fair value measurement method for subsequent measurement of the asset or obligation. For separately recognized servicing rights and obligations retained or purchased related to commercial loans and commercial mortgages, we have elected to account for them under the amortization method, which requires us to amortize the servicing assets or liabilities in proportion to and over the periods of estimated net servicing income or net servicing loss. For servicing rights or obligations related to residential mortgage loans, we have elected to account for subsequent adjustments using the fair value method with changes in the value of the right or obligation reflected in noninterest income.

Each quarter, we evaluate our servicing assets that are being carried at amortized cost 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 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.

LOANS AND COMMITMENTS HELD FOR SALE

We designate loans and related loan commitments as held for sale when we have a positive intent to sell them. We transfer loans and commitments to the loans held for sale category at the lower of cost or fair market value. At the time of transfer, related write-downs on the loans and commitments are recorded as charge-offs or as a separate liability. We establish a new cost basis upon transfer and recognize any subsequent lower of cost or market adjustment as a valuation allowance with charges included in noninterest income. Gains or losses on the actual sale of these loans and commitments are included in noninterest income when realized.

We apply the lower of cost or market analysis on pools of homogeneous loans and commitments on a net aggregate basis. For non-homogeneous loans and commitments, we do this analysis on an individual loan and commitment basis.

Interest income with respect to loans held for sale other than those in nonaccrual status is accrued based on the principal amount outstanding.

In certain circumstances, loans and commitments designated as held for sale may be later transferred back to the loan portfolio based on a change in strategy to retain the credit exposure to those customers. We transfer these loans and commitments to the portfolio at the lower of cost or market value.

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.

Table of Contents

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. Loans are considered well secured if the fair market value of the property, less 15% to cover potential foreclosure expenses, is greater than or equal to the principal balance including any superior liens. A fair market value assessment of the property is initiated when the loan becomes 80 to 90 days past due. The procedures for foreclosure of these loans is consistent with our general foreclosure process discussed below. The classification of consumer loans well-secured by residential real estate as nonaccrual loans at 12 months past due is in accordance with Federal Financial Institutions Examination Council guidelines. 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. Depending on various state statutes, legal proceedings are initiated on or about the 65th day of delinquency. If no other remedies arise from the legal proceedings, the final outcome will result in the sheriff's sale of the property. When PNC acquires the deed, the transfer of loans to other real estate owned ("OREO") will be completed. 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 imprecision.

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 individual impaired loans and are determined in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan," with impairment measured 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.

Table of Contents

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.

ALLOWANCE FOR UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

We maintain the allowance for unfunded loan commitments and letters of credit at a level we believe is adequate to absorb estimated probable losses related to these unfunded credit facilities. We determine the adequacy of the allowance based on periodic evaluations of the unfunded credit facilities including an assessment of the probability of commitment usage, credit risk factors for loans outstanding to these same customers, and the terms and expiration dates of the unfunded credit facilities. Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

MORTGAGE AND OTHER LOAN SERVICING RIGHTS

We provide servicing under various commercial and residential loan servicing contracts. These contracts are either purchased in the open market or retained as part of a commercial mortgage loan securitization, residential mortgage loan sale or other commercial 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 were 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.

For subsequent measurements of our servicing rights we have elected to account for our commercial mortgage and commercial loan servicing rights as a class of assets under the amortization method. This determination was made based on

the unique characteristics of the commercial mortgages and commercial loans underlying these servicing rights with regard to market inputs used in determining fair value and how we manage the risks inherent in the commercial servicing rights assets. Specific risk characteristics of the commercial mortgages include loan type, currency or exchange rate, prepayment speeds and expected cash flows. Specific risk characteristics of commercial loans include prepayment speeds and credit quality factors which could impact expected cash flows. We record the servicing assets as other intangible assets and amortize them over their estimated lives in proportion to estimated net servicing income. On a quarterly basis, we test the assets for impairment using various valuation models. If the estimated fair value of the assets 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. For residential mortgage servicing rights, we have elected to account for these assets under the fair value method. The primary risk of changes to the value of the residential mortgage servicing rights resides in the potential volatility in the economic assumptions used, primarily the prepayment speeds. The pricing methodology used by PNC to value residential mortgage servicing rights uses a combination of securities market data observations, model cash flow projections and anecdotal servicing observations and surveys. Changes in the fair values of these assets are reflected in net servicing revenue in noninterest income.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments and the methods and assumptions used in estimating fair value amounts are detailed in Note 23 Fair Value of Financial Instruments.

GOODWILL AND OTHER INTANGIBLE ASSETS

We test goodwill and indefinite-lived intangible assets for impairment at least annually, or when events or changes in circumstances indicate the assets might be impaired. Finite-lived intangible assets are amortized to expense using accelerated or straight-line methods over their respective estimated useful lives. We review finite-lived intangible assets for impairment when events or changes in circumstances indicate that the asset's carrying amount is not recoverable from undiscounted future cash flows or it exceeds its fair value.

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

Table of Contents

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 seven years.

REPURCHASE AND RESALE AGREEMENTS

Repurchase and resale agreements are treated as collateralized financing transactions and are carried at the amounts at which the securities will be subsequently reacquired or resold, including accrued interest, as specified in the respective agreements. Our policy is to take possession of securities purchased under agreements to resell. We monitor the market value of securities to be repurchased and resold and additional collateral may be obtained where considered appropriate to protect against credit exposure.

OTHER COMPREHENSIVE INCOME

Other comprehensive income consists, on an after-tax basis, primarily of unrealized gains or losses on securities available for sale and derivatives designated as cash flow hedges, and changes in pension, postretirement and postemployment liability adjustments. Details of each component are included in Note 22 Other Comprehensive Income.

TREASURY STOCK

We record common stock purchased for treasury at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the first-in, first-out basis.

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 hedged risk. 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 or loss and subsequently reclassified in interest income in the same period or periods during which the hedged transaction affects earnings. As a result, the change in fair value of any ineffective portion of the hedging derivative is recognized immediately in earnings.

We discontinue hedge accounting when it is determined that the derivative is no longer qualifying as 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 forecasted 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 forecasted 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

Table of Contents

earnings, and the gains and losses in accumulated other comprehensive income or 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 or loss up to the date of sale, termination or de-designation continues to be reported in other comprehensive income or loss until the forecasted transaction affects earnings.

We did not terminate any cash flow hedges in 2006, 2005 or 2004 due to a determination that a forecasted transaction was no longer probable of occurring.

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 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 at fair value in loans or other borrowed funds.

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.

INCOME TAXES

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that we expect will apply at the time when we believe the differences will reverse.

EARNINGS PER COMMON SHARE

We calculate basic earnings per common share by dividing net income adjusted for preferred stock dividends declared by the weighted-average number of shares of common stock outstanding.

Diluted earnings per common share are based on net income available to common stockholders. We increase the weighted-average number of shares of common stock outstanding by the assumed conversion of outstanding convertible preferred stock and debentures from the beginning of the year or date of issuance, if later, and the number of shares of common stock that would be issued assuming the exercise of stock options and the issuance of incentive shares using the treasury stock method. These adjustments to the weighted-average number of shares of common stock outstanding are made only when such adjustments will dilute earnings per common share.

STOCK-BASED COMPENSATION

We did not recognize stock-based employee compensation expense related to stock options granted 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 2005 and 2004 was 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.

In December 2004, the FASB issued SFAS 123R "Share Based Payment," which replaced SFAS 123 and superseded 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, which 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 SFAS 123R did not have a significant impact on our consolidated financial statements.

Table of Contents

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	Year ended December 31		
	2006	2005	2004
Net income	\$2,595	\$1,325	\$1,197
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	63	54	33
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of related tax effects	(63)	(60)	(50)
Pro forma net income	\$2,595	\$1,319	\$1,180
Earnings per share			
Basic-as reported	\$8.89	\$4.63	\$4.25
Basic-pro forma	8.89	4.60	4.19
Diluted-as reported	\$8.73	\$4.55	\$4.21
Diluted-pro forma	8.73	4.52	4.15

See Note 18 Stock-Based Compensation Plans for additional information.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the FASB issued SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115." This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied on an instrument by instrument basis with a few exceptions. The election is irrevocable and must be applied to entire instruments and not to portions of instruments. For PNC, the election to apply the standard and measure certain financial instruments at fair value would be effective prospectively beginning January 1, 2008.

During 2006, the FASB issued the following:

- SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)." This statement affects the accounting and reporting for our qualified pension plan, our nonqualified retirement plans, our postretirement welfare benefit plans and our postemployment benefit plan. SFAS 158 requires recognition on the balance sheet of the over- or underfunded position of these plans as the difference between the fair value of plan assets and the related benefit obligations. To the extent that a plan's net funded status differs from the amounts currently recognized on the balance sheet, the difference, net of tax, will be recorded as part of accumulated other comprehensive income or loss ("AOCI") within the shareholders' equity section of

the balance sheet. This guidance also requires the recognition of any unrecognized actuarial gains and losses and unrecognized prior service costs to AOCI, net of tax. Post-adoption changes in unrecognized actuarial gains and losses as well as unrecognized prior service costs will be recognized in other comprehensive income, net of tax. SFAS 158 was effective for PNC as of December 31, 2006, with no restatements permitted for prior year-end reporting periods. The year-end 2006 adjustment to our plans' funded status for all unamortized net actuarial losses and prior service costs was \$132 million after tax. The following table summarizes the effect of the initial impact of adopting SFAS 158.

Incremental Effect of Applying SFAS 158 on Individual Line Items in the Consolidated Balance Sheet December 31, 2006

In millions	Before Application of SFAS 158		After Application of SFAS 158
		Adjustments	
Other assets	\$ 9,117	\$ (188)	\$ 8,929
Total assets	102,008	(188)	101,820
Other liabilities	4,784	(56)	4,728
Total liabilities	90,203	(56)	90,147
Accumulated other comprehensive loss	(103)	(132)	(235)
Total shareholders' equity	\$ 10,920	\$ (132)	\$ 10,788

- SFAS 157, "Fair Value Measurements," defines fair value and establishes a framework for measuring fair value which includes permissible valuation techniques and a hierarchy of inputs utilized in the measurement process. This statement applies whenever other accounting standards require or permit fair value measurement. We anticipate applying SFAS 157 prospectively beginning January 1, 2008, as required.
- FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109." FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements and sets forth recognition, derecognition and measurement criteria for tax positions taken or expected to be taken in a tax filing. For PNC, this guidance will apply to all tax positions taken or expected to be taken beginning on January 1, 2007. We do not expect the adoption of FIN 48 to have a significant impact on our consolidated financial statements.

Table of Contents

- FASB Staff Position No. (“FSP”) FAS 13-2, “Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction.” This guidance requires a recalculation of the timing of income recognition for a leveraged lease under SFAS 13, “Accounting for Leases,” when a change in the timing of income tax deductions directly related to the leveraged lease transaction occurs or is projected to occur. Any tax positions taken regarding the leveraged lease transaction must be recognized and measured in accordance with FIN 48 described above. This guidance will be effective for PNC beginning January 1, 2007 with the cumulative effect of applying the provisions of this FSP being recognized through an adjustment to opening retained earnings. Any immediate or future reductions in earnings from the change in accounting would be recovered in subsequent years. Our adoption of the guidance in FSP FAS 13-2 resulted in an after-tax charge to beginning retained earnings at January 1, 2007 of approximately \$149 million.

As described under the Loans And Leases section of the Note 1, we adopted SFAS 155 as of January 1, 2006. As described under the Loan Sales, Securitizations And Retained Interest section of Note 1, we also adopted SFAS 156 as of January 1, 2006. The adoption of SFAS 155 and SFAS 156 did not have a material 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.

NOTE 2 ACQUISITIONS

2006

BLACKROCK/MLIM TRANSACTION

On September 29, 2006, Merrill Lynch contributed its investment management business (“MLIM”) to BlackRock in exchange for 65 million shares of newly issued BlackRock common and preferred stock. BlackRock accounted for the MLIM transaction under the purchase method of accounting.

Immediately following the closing, PNC continued to own approximately 44 million shares of BlackRock common stock

representing an ownership interest of approximately 34% of the combined company (as compared with 69% immediately prior to the closing). Although PNC’s share ownership percentage declined, PNC’s investment in BlackRock increased due to the increase in total equity recorded by BlackRock as a result of the MLIM transaction.

Upon the closing of the BlackRock/MLIM transaction, the carrying value of our investment in BlackRock increased by approximately \$3.1 billion to \$3.8 billion, primarily reflecting PNC’s portion of the increase in BlackRock’s equity resulting from the value of shares issued in the transaction.

We also recorded a liability at September 30, 2006 for deferred taxes of approximately \$.9 billion, related to the excess of the book value over the tax basis of our investment in BlackRock, and a liability of approximately \$.6 billion related to our obligation to provide shares of BlackRock common stock to help fund BlackRock long-term incentive plan (“LTIP”) programs. The LTIP liability will be adjusted quarterly based on changes in BlackRock’s common stock price and the number of remaining committed shares. Accordingly, at each quarter-end PNC will record a charge to earnings if the market price of BlackRock’s common stock increases and will record a credit to earnings if BlackRock’s stock price declines.

The overall balance sheet impact of the BlackRock/MLIM transaction was an increase to our shareholders’ equity of approximately \$1.6 billion. The increase to equity was comprised of an after-tax gain of approximately \$1.3 billion, net of the expense associated with the LTIP liability and the deferred taxes, and an after-tax increase to capital surplus of approximately \$.3 billion. The recognition of the gain is consistent with our existing accounting policy for the sale or issuance by subsidiaries of their stock to third parties. The gain represents the difference between our basis in BlackRock stock prior to the BlackRock/MLIM transaction and the new book value per share and resulting increase in value of our investment realized from the transaction. The direct increase to capital surplus rather than inclusion in the gain resulted from the accounting treatment required due to existing BlackRock repurchase commitments or programs.

For 2004, 2005 and for the nine months ended September 30, 2006, our Consolidated Income Statement included our former approximately 69% - 71% ownership interest in BlackRock’s net income through the closing date. However, beginning September 30, 2006, our Consolidated Balance Sheet no longer reflected the consolidation of BlackRock’s balance sheet but recognized our ownership interest in BlackRock as an investment accounted for under the equity method. This accounting has resulted in a reduction in certain revenue and noninterest expense categories on PNC’s Consolidated Income Statement as our share of BlackRock’s net income is now reported within asset management noninterest income.

Table of Contents

MERCANTILE BANKSHARES CORPORATION

On October 8, 2006 we entered into a definitive agreement with Mercantile Bankshares Corporation (“Mercantile”) for PNC to acquire Mercantile. Mercantile shareholders will be entitled to .4184 shares of PNC common stock and \$16.45 in cash for each share of Mercantile, or in the aggregate approximately 53 million shares of PNC common stock and \$2.1 billion in cash. Based on PNC’s recent stock prices, the transaction is valued at approximately \$6.0 billion in the aggregate.

Mercantile is a bank holding company with approximately \$18 billion in assets that provides banking and investment and wealth management services through 240 offices in Maryland, Virginia, the District of Columbia, Delaware and southeastern Pennsylvania. The transaction is expected to close in March 2007 and is subject to customary closing conditions, including regulatory approvals. See Note 13 Borrowed Funds regarding February 2007 debt issuances related to this planned acquisition.

2005

SSRM HOLDINGS, INC.

Effective January 31, 2005, BlackRock closed the acquisition of SSRM Holdings, Inc. (“SSRM”), the holding company of State Street Research & Management Company and SSR Realty Advisors Inc., from MetLife, Inc. for an adjusted purchase price of approximately \$265 million in cash and approximately 550,000 shares of BlackRock restricted class A common stock valued at \$37 million. SSRM, through its subsidiaries, actively manages stock, bond, balanced and real estate portfolios for both institutional and individual investors. Substantially all of SSRM’s operations were integrated into BlackRock as of the closing date. BlackRock acquired assets under management totaling \$50 billion in connection with this transaction.

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

RIGGS NATIONAL CORPORATION

We acquired Riggs National Corporation (“Riggs”), a Washington, D.C. based banking company, effective May 13, 2005. Under the terms of the agreement, Riggs merged into The PNC Financial Services Group, Inc. and PNC Bank,

National Association (“PNC Bank, N.A.”) acquired substantially all of the assets of Riggs Bank, National Association, the principal banking subsidiary of Riggs. The acquisition gave us a substantial presence on which to build a market leading franchise in the affluent Washington, D.C. metropolitan area. In connection with the acquisition, Riggs shareholders received an aggregate of approximately \$297 million in cash and 6.6 million shares of PNC common stock valued at \$356 million.

HARRIS WILLIAMS & CO.

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

NOTE 3 VARIABLE INTEREST ENTITIES

We are involved with various entities in the normal course of business that may be deemed to be VIEs. We consolidated certain VIEs as of December 31, 2006 and 2005 for which we were determined to be the primary beneficiary.

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 Liabilities	PNC Risk of Loss
December 31, 2006			
Market Street	\$ 4,020	\$ 4,020	\$ 6,117(a)
Collateralized debt obligations	815	570	22
Partnership interests in low income housing projects	33	30	8
Total	\$ 4,868	\$ 4,620	\$ 6,147
December 31, 2005			
Collateralized debt obligations (b)	\$ 6,290	\$ 5,491	\$ 51
Private investment funds (b)	5,186	1,051	13
Market Street	3,519	3,519	5,089 (a)
Partnership interests in low income housing projects	35	29	2
Total	\$15,030	\$10,090	\$ 5,155

(a) PNC’s risk of loss consists of off-balance sheet liquidity commitments to Market Street of \$5.6 billion and other credit enhancements of \$.6 billion at December 31, 2006. The comparable amounts at December 31, 2005 were \$4.6 billion and \$.4 billion, respectively.

(b) Primarily held by BlackRock. We deconsolidated BlackRock effective September 29, 2006. See Note 2 Acquisitions for additional information. Includes both PNC’s direct risk of loss and BlackRock’s risk of loss, limited to PNC’s ownership interest in BlackRock.

Table of Contents

The aggregate assets and liabilities of VIEs that we have consolidated in our financial statements are as follows:

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Liabilities
December 31, 2006		
Partnership interests in low income housing projects	\$ 834	\$ 834
Total	\$ 834	\$ 834
December 31, 2005		
Partnership interests in low income housing projects	\$ 680	\$ 680
Other	12	10
Total	\$ 692	\$ 690

MARKET STREET

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

PNC Bank, N.A. provides certain administrative services, a portion of the program-level credit enhancement and the majority of liquidity facilities to Market Street in exchange for fees negotiated based on market rates. All of Market Street’s assets at December 31, 2006 and 2005 collateralize the commercial paper obligations. PNC views its credit exposure for the Market Street transactions as limited. Facilities requiring PNC to fund for defaulted assets totaled \$850 million at December 31, 2006. For 85% of the liquidity facilities at December 31, 2006, PNC is not required to fund if the assets are in default. PNC may be liable for funding under liquidity facilities for events such as borrower bankruptcies, collateral deficiencies or covenant violations. Additionally, PNC’s obligations under the liquidity facilities are secondary to the risk of first loss provided by the borrower or another third party in the form of deal-specific credit enhancement – for example, by the over collateralization of the assets. Deal-specific credit enhancement that supports the commercial paper issued by Market Street is generally structured to cover a multiple of the expected historical losses for the pool of assets and is sized to generally meet rating agency standards for comparably structured transactions. Credit enhancement is provided in part by PNC Bank, N.A. in the form of a cash collateral account that is funded by a loan facility that expires March 25, 2011. See Note 7 Loans, Commitments To Extend Credit and Concentrations of Credit Risk and Note 24 Commitments and Guarantees for additional information.

Neither creditors nor equity investors in Market Street have any recourse to our general credit. PNC accrued program administrator fees and commitment fees related to PNC’s portion of the liquidity facilities of \$11.3 million and \$3.7 million, respectively, for the year ended December 31, 2006.

Under the provisions of FASB Interpretation No. 46, “Consolidation of Variable Interest Entities (“FIN 46”), we consolidated Market Street effective July 1, 2003 as we were deemed the primary beneficiary of Market Street. In October 2005, Market Street was restructured as a limited liability company and entered into a subordinated Note Purchase Agreement (“Note”) with an unrelated third party. Consistent with other market participants PNC elected to restructure Market Street and Market Street issued the Note for the primary purpose of providing our customers access to the asset-backed commercial paper markets in a more capital-efficient manner.

The Note provides first loss coverage whereby the investor absorbs losses up to the amount of the Note, which is \$5.7 million as of December 31, 2006. The Note has an original maturity of eight years and bears interest at 18% with any default-related interest/fees charged by Market Street on specific transactions accruing to the benefit of the Note holder. Proceeds from the issuance of the Note were placed in a first loss reserve account that may be used to reimburse any losses incurred by Market Street, PNC Bank, N.A. or other providers under the liquidity facilities and the credit enhancement arrangements.

As a result of the Note issuance, we reevaluated whether PNC continued to be the primary beneficiary of Market Street under the provisions of FIN 46R. PNC evaluated the design of Market Street, its capital structure and relationships among the variable interest holders. PNC also performed a quantitative analysis, which computes and allocates expected loss or residual returns to variable interest holders. PNC considered variability generated from the risks specific to Market Street such as expected credit losses, facility pricing (including default-related pricing), and fee volatility in determining that the Note investor absorbed the majority of the expected variability and therefore is the primary beneficiary and required to consolidate Market Street. Based on this analysis, we determined that we were no longer the primary beneficiary and deconsolidated Market Street from our Consolidated Balance Sheet effective October 17, 2005.

As required under FIN 46R, reconsideration events such as changes in the Note contractual terms, additional Note investors and or changes in the inherent Market Street risks would trigger PNC to determine if the primary beneficiary has changed.

LOW INCOME HOUSING PROJECTS

We make certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (“LIHTC”) pursuant to

Table of Contents

Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings and to assist us in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development and operation of multi-family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity, with equity typically comprising 30% to 60% of the total project capital.

We consolidated those LIHTC investments in which we own a majority of the limited partnership interests. We also consolidated entities in which we, as a national syndicator of affordable housing equity, serve as the general partner (together with the aforementioned LIHTC investments), and no other entity owns a majority of the limited partnership interests. In these syndication transactions, we create funds in which our subsidiary is the general partner and sells limited partnership interests to third parties, and in some cases may also purchase a limited partnership interest in the fund. The fund's limited partners can generally remove the general partner without cause at any time. The purpose of this business is to generate income from the syndication of these funds and to generate servicing fees by managing the funds. General partner activities include selecting, evaluating, structuring, negotiating, and closing the fund investments in operating limited partnerships, as well as oversight of the ongoing operations of the fund portfolio. The assets are primarily included in Equity Investments on our Consolidated Balance Sheet. Neither creditors nor equity investors in the LIHTC investments have any recourse to our general credit. The consolidated aggregate assets and debt of these LIHTC investments are provided in the Consolidated VIEs – PNC Is Primary Beneficiary table and reflected in the Corporate & Institutional Banking business segment.

We have a significant variable interest in certain other limited partnerships that sponsor affordable housing projects. We do not own a majority of the limited partnership interests in these entities and are not the primary beneficiary. We use the equity method to account for our investment in these entities. Information regarding these partnership interests is reflected in the Non-Consolidated VIEs – Significant Variable Interests table.

We also have subsidiaries that invest in and act as the investment manager for private equity funds organized as limited partnerships as part of our equity management activities. The funds invest 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 these entities pending further action by the FASB. Information on these entities follows:

Investment Company Accounting – Deferred Application

In millions	Aggregate Assets	Aggregate Equity	PNC Risk of Loss
Private Equity Funds			
December 31, 2006	\$ 102	\$ 102	\$ 104
December 31, 2005	\$ 109	\$ 109	\$ 35

PNC's risk of loss in the tables above includes both the value of our equity investments and any unfunded commitments to the respective entities.

PERPETUAL TRUST SECURITIES

In December 2006, one of our indirect subsidiaries, PNC REIT Corp., sold \$500 million of 6.517% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities (the "Trust Securities") of PNC Preferred Funding Trust I, in a private placement. PNC REIT Corp. had previously acquired the Trust Securities from the trust in exchange for an equivalent amount of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Securities (the "LLC Preferred Securities"), of PNC Preferred Funding LLC, (the "LLC"), held by PNC REIT Corp. The LLC's initial material assets consist of indirect interests in mortgages and mortgage-related assets previously owned by PNC REIT Corp.

PNC REIT Corp. also owns 100% of the LLC's common voting securities. As a result, the LLC is an indirect subsidiary of PNC Bank, N.A. and is consolidated on our Consolidated Balance Sheet. PNC Preferred Funding Trust I's investment in the LLC Preferred Securities is characterized as a minority interest on our Consolidated Balance Sheet since we are not the primary beneficiary of PNC Preferred Funding Trust I. This minority interest totaled \$490 million at December 31, 2006.

NOTE 4 REGULATORY MATTERS

We are subject to the regulations of certain federal and state agencies and undergo periodic examinations by such regulatory authorities.

The access to and cost of funding new business initiatives including acquisitions, the ability to pay dividends, the level of deposit insurance costs, and the level and nature of regulatory oversight depend, in large part, on a financial institution's capital strength. The minimum regulatory capital ratios are 4% for tier 1 risk-based, 8% for total risk-based and 4% for leverage. However, regulators may require higher capital levels when particular circumstances warrant. To qualify as "well capitalized," regulators require banks to maintain capital ratios of at least 6% for tier 1 risk-based, 10% for total risk-based and 5% for leverage. At December 31, 2006 and December 31, 2005, each of our bank subsidiaries met the "well capitalized" capital ratio requirements. We believe our bank subsidiaries will continue to meet these requirements in 2007.

Table of Contents

The following table sets forth regulatory capital ratios for PNC and its only significant bank subsidiary, PNC Bank, N.A.

Regulatory Capital

December 31 Dollars in millions	Amount		Ratios	
	2006	2005	2006	2005
Risk-based capital				
Tier 1				
PNC	\$ 8,924	\$6,364	10.4%	8.3%
PNC Bank, N.A.	6,159	5,694	8.0	8.0
Total				
PNC	11,559	9,277	13.5	12.1
PNC Bank, N.A.	8,541	8,189	11.1	11.5
Leverage				
PNC	NM	NM	9.3	7.2
PNC Bank, N.A.	NM	NM	7.2	7.0

NM - Not Meaningful

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. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately \$625 million at December 31, 2006.

Under federal law, bank subsidiaries generally may not extend credit to the parent company or its non-bank subsidiaries on terms and under circumstances that are not substantially the same as comparable extensions of credit to nonaffiliates. No extension of credit may be made to the parent company or a non-bank subsidiary which is in excess of 10% of the capital stock and surplus of such bank subsidiary or in excess of 20% of the capital and surplus of such bank subsidiary as to aggregate extensions of credit to the parent company and its non-bank subsidiaries. Such extensions of credit, with limited exceptions, must be fully collateralized by certain specified assets. In certain circumstances, federal regulatory authorities may impose more restrictive limitations.

Federal Reserve Board regulations require depository institutions to maintain cash reserves with the Federal Reserve Bank ("FRB"). During 2006, subsidiary banks maintained reserves which averaged \$203 million.

NOTE 5 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. The bank defendants, including the PNC defendants, have entered into a settlement of the consolidated class action referred to above. This settlement was approved by the district court in November 2006. In December 2006, a group of class members appealed the order approving the settlement agreement to the United States Court of Appeals for the Second Circuit. The amount for which we would be responsible under this settlement is insignificant. 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 the remaining 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 the remaining lawsuits other than the one for which a settlement is pending. It is not possible to determine what the likely aggregate recoveries on the part of the plaintiffs in these remaining 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.

In April 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

Table of Contents

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. In November 2005, the court granted our motion to dismiss the amended complaint. Plaintiffs appealed this ruling to the United States Court of Appeals for the Third Circuit, which affirmed the district court ruling in an opinion dated January 30, 2007. On February 13, 2007, plaintiffs filed in the court of appeals a petition for rehearing. Plaintiffs may seek further judicial review of the dismissal of their complaint.

In March 2006, a first amended complaint was filed in the United States District Court for the Eastern District of Texas by Data Treasury Corporation against PNC and PNC Bank, N.A., as well as more than 50 other financial institutions, vendors, and other companies, claiming that the defendants are infringing, and inducing or contributing to the infringement of, the plaintiff's patents, which allegedly involve check imaging, storage and transfer. The plaintiff seeks unspecified damages and interest and trebling of both, attorneys' fees and other expenses, and injunctive relief against the alleged infringement. We are not in a position to assess the likely outcome of this matter, including our exposure, if any. We believe that we have defenses to the claims against us in this lawsuit and intend to defend it vigorously. In January 2007, the district court entered an order staying the claims asserted against PNC under two of the four patents allegedly infringed by PNC, pending reexamination of these patents by the United States Patent and Trademark Office. The lawsuit will proceed with respect to the other two patents. Further, the stay may be lifted once the Patent and Trademark Office completes its reexamination.

In August 2006, a lawsuit was filed in the United States District Court for the Eastern District of Texas by Ronald A. Katz Technology Licensing L. P. ("RAKTL") against PNC, PNC Bank, N.A., and other defendants. In September 2006, this lawsuit was divided into separate actions, and amended complaints were then filed, one of which was against PNC and PNC Bank, N.A. This lawsuit is one of many related RAKTL patent infringement actions pending in various federal district courts against a large number of defendants. Each of the actions involves a single family of related patents that RAKTL refers to as the "interactive call processing patents." The amended complaint alleged that PNC and PNC Bank, N.A. are infringing, and inducing or contributing to the infringement of, certain of the plaintiff's patents. In January 2007, the court dismissed the lawsuit against PNC following a settlement under which PNC and its affiliates received a non-exclusive license covering patents held by RAKTL. As part of the

settlement, we agreed to pay a licensing fee to RAKTL. The amount of the fee is not material to PNC.

In its Form 10-Q for the quarter ended March 31, 2005, Riggs disclosed a number of pending lawsuits. All material lawsuits have been finally resolved, except one where a settlement agreement has been reached, subject to final documentation. The pending settlement is not material to PNC.

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. These pending proceedings or other matters are described below. 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 referred to below. 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 settlements are described below, following a description of each of these pending proceedings and other matters.

The several putative class action complaints filed during 2002 in the United States District Court for the Western District of Pennsylvania arising out of the PAGIC transactions were consolidated in a consolidated class action complaint brought on behalf of purchasers of our common stock between July 19, 2001 and July 18, 2002 (the "Class Period"). The consolidated class action complaint names PNC, our Chairman and Chief Executive Officer, our former Chief Financial Officer, our Controller, and our independent auditors for 2001 as defendants and seeks unquantified damages, interest, attorneys' fees and other expenses. The consolidated class action complaint alleges violations of federal securities laws related to disclosures regarding the PAGIC transactions and related matters.

Table of Contents

In August 2002, the United States Department of Labor began a formal investigation of the Administrative Committee of our Incentive Savings Plan (“Plan”) in connection with the Administrative Committee’s conduct relating to our common stock held by the Plan. Both the Administrative Committee and PNC have cooperated fully with the investigation. In June 2003, the Administrative Committee retained Independent Fiduciary Services, Inc. (“IFS”) to serve as an independent fiduciary charged with the exclusive authority and responsibility to act on behalf of the Plan in connection with the pending securities class action litigation referred to above and to evaluate any legal rights the Plan might have against any parties relating to the PAGIC transactions. This authority includes representing the Plan’s interests in connection with the Restitution Fund set up under the Deferred Prosecution Agreement. The Department of Labor has communicated with IFS in connection with the engagement.

We received a letter in June 2003 on behalf of an alleged shareholder demanding that we take appropriate legal action against our Chairman and Chief Executive Officer, our former Chief Financial Officer, and our Controller, as well as any other individuals or entities allegedly responsible for causing damage to PNC as a result of the PAGIC transactions. The Board referred this matter to a special committee of the Board for evaluation. The special committee completed its evaluation and reported its findings to the Board of Directors and to counsel for the alleged shareholder. The special committee recommended against bringing any claims against our current or former executive officers but made certain recommendations with respect to resolution of potential claims we had with respect to certain other third parties.

In July 2003, the lead underwriter on our Executive Blended Risk insurance coverage filed a lawsuit for a declaratory judgment against PNC and PNC ICLC in the United States District Court for the Western District of Pennsylvania. The complaint seeks a determination that the defendants breached the terms and conditions of the policy and, as a result, the policy does not provide coverage for any loss relating to or arising out of the Department of Justice investigation or the PAGIC transactions. Alternatively, the complaint seeks a determination that the policy does not provide coverage for the payments made pursuant to the Deferred Prosecution Agreement. The complaint also seeks attorneys’ fees and costs. In July 2004, the court granted our motion to stay the action until resolution of the claims against PNC in the pending consolidated class action described above.

In December 2004, we entered into a tentative settlement of the consolidated class action. In March 2005, the parties filed a stipulation of settlement of this lawsuit with the United States District Court for the Western District of Pennsylvania. This settlement also covered claims by the plaintiffs against AIG Financial Products and others related to the PAGIC transactions.

In July 2006, the district court approved this settlement. The defendant in that class action not participating in this

settlement, our former independent auditors for the years ended 2001 and before, had objected to it and, on August 10, 2006, appealed the decision of the district court approving the settlement to the United States Court of Appeals for the Third Circuit.

On December 20, 2006, our former independent auditors for the years ended 2001 and before filed with the district court a tentative settlement agreement with the plaintiffs regarding the plaintiffs’ claims against it. This tentative settlement remains subject to court approval. If this tentative settlement agreement is finally approved by the court and after it becomes effective, this defendant will dismiss its appeal of the court’s approval of our settlement, which would then become final.

In December 2004, we also settled all claims between us, on the one hand, and AIG Financial Products and its affiliate, American International Surplus Lines Insurance Company (“AISLIC”), on the other hand, related to the PAGIC transactions. AIG Financial Products was our counterparty in the PAGIC transactions, and AISLIC is one of the insurers under our Executive Blended Risk insurance coverage. Subsequently, we settled claims against two of the other insurers under our Executive Blended Risk insurance coverage, as described below. Each of the amounts in these settlements represents a portion of the insurer’s share of our overall claim against our insurers with respect to any amounts disbursed out of the Restitution Fund. We are preserving our claim against our insurers with which we have not settled.

The following are the key elements of these settlements that remain conditional at present, pending resolution of the appeal of the district court’s approval of the settlement of the consolidated class action:

- Payments into Settlement Fund. The insurers under our Executive Blended Risk insurance coverage have funded \$30 million to be used for the benefit of the class. Third parties have funded additional amounts to be used for the same purpose. The plaintiffs have been in contact with Mr. Fryman, the administrator of the Restitution Fund, and intend to coordinate the administration and distribution of these settlement funds with the distribution of the Restitution Fund. Neither PNC nor any of our current or former officers, directors or employees will be required to contribute any funds to this settlement.
- Assignment of Claims. We have assigned to the plaintiffs claims we may have against our former independent auditors for the years ended 2001 and before and all other unaffiliated third parties (other than AIG Financial Products and its predecessors, successors, parents, subsidiaries, affiliates and their respective directors, officers and employees (collectively, “AIG”)) relating to the subject matter of this lawsuit.

Table of Contents

- Insurance Claims. In March 2005, we settled our claim against one of our insurers under our Executive Blended Risk insurance coverage related to our contribution of \$90 million to the Restitution Fund. Under this settlement, the insurer has paid us \$11.25 million, but we are obligated to return this amount if the settlement of the consolidated class action referred to above does not receive court approval does not become effective or becomes unenforceable. The amount of this settlement will not be recognized in our income statement until the potential obligation to return the funds has been eliminated. This settlement was in addition to settlements with AISLIC in December 2004 and with another of our insurers under the Executive Blended Risk policy in January 2005.
- Other Claims. In connection with the settlement of the consolidated class action, the claims of IFS on behalf of our Incentive Savings Plan and its participants are being resolved and the class covered by the settlement has been expanded to include participants in the Plan. The Department of Labor is not, however, a party to this settlement and thus the settlement does not necessarily resolve its investigation. In addition, the derivative claims asserted by one of our putative shareholders and any other derivative demands that may be filed in connection with the PAGIC transactions are being resolved as a result of the settlement of the consolidated class action.
- Releases. We are releasing the insurers providing our Executive Blended Risk insurance coverage from any further liability to PNC arising out of the events that gave rise to the consolidated class action, except for the claims against these insurers (other than those with whom we have settled) relating to the \$90 million payment to the Restitution Fund. In addition, PNC and AIG are releasing each other with respect to all claims between us arising out of the PAGIC transactions.

We will be responsible for the costs of administering the settlement and the Restitution Fund and may incur additional costs in the future in connection with the advancement of expenses and/or indemnification obligations related to the subject matter of this lawsuit. We do not expect such costs to be material.

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, as a result of the regulated nature of our business and that of a number of our subsidiaries, particularly in the banking and securities areas, we and our subsidiaries are the subject from time to time of investigations and other forms of regulatory inquiry, often as part of industry-wide regulatory reviews of specified activities. Our practice is to cooperate fully with these investigations and inquiries.

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.

NOTE 6 SECURITIES

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2006				
SECURITIES AVAILABLE FOR SALE (a)				
Debt securities				
U.S. Treasury and government agencies	\$611		\$(3)	\$608
Mortgage-backed	17,325	\$39	(156)	17,208
Commercial mortgage-backed	3,231	13	(25)	3,219
Asset-backed	1,615	3	(9)	1,609
State and municipal	140	1	(2)	139
Other debt	90		(3)	87
Total debt securities	23,012	56	(198)	22,870
Corporate stocks and other	321	1	(1)	321
Total securities available for sale	\$23,333	\$57	\$(199)	\$23,191
December 31, 2005				
SECURITIES AVAILABLE FOR SALE (a)				
Debt securities				
U.S. Treasury and government agencies	\$3,816		\$(72)	\$3,744
Mortgage-backed	13,794	\$1	(251)	13,544
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
December 31, 2004				
SECURITIES AVAILABLE FOR SALE (a)				
Debt securities				
U.S. Treasury and government agencies	\$4,735		\$(13)	\$4,722
Mortgage-backed	8,506	\$9	(82)	8,433
Commercial mortgage-backed	1,380	5	(15)	1,370
Asset-backed	1,910	5	(14)	1,901
State and municipal	175	2	(1)	176
Other debt	33			33
Total debt securities	16,739	21	(125)	16,635
Corporate stocks and other	123	2		125
Total securities available for sale	\$16,862	\$23	\$(125)	\$16,760

(a) Securities held to maturity at December 31, 2006 and December 31, 2005 totaled less than \$.5 million and at December 31, 2004 totaled \$1 million.

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

At December 31, 2006 and 2005, our most significant concentration of credit risk related to investments issued by the US government and its agencies. This exposure amounted to \$.6 billion at December 31, 2006 and \$.37 billion at December 31, 2005.

The fair value of securities available for sale generally decreases when interest rates increase and vice versa. Net unrealized gains and losses in the securities available for sale portfolio are included in shareholders' equity as accumulated other comprehensive income or loss, net of tax.

The expected weighted-average life of securities available for sale was 3 years and 8 months at December 31, 2006, 4 years and 1 month at December 31, 2005, and 2 years and 8 months at December 31, 2004.

During mid-August through early September 2006, we performed a comprehensive review of our securities available for sale portfolio and, by the end of September 2006, completed the process of executing portfolio rebalancing actions in response to the changing economic landscape, recent statements and actions by the Federal Open Market Committee (in particular, the decision not to raise the federal funds target rate), and our desire to position the securities portfolio to optimize total return performance over the long term.

Table of Contents

As a result, we repositioned our securities portfolio according to our market views. This included reallocating exposure to certain sectors, selling securities holdings we believed would likely underperform on a relative value basis, and retaining certain existing securities and purchasing incremental securities all of which we believe will outperform the market going forward as further discussed below.

As part of the rebalancing, we assessed the entire securities available for sale portfolio of which, for the majority of positions, fair value was less than amortized cost. We executed a strategy to reduce our US government agency and mortgage-backed security sector allocations and increase our interest rate swap sector allocation. We sold substantially all of our US government agency securities to reduce our interest rate spread exposure to that asset class. The US government agency securities that we retained are characterized by relatively short terms to maturity and smaller individual security balances. We also sold specific securities in the mortgage-backed portfolio (i.e., all of our holdings of specific coupon US government agency pass-through securities and collateralized mortgage obligations having specific collateral characteristics), and in the commercial mortgage-backed portfolio (i.e., all of our holdings of specific vintage securities) that we believe, given the underlying collateral, will underperform on a relative value basis. We retained the remaining holdings in our mortgage-backed portfolio including all of our holdings of mortgage-backed securities

collateralized by hybrid adjustable rate mortgage loans, our commercial mortgage-backed portfolio and our asset-backed portfolio. Our objective was to reduce the portfolio credit spread and interest rate volatility exposures, to position the portfolio for a steeper yield curve and to optimize the relative value performance of the portfolio. We assessed the securities retained relative to the same portfolio objectives, our market view and outlook, our desired sector allocations and our expectation of performance relative to market benchmarks, and, given our assessment, we confirmed our intent to hold these remaining securities until either recovery of fair value or maturity.

The portfolio rebalancing resulted in the sale during the third quarter of 2006 of \$6.0 billion of securities available for sale at an aggregate pretax loss of \$196 million, or \$127 million after-tax. In connection with this rebalancing, we purchased approximately \$1.8 billion of securities and added approximately \$4.0 billion of interest rate swaps to maintain our interest rate risk position. We also reduced wholesale funding as a result of the actions taken.

The resulting net realized losses on the sale of the securities during the third quarter of 2006 were previously reflected as net unrealized securities losses within accumulated other comprehensive loss in the shareholders' equity section of PNC's Consolidated Balance Sheet. Accordingly, total shareholders' equity did not change as a result of these actions.

The following table presents unrealized loss and fair value of securities at December 31, 2006 and December 31, 2005 for which an other-than-temporary impairment has not been recognized. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more.

In millions December 31, 2006	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
Securities available for sale						
Debt securities						
U.S. Treasury and government agencies		\$15	\$(3)	\$302	\$(3)	\$317
Mortgage-backed	\$(8)	2,717	(148)	6,925	(156)	9,642
Commercial mortgage-backed	(3)	924	(22)	778	(25)	1,702
Asset-backed	(1)	414	(8)	649	(9)	1,063
State and municipal		16	(2)	88	(2)	104
Other debt		65	(3)	59	(3)	124
Total debt securities	(12)	4,151	(186)	8,801	(198)	12,952
Corporate stocks and other			(1)	10	(1)	10
Total	\$(12)	\$4,151	\$(187)	\$8,811	\$(199)	\$12,962
December 31, 2005						
Securities available for sale						
Debt securities						
U.S. Treasury and government agencies	\$(33)	\$1,898	\$(39)	\$1,553	\$(72)	\$3,451
Mortgage-backed	(161)	10,544	(90)	2,321	(251)	12,865
Commercial mortgage-backed	(29)	1,272	(8)	339	(37)	1,611
Asset-backed	(8)	835	(2)	98	(10)	933
State and municipal	(1)	58	(1)	53	(2)	111
Other debt	(1)	59		4	(1)	63
Total	\$(233)	\$14,666	\$(140)	\$4,368	\$(373)	\$19,034

Table of Contents

We do not believe any individual unrealized loss as of December 31, 2006 represents an other-than-temporary impairment. The \$156 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 issuers whose credit rating is "AAA." The \$25 million unrealized losses reported for commercial mortgage-backed securities relate primarily to fixed rate securities. The \$9 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 associated with both mortgage and asset-backed securities are attributable to changes in interest rates and not from the deterioration of the credit quality of the issuer.

Of those securities in an unrealized loss position for 12 months or more as of December 31, 2006, sixteen (eleven mortgage-backed and five state and municipal) positions with fair value totaling \$333 million had an unrealized loss of more than 5% when compared with their amortized cost. The unrealized loss on these positions totaled \$26 million and the unrealized loss amount on any individual position did not exceed \$5 million. These mortgage-backed securities are primarily collateralized mortgage obligations where amortized cost approximates the par value of the security. These securities are all rated "AAA." The aggregate unrealized loss on the state and municipal securities positions was not significant.

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2006.

Contractual Maturity Of Debt Securities

December 31, 2006 Dollars in millions	1 Year or Less	After 1 Year through 5 Years	After 5 Years through 10 Years	After 10 Years	Total
SECURITIES AVAILABLE FOR SALE					
U.S. Treasury and government agencies	\$452	\$145	\$1	\$13	\$611
Mortgage-backed	8	5	24	17,288	17,325
Commercial mortgage-backed				3,231	3,231
Asset-backed	12	84	86	1,433	1,615
State and municipal	6	60	71	3	140
Other debt	6	17	6	61	90
Total debt securities available for sale	\$484	\$311	\$188	\$22,029	\$23,012
Fair value	\$484	\$307	\$185	\$21,894	\$22,870
Weighted-average yield	4.57%	4.52%	4.95%	5.42%	5.38%

Based on current interest rates and expected prepayment speeds, the total weighted-average expected maturity of mortgage-backed securities was 3 years and 6 months, of commercial mortgage-backed securities was 5 years and 8 months and of asset-backed securities was 2 years and 5 months at December 31, 2006. Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security.

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

Securities Sold

Year ended December 31 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains (Losses)	Tax Expense (Benefit)
2006	\$11,102	\$2	\$209	\$(207)	\$(72)
2005	13,304	19	60	(41)	(14)
2004	14,206	94	39	55	19

The fair value of securities pledged to secure public and trust deposits and repurchase agreements and for other purposes was \$10.6 billion at December 31, 2006 and \$10.8 billion at December 31, 2005. The pledged securities include positions held in our portfolio of securities available for sale, trading securities that are included in other short-term investments on our Consolidated Balance Sheet, and securities accepted as collateral from others that we are permitted by contract or custom to sell or repledge.

The fair value of securities accepted as collateral that we are permitted by contract or custom to sell or repledge was \$1.4 billion at December 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. This change reflected an increase in securities sold short, included in other borrowed funds on our Consolidated Balance Sheet. Of the permitted amount, \$1.3 billion was repledged to others at December 31, 2006 and all was repledged to others at December 31, 2005.

NOTE 7 LOANS, COMMITMENTS TO EXTEND CREDIT AND CONCENTRATIONS OF CREDIT RISK

Loans outstanding were as follows:

December 31 - in millions	2006	2005
Commercial	\$20,584	\$19,325
Commercial real estate	3,532	3,162
Consumer	16,515	16,173
Residential mortgage	6,337	7,307
Lease financing	3,556	3,628
Other	376	341
Total loans	50,900	49,936
Unearned income	(795)	(835)
Total loans, net of unearned income	\$50,105	\$49,101

We realized net gains from sales of commercial mortgages of \$55 million in 2006, \$61 million in 2005 and \$50 million in 2004. Gains on sales of education loans totaled \$33 million in 2006, \$19 million in 2005 and \$30 million in 2004. Net gains in excess of valuation adjustments related to the liquidation of our institutional loans held for sale totaled \$7 million in 2005 and \$52 million in 2004.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect groups of counterparties whose aggregate exposure is material in relation to our total credit exposure. Loans outstanding and related unfunded commitments are concentrated in our primary geographic markets. At December 31, 2006, no specific industry concentration exceeded 3% of total commercial loans outstanding and unfunded commitments.

In the normal course of business, we originate or purchase loan products whose contractual features, when concentrated, may increase our exposure as a holder and servicer of those loan products. Possible product terms and features that may create a concentration of credit risk would include loan products whose terms permit negative amortization, a high loan-to-value ratio, features that may expose the borrower to future increases in repayments above increases in market interest rates, below-market interest rates and interest-only loans, among others.

We originate interest-only loans to commercial borrowers. These products are standard in the financial services industry and the features of these products are considered during the underwriting process to mitigate the increased risk of this product feature that may result in borrowers not being able to make interest and principal payments when due. We do not believe that these product features create a concentration of credit risk.

We also originate home equity loans and lines of credit that result in a credit concentration of high loan-to-value ratio loan products at the time of origination. In addition, these loans are concentrated in our primary geographic markets as discussed above. At December 31, 2006, \$5.8 billion of the \$15.4 billion of home equity and other consumer loans (included in "Consumer" in the table above) had a loan-to-value ratio greater than 80%. These loans are collateralized primarily by 1-4 family residential properties. As part of our asset and liability management activities, we also periodically purchase residential mortgage loans that are collateralized by 1-4 family residential properties. At December 31, 2006, \$2.6 billion of the \$6.3 billion of residential mortgage loans were interest-only loans.

During the third quarter of 2006, we announced our plan to sell or securitize approximately \$2.1 billion of loans from our residential mortgage portfolio. These transactions were substantially consummated during the fourth quarter of 2006. In accordance with GAAP, these loans were transferred to loans held for sale as of September 30, 2006. We recognized a pretax loss in the third quarter of 2006 of \$48 million as a reduction of noninterest income, representing the mark to market valuation of these loans upon transfer to held for sale status. This loss, which is reported in the "Other" business segment, represented the decline in value of the loans almost entirely from the impact of increases in interest rates over the holding period.

[Table of Contents](#)

Net Unfunded Credit Commitments

December 31 - in millions	2006	2005
Commercial	\$31,009	\$27,774
Consumer	10,495	9,471
Commercial real estate	2,752	2,337
Other	579	596
Total	\$44,835	\$40,178

Commitments to extend credit represent arrangements to lend funds subject to specified contractual conditions. At December 31, 2006, commercial commitments are reported net of \$8.3 billion of participations, assignments and syndications, primarily to financial services companies. The comparable amount at December 31, 2005 was \$6.7 billion. Commitments generally have fixed expiration dates, may require payment of a fee, and contain termination clauses in the event the customer's credit quality deteriorates. Based on our historical experience, most commitments expire unfunded, and therefore cash requirements are substantially less than the total commitment. Consumer home equity lines of credit accounted for 74% of consumer unfunded credit commitments.

As a result of deconsolidating Market Street in October 2005, amounts related to Market Street were considered third party unfunded commitments at December 31, 2006 and 2005. These unfunded credit commitments totaled \$5.6 billion at December 31, 2006 and \$4.6 billion at December 31, 2005 and are included in the preceding table primarily within the "Commercial" and "Consumer" categories.

Net outstanding standby letters of credit totaled \$4.4 billion at December 31, 2006 and \$4.2 billion at December 31, 2005.

Standby letters of credit commit us to make payments on behalf of customers if certain specified future events occur. Such instruments are typically issued to support industrial revenue bonds, commercial paper, and bid-or-performance related contracts. Maturities for standby letters of credit ranged from 2007 to 2017. See Note 24 Commitments and Guarantees for additional information.

At December 31, 2006, the largest industry concentration was for general medical and surgical hospitals, which accounted for approximately 5% of the total letters of credit and bankers' acceptances.

At December 31, 2006, we pledged \$1.3 billion of loans to the FRB and \$24.1 billion of loans to the Federal Home Loan Bank ("FHLB") as collateral for the contingent ability to borrow, if necessary.

Certain directors and executive officers of PNC and its subsidiaries, as well as certain affiliated companies of these directors and officers, were customers of and had loans with subsidiary banks in the ordinary course of business. All such loans were on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and did not involve more than a normal risk of collectibility or present other unfavorable features. The aggregate principal amounts of these loans were \$18 million at December 31, 2006 and \$21 million at December 31, 2005. During 2006, new loans of \$58 million were funded and repayments totaled \$61 million.

Table of Contents

NOTE 8 ASSET QUALITY

The following table sets forth nonperforming assets and related information:

December 31 - dollars in millions	2006	2005
Nonaccrual loans		
Commercial	\$109	\$134
Commercial real estate	12	14
Consumer	13	10
Residential mortgage	12	15
Lease financing	1	17
Total nonaccrual loans	\$147	\$190
Total nonperforming loans	147	190
Nonperforming loans held for sale (a)		1
Foreclosed and other assets		
Lease	12	13
Residential mortgage	10	9
Other	2	3
Total foreclosed and other assets	24	25
Total nonperforming assets (b)	\$171	\$216
Nonperforming loans to total loans	.29%	.39%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.33	.42
Nonperforming assets to total assets	.17	.23
Interest on nonperforming loans		
Computed on original terms	\$15	\$16
Recognized	4	5
Past due loans		
Accruing loans past due 90 days or more	\$50	\$46
As a percentage of total loans	.10%	.09%
Past due loans held for sale		
Accruing loans held for sale past due 90 days or more	\$9	\$47
As a percentage of total loans held for sale	.38%	1.92%

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

(b) Excludes equity management assets that are carried at estimated fair value of \$11 million (including \$4 million of troubled debt restructured assets) at December 31, 2006 and \$25 million (including \$7 million of troubled debt restructured assets) at December 31, 2005.

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

In millions	2006	2005	2004
January 1	\$596	\$607	\$632
Charge-offs	(180)	(129)	(166)
Recoveries (a)	40	99	51
Net charge-offs (a)	(140)	(30)	(115)
Provision for credit losses	124	21	52
Acquired allowance (b)		23	22
Net change in allowance for unfunded loan commitments and letters of credit	(20)	(25)	16
December 31	\$560	\$596	\$607

(a) Amounts for 2005 reflect the impact of a \$53 million loan recovery in that year.

(b) Riggs in 2005 and United National Bancorp in 2004.

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

In millions	2006	2005	2004
Allowance at January 1	\$100	\$75	\$91
Net change in allowance for unfunded loan commitments and letters of credit	20	25	(16)
December 31	\$120	\$100	\$75

All nonperforming loans at December 31, 2006 and 2005 are considered impaired under SFAS 114. Of these totals, impaired loans amounting to \$121 million at December 31, 2006 and \$148 million at December 31, 2005 had a corresponding specific allowance for loan and lease losses of \$32 million and \$37 million, respectively. The average balance of impaired loans was \$147 million in 2006, \$106 million in 2005 and \$141 million in 2004. We did not recognize any interest income on impaired loans in 2006, 2005 or 2004.

Loans 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 \$41 million at December 31, 2006 compared with \$67 million at December 31, 2005. Approximately 59% of these loans are in the Corporate & Institutional Banking portfolio.

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

A summary of the changes in goodwill by business segment during 2006 follows:

Goodwill

In millions	Dec. 31 2005	Additions/ Adjustments	Dec. 31 2006
Retail Banking	\$1,471	\$(5)	\$1,466
Corporate & Institutional Banking	935	3	938
BlackRock	190	(160)	30
PFPC	968		968
Other	55	(55)	
Total	\$3,619	\$(217)	\$3,402

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

Other Intangible Assets

December 31 - in millions	2006	2005
Customer-related and other intangibles		
Gross carrying amount (a)	\$342	\$646
Accumulated amortization	(178)	(143)
Net carrying amount	\$164	\$503
Mortgage and other loan servicing rights		
Gross carrying amount	\$689	\$511
Accumulated amortization	(212)	(167)
Net carrying amount	\$477	\$344
Total	\$641	\$847

(a) Amounts for 2006 were reduced by \$305 million related to the BlackRock deconsolidation. See Note 2 Acquisitions for additional information regarding our deconsolidation of BlackRock effective September 29, 2006.

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 less than one year to 11 years, with a weighted-average remaining useful life of approximately 5 years. Our mortgage and other loan servicing rights are amortized primarily over a period of five to 10 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 during 2006 follows:

Changes in Goodwill and Other Intangibles

In millions	Goodwill	Customer- Related	Servicing Rights
December 31, 2005	\$3,619	\$503	\$344
Additions/adjustments:			
BlackRock (a)	(190)	(305)	
BlackRock stock activity, net	(25)		
Retail Banking	(5)		2
Other			4
Corporate & Institutional Banking	3	1	172
Reduction in accumulated amortization			2
Amortization (b)		(35)	(47)
December 31, 2006	\$3,402	\$164	\$477

(a) Reflects our deconsolidation of BlackRock. See also note (a) under the "Other Intangible Assets" table.

(b) Amount is net of \$17 million of accumulated amortization that was eliminated during the third quarter of 2006 in connection with the deconsolidation of BlackRock.

Our investment in BlackRock changes when BlackRock repurchases its shares in the open market or issues shares for an acquisition or pursuant to its employee compensation plans. We recognize goodwill when 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 recognized a net reduction to goodwill of approximately \$25 million related to BlackRock stock activity, primarily due to the decrease in our ownership interest in BlackRock from approximately 69% to approximately 34% as a result of the BlackRock/MLIM transaction in 2006. The reduction in goodwill reduced the gain realized by PNC from the transaction.

Servicing revenue from both commercial and residential mortgage servicing assets and liabilities generated contractually specified servicing fees, net interest income from servicing portfolio deposit balances and ancillary fees totaling \$139 million for the year ended December 31, 2006. We also generate servicing revenue from fee-based activities provided to others.

Amortization expense on intangible assets for 2006, 2005 and 2004 was \$99 million, \$74 million and \$52 million, respectively. Amortization expense on existing intangible assets for 2007 through 2011 is estimated to be as follows:

- 2007: \$100 million,
- 2008: \$91 million,
- 2009: \$85 million,
- 2010: \$67 million, and
- 2011: \$53 million.

We conduct a goodwill impairment test on our reporting units at least annually or more frequently if any adverse triggering

Table of Contents

events occur. Based on this review, no adjustment for goodwill impairment was deemed necessary for 2006. The fair value of our reporting units is determined by using discounted cash flow and market comparability methodologies.

NOTE 10 PREMISES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Premises, equipment and leasehold improvements, stated at cost less accumulated depreciation and amortization, were as follows:

December 31 - in millions	2006	2005
Land	\$187	\$186
Buildings	937	881
Equipment	1,771	1,735
Leasehold improvements	385	453
Total	3,280	3,255
Accumulated depreciation and amortization	(1,578)	(1,538)
Net book value	\$1,702	\$1,717

Depreciation expense on premises, equipment and leasehold improvements totaled \$180 million in 2006, \$192 million in 2005 and \$159 million in 2004. Amortization expense, primarily for capitalized internally developed software, was \$44 million in 2006 and \$43 million for both 2005 and 2004.

We lease certain facilities and equipment under agreements expiring at various dates through the year 2071. We account for substantially all such leases as operating leases. Rental expense on such leases amounted to \$193 million in 2006, \$189 million in 2005 and \$174 million in 2004.

Required minimum annual rentals that we owe on noncancelable leases having initial or remaining terms in excess of one year totaled \$965 million at December 31, 2006 and \$998 million at December 31, 2005. Minimum annual rentals for the years 2007 through 2012 and thereafter are as follows:

- 2007: \$140 million,
- 2008: \$125 million,
- 2009: \$108 million,
- 2010: \$94 million,
- 2011: \$84 million, and
- 2012 and thereafter: \$414 million.

NOTE 11 SECURITIZATIONS AND RETAINED INTERESTS

During 2006, 2005 and 2004, we sold commercial mortgage loans totaling \$307 million, \$284 million and \$460 million, respectively, in securitization transactions through programs with the Government National Mortgage Association ("GNMA"). The transactions and resulting receipt and subsequent sale of securities qualify as sales under the appropriate accounting criteria and resulted in pretax gains of \$8 million in 2006, \$7 million in 2005 and \$8 million in 2004. In addition to the cash proceeds from the sales transactions above, net cash flows between the securitization vehicles and

PNC, including servicing fees, in 2006, 2005 and 2004 related to those transactions were not significant.

Additionally, we sold commercial mortgage and commercial loans of \$2.9 billion in 2006, \$3.1 billion in 2005 and \$1.6 billion in 2004 for cash in other loan sales transactions. These transactions resulted in pretax gains of \$55 million in 2006, \$54 million in 2005 and \$42 million in 2004. See Note 9 Goodwill and Other Intangible Assets for additional information regarding servicing assets.

For the transactions above, we continue to perform servicing and recognized servicing assets of \$26 million in 2006, \$23 million in 2005 and \$14 million in 2004. We also purchased servicing rights for commercial mortgage loans from third parties of approximately \$150 million in 2006, \$112 million in 2005 and \$47 million in 2004.

During the fourth quarter of 2006, we sold residential mortgage loans totaling \$358 million in securitization transactions through third party programs. Additionally, we sold residential mortgage loans of \$26 million in the fourth quarter of 2006 for cash in other loan sales transactions. For these transactions, we serve as the servicer of record and recognized servicing assets of \$4 million in 2006. In accordance with SFAS 156, these servicing assets were initially measured at fair value and we have elected the fair value method to value these residential mortgage servicing assets. The changes in fair value during 2006 and the servicing fees received in 2006 were not significant.

Changes in the mortgage and other loan servicing assets were as follows:

Mortgage and Other Loan Servicing Assets

In millions	2006	2005
Balance at January 1	\$344	\$242
Additions	180	135
Retirements (a)		
Amortization expense	(47)	(33)
Balance at December 31	\$477	\$344

(a) 2006 and 2005 included \$2 million and \$25 million, respectively, of fully amortized retirements.

Assuming a prepayment speed of 7%-16% for the respective strata discounted at 8%-10%, the estimated fair value of commercial mortgage servicing rights was \$546 million at December 31, 2006. A 10% and 20% adverse change in all assumptions used to determine fair value at December 31, 2006, results in a \$33 million and \$66 million decrease in fair value, respectively. No valuation allowance was necessary at December 31, 2006 or December 31, 2005.

Assuming a prepayment speed of 12% for the respective strata discounted at 9.5%-10%, the estimated fair value of commercial loan servicing rights was \$2 million at December 31, 2006. A 10% and 20% adverse change in all assumptions used to determine fair value at December 31, 2006, results in an insignificant decrease in fair value. No valuation allowance was necessary at December 31, 2006.

Table of Contents

We also own an interest-only strip related to education loans totaling \$59 million and \$58 million, respectively, at December 31, 2006 and December 31, 2005. This strip was retained from the sales of education loans to a third party trust prior to 2003. Loans that are held by the trust supporting the value of the strip were \$88 million and \$123 million at December 31, 2006 and December 31, 2005, respectively. The principal of these loans is effectively guaranteed by the federal government. The trust related to the securitization will terminate in 2007.

NOTE 12 DEPOSITS

The aggregate amount of time deposits with a denomination of \$100,000 or more was \$8.7 billion at December 31, 2006 and \$7.1 billion at December 31, 2005.

Contractual maturities of time deposits for the years 2007 through 2012 and thereafter are as follows:

- 2007: \$16.5 billion,
- 2008: \$6 billion,
- 2009: \$4 billion,
- 2010: \$1 billion,
- 2011: \$1 billion, and
- 2012 and thereafter: \$1.3 billion.

NOTE 13 BORROWED FUNDS

Bank notes at December 31, 2006 totaling \$1.1 billion have interest rates ranging from 2.75% to 10.25% with approximately \$575 million maturing in 2007. Senior and subordinated notes consisted of the following:

December 31, 2006 Dollars in millions	Outstanding	Stated Rate	Maturity
Senior			
Exchangeable	\$ 1,000	4.96%	2036
All other	1,535	4.20%–5.34%	2008–2010
Total senior	2,535		
Subordinated			
Junior	1,074	5.94%–10.01%	2007–2033
All other	2,888	4.88%–9.65%	2007–2017
Total subordinated	3,962		
Total senior and subordinated	\$ 6,497		

Included in outstandings for the senior and subordinated notes in the table above are basis adjustments of \$13 million and \$3 million, respectively, related to fair value accounting hedges as of December 31, 2006.

Total borrowed funds at December 31, 2006 have scheduled or anticipated repayments for the years 2007 through 2012 and thereafter as follows:

- 2007: \$8.4 billion,
- 2008: \$1.4 billion,
- 2009: \$8 billion,

- 2010: \$8 billion,
- 2011: \$6 million, and
- 2012 and thereafter: \$3.6 billion.

Included in borrowed funds at December 31, 2006 are \$1 billion of Floating Rate Exchangeable Senior Notes ("Exchangeable Notes") that were issued through PNC Funding Corp ("Funding"), a subsidiary of PNC. These notes commenced on December 20, 2006 and are due December 20, 2036. Interest will be paid at a floating rate equal to 3-month LIBOR, reset quarterly, minus 40 basis points, quarterly in arrears, provided that such interest rate will never be less than 0% per annum. The Exchangeable Notes are guaranteed by PNC.

Holders may exchange the Exchangeable Notes for, as specified by Funding, shares of PNC common stock, cash, or a combination of shares and cash at any time on or prior to maturity based on an initial exchange price per share of approximately \$128.56, subject to adjustment. Holders have the right to require PNC to repurchase all or a portion of the Exchangeable Notes on December 20, 2007 and periodically thereafter for an amount equal to 100% of the principal plus accrued and unpaid interest. Beginning on December 26, 2007, PNC may redeem the Exchangeable Notes in whole at any time, or in part from time to time, for an amount equal to 100% of the principal plus accrued and unpaid interest.

In connection with the issuance of the Exchangeable Notes, PNC entered into a Registration Rights Agreement ("Agreement") with the initial purchaser of the Exchangeable Notes. As part of the Agreement PNC agreed to file a registration statement with the SEC, as soon as practicable but in any event within 120 days after the issue date, to register for resale the Exchangeable Notes and the common stock deliverable upon exchange for the Exchangeable Notes. PNC also agreed, among other things, to use its best efforts to cause the registration statement to be declared effective as promptly as practicable but in any event within 240 days after the issue date and to keep the registration statement continuously effective until registration is no longer applicable.

If PNC does not meet these obligations, PNC will be subject to liquidated damages equal to 0.25% per annum of the principal amount of the Exchangeable Notes outstanding. Assuming the Exchangeable Notes remain outstanding through 2036 and PNC does not meet these obligations, the maximum consideration that PNC could be required to transfer under this Agreement is approximately \$75 million. We have not recorded a liability for this Agreement at December 31, 2006.

See Note 14 Capital Securities of Subsidiary Trusts for information about the \$1.1 billion of junior subordinated debt.

Table of Contents

During February 2007, in connection with our planned acquisition of Mercantile, we issued \$1.9 billion of debt to fund the cash portion of this transaction, comprised of the following:

- On February 1, 2007, we issued \$775 million of floating rate senior notes due January 2012. Interest will be reset quarterly to 3-month LIBOR plus 14 basis points and interest will be paid quarterly.
- Also on February 1, 2007, we issued \$500 million of floating rate senior notes due January 2014. Interest will be reset quarterly to 3-month LIBOR plus 20 basis points and will be paid quarterly.
- On February 8, 2007, we issued \$600 million of subordinated notes due February 2017. These notes pay interest semiannually at a fixed rate of 5.625%.

See Note 2 Acquisitions for additional information regarding Mercantile.

NOTE 14 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

In December 2006, we elected to redeem all of the underlying Capital Securities related to the PNC Institutional Capital Trust A, UNB Capital Statutory Trust II, and Riggs Capital Trust I. The total Capital Securities redeemed totaled \$453 million.

At December 31, 2006, the following capital securities represent non-voting preferred beneficial interests in the assets of PNC Institutional Capital Trust B, PNC Capital Trusts C and D, UNB Capital Trust I, and the Riggs Capital Trust II (the "Trusts"). All of these Trusts are wholly owned finance subsidiaries of PNC. UNB Capital Trust I was acquired effective January 1, 2004 as part of the United National acquisition. Riggs Capital Trust II was acquired in May 2005 as part of the Riggs acquisition. In the event of certain changes or amendments to regulatory requirements or federal tax rules, the capital securities are redeemable in whole. The financial statements of the Trusts are not included in PNC's consolidated financial statements in accordance with GAAP.

- Trust B, formed in May 1997, issued \$300 million of 8.315% capital securities due May 15, 2027, that are redeemable after May 15, 2007 at a premium that declines from 104.1575% to par on or after May 15, 2017.
- Trust C, formed in June 1998, issued \$200 million of capital securities due June 1, 2028, bearing interest at a floating rate per annum equal to 3-month LIBOR plus 57 basis points. The rate in effect at December 31, 2006 was 5.94%. Trust C Capital Securities are redeemable on or after June 1, 2008 at par.
- Trust D, formed in December 2003, issued \$300 million of 6.125% capital securities due December 15, 2033 that are redeemable on or after December 18, 2008 at par.
- UNB Capital Trust I, formed in March 1997 with \$16 million outstanding of 10.01% capital securities due

March 15, 2027, that are redeemable on or after March 15, 2007 at a premium that declines from 105.00% to par on or after March 15, 2017. PNC has delivered redemption notices to the related trustee to redeem all of these securities on March 15, 2007.

- Riggs Capital Trust II was formed in March 1997 when \$200 million of 8⁷/₈% capital securities were issued. These securities are due March 15, 2027, and are redeemable after March 15, 2007 at a premium that declines from 104.438% to par on or after March 15, 2017. Riggs had acquired less than 50% of the capital securities and, therefore, under FIN 46R PNC is not deemed to be the primary beneficiary. Accordingly, the financial statements of this Trust are not consolidated into PNC's financial results. Junior subordinated debt of \$206 million owed by PNC to this Trust is included in PNC's balance sheet, with the related service cost included in interest expense. The \$50 million of acquired capital securities are included as securities available for sale, with the related dividends included in interest income. PNC has delivered redemption notices to the related trustee to redeem all of these securities on March 15, 2007.

At December 31, 2006, PNC's junior subordinated debt of \$1.1 billion represented debentures issued by PNC and purchased and held as assets by the Trusts.

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.

NOTE 15 SHAREHOLDERS' EQUITY

Information related to preferred stock is as follows:

December 31 Shares in thousands	Liquidation value per share	Preferred Shares	
		2006	2005
Authorized			
\$1 par value		17,012	17,030
Issued and outstanding			
Series A	\$40	7	7
Series B	40	2	2
Series C	20	144	152
Series D	20	196	206
Total issued and outstanding		349	367

Series A through D are cumulative and, except for Series B, are redeemable at our option. Annual dividends on Series A, B and D preferred stock total \$1.80 per share and on Series C preferred stock total \$1.60 per share. Holders of Series A

Table of Contents

through D preferred stock are entitled to a number of votes equal to the number of full shares of common stock into which such preferred stock is convertible. Series A through D preferred stock have the following conversion privileges: (i) one share of Series A or Series B is convertible into eight shares of PNC common stock; and (ii) 2.4 shares of Series C or Series D are convertible into four shares of PNC common stock.

During 2000, our Board of Directors adopted a shareholder rights plan providing for issuance of share purchase rights. The rights plan provided that, except as otherwise provided in the plan, if a person or group becomes beneficial owner of 10% or more of PNC outstanding common stock, all holders of the rights, other than such person or group, may purchase our common stock or equivalent preferred stock at half of market value. On February 14, 2007, our Board of Directors agreed to amend the existing rights agreement for the shareholder rights plan in order to accelerate the final expiration date of the outstanding share purchase rights issued under the plan from May 25, 2010 to February 28, 2007. The effect of this amendment is that the outstanding share purchase rights expired on February 28, 2007, and the shareholder rights plan pursuant to which the rights were issued is of no further force or effect after that date.

We have a dividend reinvestment and stock purchase plan. Holders of preferred stock and PNC common stock may participate in the plan, which provides that additional shares of common stock may be purchased at market value with reinvested dividends and voluntary cash payments. Common shares issued pursuant to this plan were: 535,394 shares in 2006, 688,665 shares in 2005 and 744,266 shares in 2004.

At December 31, 2006, we had reserved approximately 44.3 million common shares to be issued in connection with certain stock plans and the conversion of certain debt and equity securities.

In February 2005, our Board of Directors authorized the purchase of up to 20 million shares of our common stock in open market or privately negotiated transactions. The 2005 repurchase authorization was a replacement and continuation of the 2004 repurchase program. The 2005 program will remain in effect until fully utilized or until modified, superseded or terminated. During 2006, we purchased 5 million common shares at a total cost of \$354 million under the 2005 program. During 2005, we purchased .5 million common shares at a total cost of \$26 million under both the 2005 and 2004 common stock repurchase programs, all of which occurred during the first quarter.

NOTE 16 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. 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 \$30 million of pretax net losses, or \$19 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 December 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 December 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 require testing for 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 \$4 million net loss in 2006 compared with a net loss of \$3 million in 2005.

During the third quarter of 2006, we recognized a \$20 million pretax loss charged to other noninterest income associated with our application of the "short-cut" method of fair value hedge accounting for trust preferred securities.

Table of Contents

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 primarily 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, total return 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. The fair value of these derivatives typically is based on the change in value, due to changing credit spreads.

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 were considered financial guarantees and therefore not included in derivatives. Agreements entered into subsequent to June 30, 2003 are included in the derivative table that follows. We determine that we meet our objective of reducing credit risk associated with certain counterparties to derivative contracts when the participation agreements share in their proportional credit losses of those counterparties.

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 December 31, 2006 we held cash and US government and mortgage-backed securities with a fair value of \$109 million and pledged cash with a fair value of \$151 million under these agreements.

The total notional or contractual amounts, estimated net fair value and credit risk for derivatives were as follows:

In millions	December 31, 2006			December 31, 2005		
	Notional/ Contract amount	Estimated net fair value	Credit risk	Notional/ Contract amount	Estimated net fair value	Credit risk
ACCOUNTING HEDGES						
Fair value hedges	\$4,996	\$(1)	\$51	\$5,900	\$78	\$108
Cash flow hedges	7,815	62	72	2,926	(9)	5
Total	\$12,811	\$61	\$123	\$8,826	\$69	\$113
FREE-STANDING DERIVATIVES						
Interest rate contracts	\$101,749	\$21	\$533	\$70,404	\$39	\$372
Equity contracts	2,393	(63)	134	2,744	(79)	347
Foreign exchange contracts	7,203		61	4,687	4	60
Credit derivatives	3,626	(11)	5	1,353		7
Options	97,669	68	306	51,383	32	168
Risk participation agreements	786			461		
Commitments related to mortgage-related assets	2,723	10	15	1,695	1	6
Other	20			254	5	9
Total	\$216,169	\$25	\$1,054	\$132,981	\$2	\$969

NOTE 17 EMPLOYEE BENEFIT PLANS

PENSION AND POSTRETIREMENT PLANS

We have a noncontributory, qualified defined benefit pension plan covering eligible employees. 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. We also provide certain health care and life insurance benefits for qualifying retired employees ("postretirement benefits") through various plans. The nonqualified pension and postretirement benefit plans are unfunded.

During the second quarter of 2005, we acquired a frozen defined benefit pension plan as a result of the Riggs acquisition. Plan assets and projected benefit obligations of the Riggs plan were approximately \$107 million and \$116 million, respectively, at acquisition date. The \$9 million funding deficit was recognized as part of the Riggs acquisition purchase price allocation. For determining contribution amounts to the plan, deficits are calculated using ERISA-mandated rules, and on this basis we contributed approximately \$16 million to the Riggs plan during the third quarter of 2005. We integrated the Riggs plan into the PNC plan on December 30, 2005.

We use a measurement date of December 31 for plan assets and benefit obligations. A reconciliation of the changes in the projected benefit obligation for qualified and nonqualified pension plans and postretirement benefit plans as well as the change in plan assets for the qualified pension plan is as follows:

	Qualified Pension		Nonqualified Pension		Postretirement Benefits	
December 31 (Measurement Date) – in millions	2006	2005	2006	2005	2006	2005
Accumulated benefit obligation at end of year	\$1,186	\$1,232	\$73	\$69		
Projected benefit obligation at beginning of year	\$1,290	\$1,166	\$73	\$72	\$270	\$276
Riggs acquisition		116		1		26
Service cost	34	33	1	1	2	2
Interest cost	68	65	4	4	13	14
Amendments	2					1
Actuarial loss (gain) (including changes in assumptions)	(47)		3	2	(30)	(28)
Participant contributions					7	7
Federal Medicare subsidy on benefits paid					2	
Benefits paid	(102)	(90)	(5)	(7)	(29)	(28)
Projected benefit obligation at end of year	\$1,245	\$1,290	\$76	\$73	\$235	\$270
Fair value of plan assets at beginning of year	\$1,627	\$1,492				
Riggs acquisition		107				
Actual return on plan assets	221	102				
Employer contribution		16	\$5	\$7	\$20	\$21
Participant contributions					7	7
Federal Medicare subsidy on benefits paid					2	
Benefits paid	(102)	(90)	(5)	(7)	(29)	(28)
Fair value of plan assets at end of year	\$1,746	\$1,627				
Funded status	\$501	\$337	\$(76)	\$(73)	\$(235)	\$(270)
Unrecognized net actuarial loss		340		26		64
Unrecognized prior service cost (credit)		(1)		1		(38)
Net amount recognized on the balance sheet	\$501	\$676	\$(76)	\$(46)	\$(235)	\$(244)
Amounts recognized in the Consolidated Balance Sheet consist of:						
Other assets (Other liabilities)	\$501		\$(76)		\$(235)	
Prepaid (accrued) pension cost		\$676		\$(46)		\$(244)
Additional minimum liability				(23)		
Intangible asset				1		
Accumulated other comprehensive loss				22		
Net amount recognized in the Consolidated Balance Sheet	\$501	\$676	\$(76)	\$(46)	\$(235)	\$(244)
Amounts recognized in accumulated other comprehensive income consist of:						
Prior service cost (credit)	2				(31)	
Net actuarial loss	184		28		33	
Amount recognized in AOCI	\$186		\$28		\$2	

The fair value of the qualified pension plan assets exceeds both the accumulated benefit obligation and the projected benefit obligation. The nonqualified pension plan, which contains several individual plans that are accounted for together, is unfunded. Contributions from us and, in the case of postretirement benefit plans, participant contributions cover all benefits paid under the nonqualified pension plan and postretirement benefit plans. The benefit obligations, asset values, funded status and balance sheet impacts are shown in the above table.

Table of Contents

PENSION PLAN ASSETS

Assets related to our qualified pension plan (the “Plan”) are held in trust (the “Trust”). The trustee is PNC Bank, N.A. The Trust is exempt from tax pursuant to section 501(a) of the Internal Revenue Code (the “Code”). The Plan is qualified under section 401(a) of the Code. Plan assets consist primarily of listed domestic and international equity securities and US government, agency, and corporate debt securities and real estate investments. Plan assets do not include common or preferred stock or any debt of PNC.

The Pension Plan Administrative Committee (the “Committee”) adopted the current Pension Plan Investment Policy Statement, including the updated target allocations and allowable ranges shown below, on November 29, 2005.

The long-term investment strategy for pension plan assets is to:

- Meet present and future benefit obligations to all participants and beneficiaries,
- Cover reasonable expenses incurred to provide such benefits, including expense incurred in the administration of the Trust and the Plan,
- Provide sufficient liquidity to meet benefit and expense payment requirements on a timely basis, and
- Provide a total return that, over the long term, maximizes the ratio of trust assets to liabilities by maximizing investment return, at an appropriate level of risk.

The Plan’s specific investment objective is to meet or exceed the investment policy benchmark over the long term. The investment policy benchmark compares actual performance to a weighted market index, and measures the contribution of active investment management and policy implementation. This investment objective is expected to be achieved over the long term (one or more market cycles) and is measured over rolling five-year periods. Total return calculations are time-weighted and are net of investment-related fees and expenses.

The asset allocations for the Trust at the end of 2006 and 2005, and the target allocation for 2007, by asset category, are as follows:

	Target Allocation	Allowable Range	Percentage of Plan Assets at December 31	
	2007		2006	2005
Asset Category				
Domestic Equity	35%	32-38%	39.3%	39.0%
International Equity	20%	17-23%	21.3%	19.6%
Private Equity	5%	0-8%	1.5%	.9%
Total Equity	60%		62.1%	59.5%
Domestic Fixed Income	30%	27-33%	28%	30.7%
High Yield Fixed Income	5%	0-8%	4.9%	6.7%
Total Fixed Income	35%		32.9%	37.4%
Real Estate	5%	0-8%	4.8%	2.5%
Other	0%	0-1%	.2%	.6%
Total	100%		100%	100%

The Asset Category represents the allocation of Plan assets in accordance with the investment objective of each of the Plan’s investment managers. Certain domestic equity investment managers utilize derivatives and fixed income securities as described in their investment management agreements to achieve their investment objective under the Investment Policy Statement.

The slight overweight in domestic equity at year-end 2005 and 2006 was attributable to the targeted allocation in Private Equity, which continues to be committed but which is funded over time as suitable opportunities for private equity investment are identified and as calls for funding are made. The Investment Policy Statement provides that, from time to time, domestic equity may serve as a proxy (substitute) for private equity. Additionally, target allocation changes, which were effective November 29, 2005, included reducing the High Yield Fixed Income allocation from 10% to 5% and creating a new Real Estate allocation of 5%. This transition was completed during 2006.

We believe that, over the long term, asset allocation is the single greatest determinant of risk. Asset allocation will deviate from the target percentages due to market movement, cash flows, and investment manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the Trust. On the other hand, frequent rebalancing to the asset allocation targets may result in significant transaction costs, which can impair the Trust’s ability to meet its investment objective. Accordingly, the Trust portfolio is periodically rebalanced to maintain asset allocation within the target ranges described above.

In addition to being diversified across asset classes, the Trust is diversified within each asset class. Secondary diversification provides a reasonable basis for the expectation that no single security or class of securities will have a disproportionate impact on the total risk and return of the Trust.

The Committee selects investment managers for the Trust based on the contributions that their respective investment styles and processes are expected to make to the investment performance of the overall portfolio. The managers’ Investment Objectives and Guidelines, which are a part of each manager’s Investment Management Agreement, document performance expectations and each manager’s role in the portfolio. The Committee uses the Investment Objectives and Guidelines to establish, guide, control and measure the strategy and performance for each manager.

The purpose of investment manager guidelines is to:

- Establish the investment objective and performance standards for each manager,
- Provide the manager with the capability to evaluate the risks of all financial instruments or other assets in which the manager’s account is invested, and
- Prevent the manager from exposing its account to excessive levels of risk, undesired or inappropriate risk, or disproportionate concentration of risk.

Table of Contents

The guidelines also indicate which investments and strategies the manager is permitted to use to achieve its performance objectives, and which investments and strategies it is prohibited from using.

Where public market investment strategies may include the use of derivatives and/or currency management, language is incorporated in the managers' guidelines to define allowable and prohibited transactions and/or strategies. Derivatives are typically employed by investment managers to modify risk/return characteristics of their portfolio(s), implement asset allocation changes in a cost-effective manner, or reduce transaction costs. Under the managers' investment guidelines, derivatives may not be used solely for speculation or leverage. Derivatives are used only in circumstances where they offer the most efficient economic means of improving the risk/reward profile of the portfolio.

BlackRock, PFPC and our Retail Banking business segment receive compensation for providing investment management, trustee and custodial services for the majority of the Trust portfolio. Compensation for such services is paid by PNC. Non-affiliate service providers for the Trust are compensated from plan assets.

The following table provides information regarding our estimated future cash flows related to our various plans:

Estimated Cash Flows

In millions	Qualified Pension	Nonqualified Pension	Gross PNC Benefit Payments	Postretirement Benefits	
				Reduction in PNC Benefit Payments Due to Medicare Part D Subsidy	
Estimated 2007 employer contributions	None	\$8	\$24	\$2	
Estimated future benefit payments					
2007	\$107	\$8	\$24	\$2	
2008	111	9	24	2	
2009	117	9	24	2	
2010	116	10	24	2	
2011	121	9	24	2	
2012 – 2016	589	34	113	9	

The qualified pension plan contributions are deposited into the Trust, and the qualified pension plan benefit payments are paid from the Trust. For the other plans, total contributions and the benefit payments are the same and represent expected benefit amounts, which are paid from general assets. Postretirement benefits are net of participant contributions.

The components of net periodic pension and postretirement benefit cost/(income) were as follows:

Year ended December 31 – in millions	Qualified Pension Plan			Nonqualified Pension Plan			Postretirement Benefits		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Service cost	\$34	\$33	\$35	\$1	\$1	\$1	\$2	\$2	\$3
Interest cost	68	65	65	4	4	4	13	14	17
Expected return on plan assets	(129)	(128)	(112)						
Amortization of prior service cost	(1)	(1)	(1)				(6)	(7)	(6)
Amortization of actuarial losses (gains)	16	23	23	3	3	3	1	4	5
Curtailment (gain)			(1)						
Net periodic cost	\$(12)	\$(8)	\$9	\$8	\$8	\$8	\$10	\$13	\$19

The weighted-average assumptions used (as of the beginning of each year) to determine net periodic costs shown above were as follows:

Year ended December 31	Net Periodic Cost Determination		
	2006	2005	2004
Discount rate			
Qualified pension	5.50%	5.25%	6.00%
Nonqualified pension	5.40	5.25	6.00
Postretirement benefits	5.60	5.25	6.00
Rate of compensation increase (average)	4.00	4.00	4.00
Assumed health care cost trend rate			
Initial trend	10.00	10.00	11.00
Ultimate trend	5.00	5.00	5.00
Year ultimate reached	2011	2010	2010
Expected long-term return on plan assets	8.25	8.50	8.50

The weighted-average assumptions used (as of the end of each year) to determine year-end obligations for both pension and postretirement benefits were as follows:

	At December 31	
	2006	2005
Discount rate		
Qualified pension	5.70%	5.50%
Nonqualified pension	5.60	5.40
Postretirement benefits	5.80	5.60
Rate of compensation increase	4.00	4.00
Assumed health care cost trend rate		
Initial trend	10.00	10.00
Ultimate trend	5.00	5.00
Year to reach ultimate	2012	2011

As of December 31, 2006 and December 31, 2005, the discount rate assumptions were determined independently for each plan reflecting the duration of each plan's obligations.

Table of Contents

Specifically, a yield curve was produced for a universe containing the majority of US-issued Aa grade corporate bonds, all of which were non-callable (or callable with make-whole provisions).

Excluded from this yield curve were the 10% of the bonds with the highest yields and the 10% with the lowest yields. For each plan, the discount rate was determined as the level equivalent rate that would produce the same present value obligation as that using spot rates aligned with the projected benefit payments.

The health care cost trend rate assumptions shown in the preceding tables relate only to the postretirement benefit plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

Year ended December 31, 2006		
In millions	Increase	Decrease
Effect on total service and interest cost	\$1	\$(1)
Effect on year-end benefit obligation	11	(9)

As discussed in Note 1 Accounting Policies, we adopted SFAS 158 at December 31, 2006. Under SFAS 158, beginning December 31, 2006, unamortized actuarial gains and losses and prior service costs and credits are recognized in AOCI each December 31, while amortization of these amounts through net periodic benefit cost will occur in accordance with FAS 87 and 106. The estimated amounts that will be amortized in 2007 are as follows:

Year ended December 31 In millions	2007 Estimate		
	Qualified Pension	Nonqualified Pension	Postretirement Benefits
Prior service cost (credit)			\$(7)
Net actuarial loss (gain)	\$1	\$2	1
Total	\$1	\$2	\$(6)

MEDICARE REFORM

In December 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the "Act") was enacted. The Act established a prescription drug benefit under Medicare, known as "Medicare Part D," and a federal subsidy to sponsors of postretirement plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our actuaries have attested that the benefits we provide to certain participants are at least actuarially equivalent to Medicare Part D, and, accordingly, we will be entitled to a subsidy.

DEFINED CONTRIBUTION PLANS

We have a contributory, qualified defined contribution plan that covers substantially all employees except those covered by other plans as identified below. Under this plan, employee contributions up to 6% of eligible compensation as defined by the plan are matched 100%, subject to Code limitations. The plan is a 401(k) plan and includes an employee stock ownership ("ESOP") feature. Employee contributions are

invested in a number of investment options available under the plan, including a PNC common stock fund and several BlackRock mutual funds, at the direction of the employee. All shares of PNC common stock held by the plan are part of the ESOP. Employee contributions to the plan for 2006, 2005 and 2004 were matched primarily by shares of PNC common stock held in treasury, except in the case of those participants who have exercised their diversification election rights to have their matching portion in other investments available within the plan. Effective November 22, 2005, we amended the plan to provide all participants the ability to diversify the matching portion of their plan account invested in shares of PNC common stock into other investments available within the plan. Prior to this amendment, only participants age 50 or older were permitted to exercise this diversification option. Employee benefits expense related to this plan was \$52 million in 2006, \$47 million in 2005 and \$48 million in 2004. We measured employee benefits expense as the fair value of the shares and cash contributed to the plan by PNC.

In conjunction with the BlackRock deconsolidation, BlackRock employees ceased participating in the plan September 30, 2006. On October 3, 2006, approximately \$127 million in plan assets were transferred from the plan.

Additionally, Hilliard Lyons sponsors a contributory, qualified defined contribution plan that covers substantially all of its employees who are not covered by the plan described above. Contributions to this plan are made in cash and include a base contribution for those participants employed at December 31, a matching of employee contributions, and a discretionary profit sharing contribution as determined by Hilliard Lyons' Executive Compensation Committee. Employee benefits expense for this plan was \$5 million in 2006, \$6 million in 2005 and \$5 million in 2004.

Effective July 1, 2004, we adopted a separate qualified defined contribution plan that covers substantially all US-based PFPC employees not covered by our plan. The plan is a 401(k) plan and includes an ESOP feature. Under this plan, employee contributions of up to 6% of eligible compensation as defined by the plan may be matched annually based on PFPC performance levels. Participants must be employed as of December 31 of each year to receive this annual contribution. The performance-based employer matching contribution will be made primarily in shares of PNC common stock held in treasury, except in the case of those participants who have exercised their diversification election rights to have their matching portion in other investments available within the plan. Mandatory employer contributions to this plan are made in cash and include employer basic and transitional contributions. Employee-directed contributions are invested in a number of investment options available under the plan, including a PNC common stock fund and several BlackRock mutual funds, at the direction of the employee. Effective November 22, 2005, we amended the plan to provide all participants the ability to

Table of Contents

diversify the matching portion of their plan account invested in shares of PNC common stock into other investments available within the plan. Prior to this amendment, only participants age 50 or older were permitted to exercise this diversification option. Employee benefits expense for this plan, which was effective July 1, 2004, was \$9 million in 2006, \$12 million in 2005 and \$5 million for 2004. We measured employee benefits expense as the fair value of the shares and cash contributed to the plan.

We also maintain a nonqualified supplemental savings plan for certain employees.

NOTE 18 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, restricted stock, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. As of December 31, 2006, no incentive stock options or stock appreciation rights were outstanding.

NONQUALIFIED STOCK OPTIONS

Options are granted at exercise prices not less than the market value of common stock on the grant date. Generally, options granted since 1999 become exercisable in installments after the grant date. Options granted prior to 1999 are mainly

exercisable 12 months after the grant date. No option may be exercisable after 10 years from its grant date. Payment of the option exercise 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 123R, 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 123R, we recognize compensation expense for options granted to retirement-eligible employees after January 1, 2006 in the period granted, in accordance with the service period provisions of the options.

A summary of stock option activity follows:

Options outstanding at December 31 Shares in thousands	Per Option		Shares
	Exercise Price	Weighted -Average Exercise Price	
December 31, 2005	\$31.13 – \$76.00	\$55.30	18,292
Granted	62.71 – 71.38	67.83	2,410
Exercised	31.13 – 66.97	49.32	(5,462)
Forfeited	43.41 – 74.59	66.49	(290)
December 31, 2006	\$37.43 – \$76.00	\$59.29	14,950

Information about stock options outstanding at December 31, 2006 follows:

December 31, 2006 Shares in thousands Range of exercise prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-average exercise price	Weighted-average remaining contractual life (in years)	Shares	Weighted-average exercise price
\$37.43 – \$42.99	680	\$ 41.60	3.5	680	\$ 41.60
43.00 – 52.99	2,003	46.70	4.9	1,949	46.55
53.00 – 59.99	6,555	55.07	6.1	4,765	55.58
60.00 – 76.00	5,712	70.64	5.5	3,349	72.65
Total	14,950	\$ 59.29	5.6	10,743	\$ 58.38

At December 31, 2006, there were approximately 14,304,000 options in total that were vested and are expected to vest. The weighted-average grant-date fair value of such options was \$59.19 per share, the weighted-average remaining contractual life was approximately 5.5 years, and the aggregate intrinsic value at December 31, 2006 was approximately \$219 million.

Options granted in 2005 and 2004 include options for 30,000 shares that were granted to non-employee directors in each year. No such options were granted in 2006.

The weighted-average grant-date fair value of options granted in 2006, 2005 and 2004 was \$9.94, \$8.72 and \$9.64 per option, respectively. At December 31, 2005 and 2004 options for 13,582,000 and 12,693,000 shares of common stock,

respectively, were exercisable at a weighted-average price of \$56.58 and \$56.41, respectively. The total intrinsic value of options exercised during 2006, 2005 and 2004 was \$111 million, \$31 million and \$17 million, respectively. At December 31, 2006 the aggregate intrinsic value of all options outstanding and exercisable was \$227 million and \$173 million, respectively.

Cash received from option exercises under all Incentive Plans for 2006, 2005 and 2004 was approximately \$233 million, \$98 million and \$42 million, respectively. The actual tax benefit realized for tax deduction purposes from option exercises under all Incentive Plans for 2006, 2005 and 2004 was approximately \$82 million, \$34 million and \$15 million, respectively.

Table of Contents

There were no options granted in excess of market value in 2006, 2005 or 2004. Shares of common stock available during the next year for the granting of options and other awards under the Incentive Plans were 42,767,760 at December 31, 2006.

During 2006, we issued approximately 4.9 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.

As discussed in Note 1 Accounting Policies, we adopted the fair value recognition provisions of SFAS 123 prospectively to all employee awards including stock options granted, modified or settled after January 1, 2003. As permitted under SFAS 123, we recognized compensation expense for stock options on a straight-line basis over the pro rata vesting period. Total compensation expense recognized related to PNC stock options in 2006 was \$31 million compared with \$29 million in 2005 and \$21 million in 2004.

PRO FORMA EFFECTS

A table is included in Note 1 Accounting Policies that sets forth pro forma net income and basic and diluted earnings per share as if compensation expense had been recognized under SFAS 123 and 123R, as amended, for stock options for 2006, 2005 and 2004.

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 as well as to determine actual 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 year ended December 31	2006	2005	2004
Risk-free interest rate	4.5%	3.8%	3.4%
Dividend yield	3.7	3.8	3.6
Volatility	20.5	25.7	28.9
Expected life	5.1 yrs.	4.8 yrs.	4.9 yrs.

INCENTIVE/PERFORMANCE UNIT SHARE AND RESTRICTED STOCK AWARDS

The fair value of nonvested incentive/performance unit 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/performance unit 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 approves the final award of incentive/performance unit 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.

The weighted-average grant-date fair value of incentive share and restricted stock awards granted in 2006, 2005 and 2004 was \$67.36, \$53.81 and \$54.46 per share, respectively. We recognize compensation expense for incentive/performance unit 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/performance unit share and restricted stock awards during 2006 was approximately \$45 million compared with \$44 million in 2005 and \$25 million in 2004.

A summary of nonvested incentive/performance unit shares and restricted stock award activity follows:

Shares in thousands	Nonvested Incentive/Performance Unit Shares	Weighted-Average Grant Date Fair Value	Nonvested Restricted Shares	Weighted-Average Grant Date Fair Value
Dec. 31, 2005	660	\$ 41.01	2,209	\$ 50.84
Granted	186	69.58	595	64.19
Awarded as restricted	(649)	41.02	649	66.95
Vested			(917)	53.14
Forfeited	(11)	40.51	(111)	53.06
Dec. 31, 2006	186	\$ 69.58	2,425	\$ 57.45

At December 31, 2006, there was \$47 million of unrecognized deferred compensation expense related to nonvested share-based compensation arrangements granted under the Incentive Plans. This cost is expected to be recognized as expense over a period of no longer than five years. The total fair value of incentive/performance unit share and restricted stock awards vested during 2006, 2005 and 2004 was approximately \$63 million, \$3 million and \$5 million, respectively.

Additionally in 2006, we granted a performance unit incentive award to a certain senior executive. The grant is share-denominated with an initial specified target number of 30,000 share units. The potential award is dependent on the achievement of certain performance criteria over a three-year period ending December 31, 2008. Final awarded performance units will be paid only in cash. Total compensation expense recognized related to this incentive award during 2006 was approximately \$1 million.

Table of Contents

EMPLOYEE STOCK PURCHASE PLAN

Our ESPP has approximately 1.4 million shares available for issuance. Full-time employees with six months and part-time employees with 12 months of continuous employment with us are eligible to participate in the ESPP at the commencement of the next six-month offering period. Eligible participants may purchase our common stock at 95% of the fair market value on the last day of each six-month offering period. No charge to earnings is recorded with respect to the ESPP.

Shares issued pursuant to the ESPP were as follows:

Year ended December 31	Shares	Price Per Share
2006	105,041	\$ 66.66 and \$70.34
2005	138,754	51.74 and 58.74
2004	156,753	50.43 and 54.57

BLACKROCK LTIP PROGRAMS

BlackRock adopted the 2002 LTIP program to help attract and retain qualified professionals. At that time, we agreed to transfer 4 million of the shares of BlackRock common stock then held by us to fund the 2002 and future programs approved by BlackRock's board of directors, subject to certain conditions and limitations. Prior to 2006, BlackRock granted awards under the 2002 LTIP program of approximately \$230 million, of which approximately \$210 million was paid on January 30, 2007. The awards were paid approximately 17%

in cash by BlackRock and the remainder in BlackRock common stock transferred by us to the LTIP participants (approximately 1 million shares). As permitted under the award agreements, employees elected to put approximately 95% of the stock portion of the awards back to BlackRock. These shares were retained by BlackRock as treasury stock.

BlackRock granted additional restricted stock unit awards in January 2007, all of which are subject to achieving earnings performance goals prior to the vesting date of September 29, 2011. Of the shares of BlackRock common stock that we have agreed to transfer to fund their LTIP programs, approximately 1.6 million shares have been committed to fund the restricted stock unit awards vesting in 2011 and the amount remaining would then be available for future awards.

We reported noninterest expense of \$33 million, \$64 million and \$110 million for the years ended December 31, 2006, 2005 and 2004, respectively, related to the BlackRock LTIP awards. Additionally, noninterest income in the fourth quarter of 2006 included a \$12 million charge related to our commitment to fund the BlackRock LTIP programs. This charge represents the mark-to-market of our BlackRock LTIP obligation as of December 31, 2006 and is a result of the fourth quarter increase in the market value of BlackRock common shares.

NOTE 19 EARNINGS PER SHARE

The following table sets forth basic and diluted earnings per common share calculations:

Year ended December 31 - in millions, except share and per share data	2006	2005	2004
CALCULATION OF BASIC EARNINGS PER COMMON SHARE			
Net income	\$2,595	\$1,325	\$1,197
Less: Preferred dividends declared	1	1	1
Net income applicable to basic earnings per common share	\$2,594	\$1,324	\$1,196
Basic weighted-average common shares outstanding (in thousands)	291,758	286,276	281,248
Basic earnings per common share	\$8.89	\$4.63	\$4.25
CALCULATION OF DILUTED EARNINGS PER COMMON SHARE (a)			
Net income	\$2,595	\$1,325	\$1,197
Less: BlackRock adjustment for common stock equivalents	6	7	4
Net income applicable to diluted earnings per common share	\$2,589	\$1,318	\$1,193
Basic weighted-average common shares outstanding (in thousands)	291,758	286,276	281,248
Weighted-average common shares to be issued using average market price and assuming:			
Conversion of preferred stock Series A and B	70	78	85
Conversion of preferred stock Series C and D	584	618	663
Conversion of debentures	2	2	10
Exercise of stock options	2,178	1,178	992
Incentive share awards	1,930	1,688	634
Diluted weighted-average common shares outstanding (in thousands)	296,522	289,840	283,632
Diluted earnings per common share	\$8.73	\$4.55	\$4.21
(a) Excludes stock options considered to be anti-dilutive (in thousands)	4,230	10,532	10,762

Table of Contents

NOTE 20 INCOME TAXES

The components of income taxes are as follows:

Year ended December 31			
In millions	2006	2005	2004
Current			
Federal	\$565	\$550	\$720
State	46	53	12
Total current	611	603	732
Deferred			
Federal	752	(12)	(192)
State		13	(2)
Total deferred	752	1	(194)
Total	\$1,363	\$604	\$538

Significant components of deferred tax assets and liabilities are as follows:

December 31 - in millions	2006	2005
Deferred tax assets		
Allowance for loan and lease losses	\$258	\$311
Net unrealized securities losses	52	135
Compensation and benefits	296	56
Loan valuation	6	10
Other	277	240
Total deferred tax assets	889	752
Deferred tax liabilities		
Leasing	1,025	1,078
Depreciation	75	103
Goodwill	205	206
BlackRock basis difference	1,166	6
Other	56	15
Total deferred tax liabilities	2,527	1,408
Net deferred tax liability	\$1,638	\$656

A reconciliation between the statutory and effective tax rates follows:

Year ended December 31	2006	2005	2004
Statutory tax rate	35.0%	35.0%	35.0%
Increases (decreases) resulting from			
State taxes	.8	2.1	.4
Tax-exempt interest	(.3)	(1.1)	(.7)
Life insurance	(.6)	(1.0)	(1.1)
Tax credits	(.9)	(1.8)	(2.3)
Reversal of deferred tax liabilities –			
BlackRock basis allocation		(2.3)	
Other		(.7)	(1.0)
Effective tax rate	34.0%	30.2%	30.3%

At December 31, 2006 we had available \$104 million of federal and \$221 million of state income tax net operating loss carryforwards originating from acquired companies and \$73 million in other state net operating losses which will expire from 2007 through 2026.

No deferred US income taxes have been provided on certain undistributed earnings of non-US subsidiaries, which

amounted to \$39 million at December 31, 2006. As of September 30, 2006, these earnings are considered to be reinvested for an indefinite period of time or will be repatriated when it is tax effective to do so. It is not practicable to determine the deferred tax liability on these earnings.

See Note 1 Accounting Policies for a discussion of FIN 48.

NOTE 21 SEGMENT REPORTING

We have 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 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, with the exception of our BlackRock segment, 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 PFPC has been increased to reflect its legal entity shareholders' equity.

BlackRock business segment results for the nine months ended September 30, 2006 and full years 2005 and 2004 reflected our majority ownership in BlackRock during those periods. Subsequent to the September 29, 2006 BlackRock/MLIM transaction closing, which had the effect of reducing our ownership interest to approximately 34%, our investment in BlackRock was accounted for under the equity method but continues to be a separate reportable business segment of PNC. The fair value of our investment in BlackRock at December 31, 2006 was approximately \$6.7 billion. Our prior period business segment information included in this Note 21 for BlackRock was not restated. See Note 2 Acquisitions regarding the BlackRock/MLIM transaction.

Table of Contents

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 gains or losses related to BlackRock, 2006 BlackRock/MLIM integration costs, One PNC implementation costs, asset and liability management activities, related net securities gains or losses, certain trading activities, equity management activities and minority interest in income of BlackRock up to September 29, 2006, differences between business segment performance reporting and financial statement reporting (GAAP), and most 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; the greater Washington, DC area, including Maryland and Virginia; Ohio; Kentucky; and Delaware. 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-related 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, with certain products and services provided nationally.

BlackRock is one of the world’s largest publicly traded investment management firms. As of December 31, 2006, BlackRock’s assets under management were approximately \$1.1 trillion. The firm manages assets on behalf of institutions and individuals worldwide through a variety of equity, fixed income, cash management and alternative investment products. In addition, BlackRock provides BlackRock Solutions® investment system, risk management, and financial advisory services to a growing number of institutional investors. The firm has a major presence in key global markets, including the United States, Europe, Asia, Australia and the Middle East.

See Note 2 Acquisitions regarding the BlackRock/MLIM transaction.

PFPC is a leading full service provider of processing, technology and business solutions for the global investment industry. Securities services include custody, securities lending, and accounting and administration for funds registered under the 1940 Act and alternative investments. Investor services include transfer agency, managed accounts, subaccounting, and distribution. PFPC serviced \$2.2 trillion in total assets and 68 million shareholder accounts as of December 31, 2006 both domestically and internationally through its Ireland and Luxembourg operations.

[Table of Contents](#)
Results Of Businesses

Year ended December 31 In millions	Retail Banking	Corporate & Institutional Banking	BlackRock	PFPC	Other	Intercompany Eliminations	Consolidated
2006							
INCOME STATEMENT							
Net interest income (expense)	\$1,673	\$711	\$20	\$(38)	\$(121)		\$2,245
Noninterest income	1,447	752	1,135	917	2,137	\$(61)	6,327
Total revenue	3,120	1,463	1,155	879	2,016	(61)	8,572
Provision for credit losses	81	42			1		124
Depreciation and amortization	67	23	29	57	99		275
Other noninterest expense	1,760	726	828	646	266	(58)	4,168
Earnings before minority interests in BlackRock and income taxes	1,212	672	298	176	1,650	(3)	4,005
Minority interests in BlackRock					47		47
Income taxes	447	209	104	52	552	(1)	1,363
Earnings	\$765	\$463	\$194	\$124	\$1,051	\$(2)	\$2,595
Inter-segment revenue	\$13	\$9	\$28	\$12	\$(1)	\$(61)	
AVERAGE ASSETS (a)	\$29,248	\$26,548	\$3,937	\$2,204	\$35,611	\$(2,536)	\$95,012
2005							
INCOME STATEMENT							
Net interest income (expense)	\$1,588	\$729	\$35	\$(33)	\$(165)		\$2,154
Noninterest income	1,275	596	1,191	879	312	\$(80)	4,173
Total revenue	2,863	1,325	1,226	846	147	(80)	6,327
Provision for (recoveries of) credit losses	52	(30)			(1)		21
Depreciation and amortization	62	20	31	56	107		276
Other noninterest expense	1,664	638	822	629	329	(52)	4,030
Earnings before minority interests in BlackRock and income taxes	1,085	697	373	161	(288)	(28)	2,000
Minority interests in BlackRock					71		71
Income taxes	403	217	139	57	(202)	(10)	604
Earnings	\$682	\$480	\$234	\$104	\$(157)	\$(18)	\$1,325
Inter-segment revenue	\$13	\$7	\$32	\$3	\$25	\$(80)	
AVERAGE ASSETS (a)	\$27,618	\$25,309	\$1,848	\$2,128	\$33,315	\$(1,670)	\$88,548
2004							
INCOME STATEMENT							
Net interest income (expense)	\$1,479	\$701	\$34	\$(47)	\$(198)		\$1,969
Noninterest income	1,223	552	725	810	324	\$(62)	3,572
Total revenue	2,702	1,253	759	763	126	(62)	5,541
Provision for (recoveries of) credit losses	61	5			(14)		52
Depreciation and amortization	53	17	21	45	80		216
Other noninterest expense	1,630	598	543	601	184	(60)	3,496
Earnings before minority interests in BlackRock and income taxes	958	633	195	117	(124)	(2)	1,777
Minority interests in BlackRock					42		42
Income taxes	348	190	52	47	(98)	(1)	538
Earnings	\$610	\$443	\$143	\$70	\$(68)	\$(1)	\$1,197
Inter-segment revenue	\$12	\$7	\$33		\$10	\$(62)	
AVERAGE ASSETS (a)	\$24,261	\$21,589	\$1,145	\$2,572	\$27,582	\$(1,883)	\$75,266

(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 Item 7 of this Form 10-K due to the presentation in Item 7 of business revenues on a taxable-equivalent basis and classification differences related to BlackRock and PFPC. In addition, 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 nonoperating income (net of nonoperating expense) and debt financing as disclosed in the Business Segments Review section.

NOTE 22 OTHER COMPREHENSIVE INCOME

Details of other comprehensive income (loss) are as follows (in millions):

	Pretax	Tax	After-tax
<i>Net unrealized securities gains (losses)</i>			
Balance at January 1, 2004			\$3
<i>2004 activity</i>			
Increase in net unrealized losses for securities held at year-end	\$(56)	\$20	(36)
Less: net gains realized in net income (a)	50	(17)	33
Net unrealized securities losses	(106)	37	(69)
Balance at December 31, 2004			(66)
<i>2005 activity</i>			
Increase in net unrealized losses for securities held at year-end	(312)	109	(203)
Less: net losses realized in net income (a)	(44)	15	(29)
Net unrealized securities losses	(268)	94	(174)
Balance at December 31, 2005			(240)
<i>2006 activity</i>			
Increase in net unrealized gains for securities held at year-end	129	(46)	83
Less: net losses realized in net income (a)	(101)	35	(66)
Net unrealized securities gains	230	(81)	149
Balance at December 31, 2006			\$(91)

(a) Pretax amounts represent net unrealized gains (losses) as of the prior year-end date that were realized in the subsequent year when the related securities were sold. These amounts differ from net securities gains included in the Consolidated Income Statement primarily because they do not include gains or losses realized on securities that were purchased and then sold during the same year.

	Pretax	Tax	After-tax
<i>Net unrealized gains (losses) on cash flow hedge derivatives</i>			
Balance at January 1, 2004			\$48
<i>2004 activity</i>			
Increase in net unrealized losses on cash flow hedge derivatives	\$(30)	\$11	(19)
Less: net gains realized in net income	35	(12)	23
Net unrealized losses on cash flow hedge derivatives	(65)	23	(42)
Balance at December 31, 2004			6
<i>2005 activity</i>			
Increase in net unrealized losses on cash flow hedge derivatives	(49)	17	(32)
Less: net gains realized in net income			
Net unrealized losses on cash flow hedge derivatives	(49)	17	(32)
Balance at December 31, 2005			(26)
<i>2006 activity</i>			
Increase in net unrealized gains on cash flow hedge derivatives	13	(5)	8
Less: net gains realized in net income	(7)	2	(5)
Net unrealized losses on cash flow hedge derivatives	20	(7)	13
Balance at December 31, 2006			\$(13)

<i>Pension, other postretirement and postemployment benefit plan adjustments</i>			
Balance at January 1, 2004			\$(14)
<i>2004 activity</i>	\$(2)	\$1	(1)
Balance at December 31, 2004			(15)
<i>2005 activity</i>			
Balance at December 31, 2005			(15)
<i>2006 Activity</i>			
SFAS 87 adjustment	(2)	1	(1)
SFAS 158 adjustment, net	(203)	71	(132)
Total 2006 activity	(205)	72	(133)
Balance at December 31, 2006			\$(148)
<i>Other (b)</i>			
Balance at January 1, 2004			\$23
<i>2004 activity</i>	\$(3)	\$1	(2)
Balance at December 31, 2004			21
<i>2005 activity</i>	(11)	4	(7)
Balance at December 31, 2005			14
<i>2006 Activity</i>	6	(3)	3
Balance at December 31, 2006			\$17

(b) Consists of interest-only strip valuation adjustments and foreign currency translation adjustments.

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

December 31 – in millions	2006	2005
Net unrealized securities gains (losses)	\$(91)	\$(240)
Net unrealized gains (losses) on cash flow hedge derivatives	(13)	(26)
Pension, other postretirement and postemployment benefit plan adjustments	(148)	(15)
Other	17	14
Accumulated other comprehensive income (loss)	\$(235)	\$(267)

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

December 31 - in millions	2006		2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and short-term assets	\$ 9,016	\$ 9,016	\$ 6,957	\$ 6,957
Securities	23,191	23,191	20,710	20,710
Loans held for sale	2,366	2,366	2,449	2,449
Net loans (excludes leases)	46,757	46,878	45,713	45,883
Other assets	892	892	965	965
Mortgage and other loan servicing rights	477	552	344	403
Financial derivatives				
Fair value hedges	51	51	108	108
Cash flow hedges	72	72	5	5
Free-standing derivatives	1,054	1,054	969	969
Liabilities				
Demand, savings and money market deposits	47,277	47,277	43,914	43,914
Time deposits	19,024	18,959	16,361	16,215
Borrowed funds	15,310	15,496	17,186	17,323
Financial derivatives				
Fair value hedges	52	52	30	30
Cash flow hedges	10	10	14	14
Free-standing derivatives	1,029	1,029	967	967
Unfunded loan commitments and letters of credit	101	122	77	98

The aggregate fair values in the table above do not represent our underlying market value as the table excludes the following:

- real and personal property,
- lease financing,
- loan customer relationships,
- deposit customer intangibles,
- retail branch networks,
- fee-based businesses, such as asset management and brokerage, and
- trademarks and brand names.

Fair value is defined as the estimated amount at which a financial instrument could be exchanged in a current transaction between willing parties, or other than in a forced or liquidation sale. However, it is not our intention to immediately dispose of a significant portion of such financial instruments, and unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows. The derived fair values are subjective in nature and involve uncertainties and significant judgment. Therefore, they cannot be determined with precision. Changes in our assumptions could significantly impact the derived fair value estimates.

We used the following methods and assumptions to estimate fair value amounts for financial instruments.

GENERAL

For short-term financial instruments realizable in three months or less, the carrying amount reported in the consolidated

balance sheet approximates fair value. Unless otherwise stated, the rates used in discounted cash flow analyses are based on market yield curves.

CASH AND SHORT-TERM ASSETS

The carrying amounts reported in the consolidated balance sheet for cash and short-term investments approximate fair values primarily due to their short-term nature. For purposes of this disclosure only, short-term assets include the following:

- due from banks,
- interest-earning deposits with banks,
- federal funds sold and resale agreements,
- trading securities,
- cash collateral,
- customers' acceptance liability, and
- accrued interest receivable.

SECURITIES

The fair value of securities is based on quoted market prices, where available. If quoted market prices are not available, fair value is estimated using the quoted market prices of comparable instruments.

NET LOANS AND LOANS HELD FOR SALE

Fair values are estimated based on the discounted value of expected net cash flows incorporating assumptions about prepayment rates, credit losses and servicing fees and costs. For revolving home equity loans, this fair value does not include any amount for new loans or the related fees that will

Table of Contents

be generated from the existing customer relationships. In the case of nonaccrual loans, scheduled cash flows exclude interest payments. The carrying value of loans held for sale approximates fair value.

Loans are presented above net of the allowance for loan and lease losses.

OTHER ASSETS

Other assets as shown in the accompanying table include the following:

- noncertificated interest-only strips,
- FHLB and FRB stock,
- equity investments carried at cost and fair value, and
- private equity investments carried at fair value.

Investments accounted for under the equity method, including our investment in BlackRock, are not included in the accompanying table.

The carrying amounts of private equity investments are recorded at fair value. Fair value of the noncertificated interest-only strips is estimated based on the discounted value of expected net cash flows. The equity investments carried at cost, including the FHLB and FRB stock, have a carrying value of approximately \$365 million as of December 31, 2006, and \$321 million as of December 31, 2005, both of which approximate fair value at each date.

MORTGAGE AND OTHER LOAN SERVICING ASSETS

Fair value is based on the present value of the future cash flows, including assumptions as to prepayment speeds, discount rates, interest rates, cost to service and other factors.

DEPOSITS

The carrying amounts of noninterest-bearing demand and interest-bearing money market and savings deposits approximate fair values. For time deposits, which include foreign deposits, fair values are estimated based on the discounted value of expected net cash flows assuming current interest rates.

BORROWED FUNDS

The carrying amounts of federal funds purchased, commercial paper, acceptances outstanding and accrued interest payable are considered to be their fair value because of their short-term nature. For all other borrowed funds, fair values are estimated based on the discounted value of expected net cash flows assuming current interest rates.

UNFUNDED LOAN COMMITMENTS AND LETTERS OF CREDIT

The fair value of unfunded loan commitments and letters of credit is our estimate of the cost to terminate them. For purposes of this disclosure, this fair value is the sum of the deferred fees currently recorded by us on these facilities and the liability established on these facilities related to their creditworthiness.

FINANCIAL DERIVATIVES

For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models or quoted prices for instruments with similar characteristics.

NOTE 24 COMMITMENTS AND GUARANTEES

EQUITY FUNDING COMMITMENTS

We had commitments to make additional equity investments in certain equity management entities of \$123 million and affordable housing limited partnerships of \$71 million at December 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 December 31, 2006 was \$155 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 December 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 \$6.6 billion at December 31, 2006.

Assets valued as of December 31, 2006 of approximately \$.9 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 December 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 \$57 million at December 31, 2006.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

We enter into standby bond purchase agreements to support municipal bond obligations. At December 31, 2006, the

Table of Contents

aggregate of PNC's commitments under these facilities was \$240 million. PNC also enters into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits including Market Street. At December 31, 2006, our total commitments under these facilities were \$5.7 billion, of which \$5.6 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 and equipment leases,

- 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,

Table of Contents

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 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 December 31, 2006, the total maximum potential exposure as a result of these indemnity obligations was approximately \$13.0 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 December 31, 2006, the fair value of the written caps and floors liability on our Consolidated Balance Sheet was \$53 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 for the occurrence of a credit event of a reference entity. The fair value of the contracts sold on our Consolidated Balance Sheet was a net asset of \$4 million at December 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 experience a credit event at a total loss, without recoveries, was \$933 million at December 31, 2006. We purchased \$827 million notional of credit default swaps to mitigate the exposure of certain written credit default swaps at December 31, 2006.

We have entered into various contingent performance guarantees through credit risk participation arrangements with terms ranging from less than one year to 11 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 \$372 million at December 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.

NOTE 25 PARENT COMPANY

Summarized financial information of the parent company is as follows:

Income Statement

Year ended December 31 - in millions	2006	2005	2004
OPERATING REVENUE			
Dividends from:			
Bank subsidiaries and bank holding company	\$710	\$717	\$895
Non-bank subsidiaries	69	72	187
Interest income	16	8	4
Noninterest income	9	6	
Total operating revenue	804	803	1,086
OPERATING EXPENSE			
Interest expense	93	71	42
Other expense	46	11	5
Total operating expense	139	82	47
Income before income taxes and equity in undistributed net income of subsidiaries	665	721	1,039
Income tax benefits	(60)	(24)	(17)
Income before equity in undistributed net income of subsidiaries	725	745	1,056
Equity in undistributed net income of subsidiaries:			
Bank subsidiaries and bank holding company	1,653	396	98
Non-bank subsidiaries	217	184	43
Net income	\$2,595	\$1,325	\$1,197

Balance Sheet

December 31 - in millions	2006	2005
ASSETS		
Cash and due from banks	\$2	\$3
Short-term investments with subsidiary bank	3	
Securities available for sale	290	293
Investments in:		
Bank subsidiaries and bank holding company	9,294	7,140
Non-bank subsidiaries	2,038	2,504
Other assets	559	237
Total assets	\$12,186	\$10,177
LIABILITIES		
Subordinated debt	\$1,147	\$1,326
Accrued expenses and other liabilities	251	288
Total liabilities	1,398	1,614
SHAREHOLDERS' EQUITY	10,788	8,563
Total liabilities and shareholders' equity	\$12,186	\$10,177

Table of Contents

Commercial paper and all other debt issued by PNC Funding Corp, a wholly owned finance subsidiary, is fully and unconditionally guaranteed by the parent company. In addition, in connection with certain affiliates' commercial mortgage servicing operations, the parent company has committed to maintain such affiliates' net worth above minimum requirements.

The parent company received net income tax refunds of \$35 million in 2006 and \$19 million in 2005. Such refunds represent the parent company's portion of consolidated income taxes. The parent company made income tax payments of \$9 million in 2004. The parent company paid interest of \$113 million in 2006, \$94 million in 2005 and \$62 million in 2004.

Statement Of Cash Flows

Year ended December 31 - in millions	2006	2005	2004
OPERATING ACTIVITIES			
Net income	\$2,595	\$1,325	\$1,197
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Equity in undistributed net (earnings) loss of subsidiaries	(1,870)	(580)	(141)
Other	103	130	(18)
Net cash provided by operating activities	828	875	1,038
INVESTING ACTIVITIES			
Net capital returned from (contributed to) subsidiaries	300	(271)	495
Securities available for sale			
Sales and maturities	3,440	2,912	1,638
Purchases	(3,437)	(2,822)	(1,991)
Cash paid for acquisitions		(447)	(290)
Other	(311)	239	
Net cash used in investing activities	(8)	(389)	(148)
FINANCING ACTIVITIES			
Borrowings from non-bank subsidiary	210	150	1,100
Repayments on borrowings from non-bank subsidiary	(210)	(150)	(1,318)
Acquisition of treasury stock	(531)	(112)	(251)
Cash dividends paid to shareholders	(633)	(575)	(566)
Issuance of treasury stock	343	203	144
Net cash used in financing activities	(821)	(484)	(891)
Increase (decrease) in cash and due from banks	(1)	2	(1)
Cash and due from banks at beginning of year	3	1	2
Cash and due from banks at end of year	\$2	\$3	\$1

STATISTICAL INFORMATION (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

SELECTED QUARTERLY FINANCIAL DATA (a)

Dollars in millions,
except per share data

	2006				2005			
	Fourth	Third	Second	First	Fourth	Third	Second	First
SUMMARY OF OPERATIONS								
Interest income	\$1,217	\$1,203	\$1,126	\$1,066	\$1,034	\$995	\$901	\$804
Interest expense	651	636	570	510	479	436	367	298
Net interest income	566	567	556	556	555	559	534	506
Provision for (recoveries of) credit losses (b)	42	16	44	22	24	16	(27)	8
Noninterest income (c) (d)	969	2,943	1,230	1,185	1,154	1,116	929	974
Noninterest expense (e)	969	1,167	1,145	1,162	1,127	1,154	1,033	992
Income before minority interest and income taxes	524	2,327	597	557	558	505	457	480
Minority interest in income of BlackRock		6	19	22	22	19	16	14
Income taxes (f)	148	837	197	181	181	152	159	112
Net income (g)	\$376	\$1,484	\$381	\$354	\$355	\$334	\$282	\$354
PER COMMON SHARE DATA								
Book value	\$36.80	\$36.60	\$29.92	\$29.70	\$29.21	\$28.54	\$28.35	\$26.78
Basic earnings (g)	1.29	5.09	1.30	1.21	1.22	1.16	.99	1.26
Diluted earnings (g) (h)	1.27	5.01	1.28	1.19	1.20	1.14	.98	1.24

- (a) We have reclassified certain prior quarter amounts to conform with the fourth quarter 2006 presentation.
(b) Second quarter 2005 amount reflects the impact of a \$53 million loan recovery recognized during that quarter.
(c) Noninterest income included equity management gains and net securities losses in each quarter as follows (in millions):

	2006				2005			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Equity management gains	\$25	\$21	\$54	\$7	\$16	\$36	\$12	\$32
Net securities losses		\$(195)	\$(8)	\$(4)	\$(4)	\$(2)	\$(26)	\$(9)

- (d) Noninterest income for the third quarter of 2006 included the pretax impact of the following: gain on the BlackRock/MLIM transaction of \$2.1 billion; securities portfolio rebalancing loss of \$196 million; and mortgage loan portfolio repositioning loss of \$48 million.
(e) Noninterest expense for the third quarter of 2006 included the pretax impact of BlackRock/MLIM transaction integration costs of \$72 million.
(f) See Note 2 Acquisitions in the Notes To Consolidated Financial Statements regarding the \$45 million reversal of deferred tax liabilities recognized in the first quarter of 2005.
(g) The net after-tax impact on third quarter 2006 net income of the items described in notes (d) and (e) above totaled \$1.1 billion. The net impact of these items increased third quarter 2006 basic earnings per share by \$3.79 and increased diluted earnings per share by \$3.73.
(h) The sum of quarterly amounts for each year does not equal the respective year's amount because the quarterly calculations are based on a changing number of average shares.

[Table of Contents](#)
Analysis Of Year-To-Year Changes In Net Interest Income

	2006/2005			2005/2004		
	Increase/(Decrease) in Income/Expense Due to Changes in:			Increase/(Decrease) in Income/Expense Due to Changes in:		
Taxable-equivalent basis - in millions	Volume	Rate	Total	Volume	Rate	Total
Interest-Earning Assets						
Securities available for sale						
Mortgage-backed, asset-backed, and other debt	\$188	\$107	\$295	\$130	\$66	\$196
U.S. Treasury and government agencies	(85)	14	(71)	11	50	61
State and municipal	(1)		(1)	(3)	(4)	(7)
Corporate stocks and other	4	(2)	2	(3)	5	2
Total securities available for sale	92	133	225	135	117	252
Loans, net of unearned income						
Commercial	76	233	309	130	174	304
Commercial real estate	41	33	74	25	31	56
Consumer	(5)	109	104	111	66	177
Residential mortgage	41	13	54	110	1	111
Lease financing	(8)	(1)	(9)	(23)	(1)	(24)
Other	(5)	9	4	(2)	8	6
Total loans, net of unearned income	129	407	536	345	285	630
Loans held for sale	19	34	53	24	33	57
Federal funds sold and resale agreements	5	28	33	(15)	10	(5)
Other	(4)	27	23	60	1	61
Total interest-earning assets	\$253	\$617	\$870	\$541	\$454	\$995
Interest-Bearing Liabilities						
Interest-bearing deposits						
Money market	\$44	\$216	\$260	\$21	\$231	\$252
Demand		32	32	1	23	24
Savings	(3)	(3)	(6)		5	5
Retail certificates of deposit	85	126	211	77	50	127
Other time	(8)	15	7	33		33
Time deposits in foreign offices	52	53	105	21	35	56
Total interest-bearing deposits	111	498	609	97	400	497
Borrowed funds						
Federal funds purchased	41	45	86	2	43	45
Repurchase agreements		36	36	13	34	47
Bank notes and senior debt	(2)	47	45	14	39	53
Subordinated debt	19	53	72	23	35	58
Commercial paper	(87)	24	(63)	6	38	44
Other	(14)	16	2	45	8	53
Total borrowed funds	(46)	224	178	105	195	300
Total interest-bearing liabilities	95	692	787	187	610	797
Change in net interest income	\$138	\$(55)	\$83	\$342	\$(144)	\$198

Changes attributable to rate/volume are prorated into rate and volume components.

[Table of Contents](#)
Average Consolidated Balance Sheet And Net Interest Analysis

	2006			2005			2004		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates	Average Balances	Interest Income/Expense	Average Yields/Rates
Assets									
Interest-earning assets									
Securities available for sale									
Mortgage-backed, asset-backed, and other debt	\$18,587	\$926	4.98%	\$14,627	\$631	4.31%	\$11,483	\$435	3.79%
U.S. Treasury and government agencies	2,334	102	4.37	4,308	173	4.02	3,943	112	2.84
State and municipal	148	8	5.41	167	9	5.39	220	16	7.27
Corporate stocks and other	246	14	5.69	173	12	6.94	232	10	4.31
Total securities available for sale	21,315	1,050	4.93	19,275	825	4.28	15,878	573	3.61
Loans, net of unearned income									
Commercial	20,201	1,451	7.18	19,007	1,142	6.01	16,627	838	5.04
Commercial real estate	3,212	232	7.22	2,609	158	6.06	2,137	102	4.77
Consumer	16,125	1,009	6.26	16,208	905	5.58	14,165	728	5.14
Residential mortgage	6,888	375	5.44	6,136	321	5.23	4,040	210	5.20
Lease financing	2,777	123	4.43	2,944	132	4.48	3,470	156	4.50
Other	363	26	7.16	453	22	4.86	506	16	3.16
Total loans, net of unearned income	49,566	3,216	6.49	47,357	2,680	5.66	40,945	2,050	5.01
Loans held for sale	2,683	157	5.85	2,301	104	4.52	1,636	47	2.87
Federal funds sold and resale agreements	1,143	58	5.07	985	25	2.54	1,670	30	1.80
Other	2,985	156	5.23	3,083	133	4.31	1,692	72	4.26
Total interest-earning assets/interest income	77,692	4,637	5.97	73,001	3,767	5.16	61,821	2,772	4.48
Noninterest-earning assets									
Allowance for loan and lease losses	(591)			(632)			(608)		
Cash and due from banks	3,121			3,164			2,895		
Other	14,790			13,015			11,158		
Total assets	\$95,012			\$88,548			\$75,266		
Liabilities, Minority and Noncontrolling Interests, and Shareholders' Equity									
Interest-bearing liabilities									
Interest-bearing deposits									
Money market	\$19,745	663	3.36	\$17,930	403	2.25	\$15,964	151	.95
Demand	8,187	88	1.07	8,224	56	.68	7,902	32	.40
Savings	2,081	10	.48	2,645	16	.60	2,684	11	.41
Retail certificates of deposit	13,999	582	4.16	11,623	371	3.19	9,075	244	2.69
Other time	1,364	66	4.84	1,559	59	3.78	686	26	3.79
Time deposits in foreign offices	3,613	181	5.01	2,347	76	3.24	1,371	20	1.46
Total interest-bearing deposits	48,989	1,590	3.25	44,328	981	2.21	37,682	484	1.28
Borrowed funds									
Federal funds purchased	3,081	157	5.10	2,098	71	3.38	1,957	26	1.33
Repurchase agreements	2,205	101	4.58	2,189	65	2.97	1,433	18	1.26
Bank notes and senior debt	3,128	159	5.08	3,198	114	3.56	2,687	61	2.27
Subordinated debt	4,417	269	6.09	4,044	197	4.87	3,506	139	3.96
Commercial paper	166	8	4.82	2,223	71	3.19	1,887	27	1.43
Other	2,046	83	4.06	2,447	81	3.31	1,045	28	2.68
Total borrowed funds	15,043	777	5.17	16,199	599	3.70	12,515	299	2.39
Total interest-bearing liabilities/interest expense	64,032	2,367	3.70	60,527	1,580	2.61	50,197	783	1.56
Noninterest-bearing liabilities, minority and noncontrolling interests, and shareholders' equity									
Demand and other noninterest-bearing deposits	14,320			13,309			12,015		
Allowance for unfunded loan commitments and letters of credit	106			80			90		
Accrued expenses and other liabilities	6,672			6,098			5,389		
Minority and noncontrolling interests in consolidated entities	600			542			455		
Shareholders' equity	9,282			7,992			7,120		
Total liabilities, minority and noncontrolling interests, and shareholders' equity	\$95,012			\$88,548			\$75,266		
Interest rate spread									
Impact of noninterest-bearing sources			2.27			2.55			2.92
Net interest income/margin		\$2,270	2.92%		\$2,187	3.00%		\$1,989	3.22%

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

Loan fees for the years ended December 31, 2006, 2005 and 2004 were \$35 million, \$91 million and \$109 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 years ended December 31, 2006, 2005 and 2004 were \$25 million, \$33 million and \$20 million, respectively. Average securities held to maturity totaled less than \$.5 million for the year ended December 31, 2006, \$1 million for the year ended December 31, 2005 and \$2 million for the year ended December 31, 2004 and are included in the "Mortgage-backed, asset-backed, and other debt" category.

Table of Contents

LOANS OUTSTANDING

December 31 - in millions	2006	2005	2004	2003	2002
Commercial	\$20,584	\$19,325	\$17,438	\$15,082	\$14,987
Commercial real estate	3,532	3,162	1,980	1,824	2,267
Consumer	16,515	16,173	15,606	11,855	9,854
Residential mortgage	6,337	7,307	4,772	2,886	3,921
Lease financing	3,556	3,628	4,096	5,147	5,081
Other	376	341	505	518	415
Total loans	50,900	49,936	44,397	37,312	36,525
Unearned income	(795)	(835)	(902)	(1,009)	(1,075)
Total loans, net of unearned income (a)	\$50,105	\$49,101	\$43,495	\$36,303	\$35,450

(a) Includes \$2.3 billion at December 31, 2004 and \$2.2 billion at December 31, 2003 related to Market Street, which was deconsolidated effective October 17, 2005.

NONPERFORMING ASSETS AND RELATED INFORMATION

December 31 - dollars in millions	2006	2005	2004	2003	2002
Nonaccrual loans					
Commercial	\$109	\$134	\$89	\$213	\$226
Lease financing	1	17	5	11	57
Commercial real estate	12	14	14	6	7
Consumer	13	10	11	11	11
Residential mortgage	12	15	21	24	7
Total nonaccrual loans	\$147	\$190	\$140	\$265	\$308
Troubled debt restructured loan			3	1	1
Total nonperforming loans	147	190	143	266	309
Nonperforming loans held for sale (a)		1	3	27	97
Foreclosed and other assets					
Lease	12	13	14	17	
Residential mortgage	10	9	10	9	6
Other	2	3	5	9	6
Total foreclosed and other assets	24	25	29	35	12
Total nonperforming assets (b)	\$171	\$216	\$175	\$328	\$418
Nonperforming loans to total loans	.29%	.39%	.33%	.73%	.87%
Nonperforming assets to total loans, loans held for sale and foreclosed assets	.33	.42	.39	.87	1.13
Nonperforming assets to total assets	.17	.23	.22	.48	.63
Interest on nonperforming loans					
Computed on original terms	\$15	\$16	\$11	\$29	\$23
Recognized	4	5	2	5	10
Past due loans					
Accruing loans past due 90 days or more	\$50	\$46	\$49	\$57	\$115
As a percentage of total loans	.10%	.09%	.11%	.16%	.32%
Past due loans held for sale					
Accruing loans held for sale past due 90 days or more	\$9	\$47	\$9	\$6	\$32
As a percentage of total loans held for sale	.38%	1.92%	.54%	.43%	1.99%

(a) Includes \$1 million, \$2 million, \$10 million, and \$17 million of troubled debt restructured loans held for sale at December 31, 2005, 2004, 2003 and 2002, respectively.

(b) Excludes equity management assets that are carried at estimated fair value of \$11 million (including \$4 million of troubled debt restructured assets) at December 31, 2006, \$25 million (including \$7 million of troubled debt restructured assets) at December 31, 2005, \$32 million (including \$11 million of troubled debt restructured assets) at December 31, 2004, \$37 million (including \$5 million of troubled debt restructured assets) at December 31, 2003 and \$40 million (including \$12 million of troubled debt restructured assets) at December 31, 2002.

Table of Contents

SUMMARY OF LOAN LOSS EXPERIENCE

Year ended December 31 - dollars in millions	2006	2005	2004	2003	2002
Allowance for loan and lease losses at beginning of year	\$596	\$607	\$632	\$673	\$560
Charge-offs					
Commercial	(108)	(52)	(113)	(168)	(194)
Commercial real estate	(3)	(1)	(2)	(3)	(3)
Consumer	(52)	(45)	(43)	(39)	(40)
Residential mortgage	(3)	(2)	(3)	(4)	(5)
Lease financing	(14)	(29)	(5)	(46)	(25)
Total charge-offs	(180)	(129)	(166)	(260)	(267)
Recoveries					
Commercial (a)	19	82	31	32	26
Commercial real estate	1	1	1	1	1
Consumer	15	15	12	12	14
Residential mortgage			1	1	1
Lease financing	5	1	6	3	2
Total recoveries	40	99	51	49	44
Net charge-offs (a)	(140)	(30)	(115)	(211)	(223)
Provision for credit losses	124	21	52	177	309
Acquisitions		23	22		41
Net change in allowance for unfunded loan commitments and letters of credit	(20)	(25)	16	(7)	(14)
Allowance for loan and lease losses at end of year	\$560	\$596	\$607	\$632	\$673
Allowance as a percent of period-end					
Loans	1.12%	1.21%	1.40%	1.74%	1.90%
Nonperforming loans	381	314	424	238	218
As a percent of average loans					
Net charge-offs (a)	.28	.06	.28	.59	.60
Provision for credit losses	.25	.04	.13	.49	.83
Allowance for loan and lease losses	1.13	1.26	1.48	1.76	1.81
Allowance as a multiple of net charge-offs (a)	4.00x	19.87x	5.28x	3.00x	3.02x

(a) Amounts for 2005 reflect the impact of a \$53 million loan recovery in that year. Excluding this recovery, net charge-offs would have been .18% of average loans and the allowance as a multiple of net charge-offs would have been 7.18x.

The following table presents the assignment of the allowance for loan and lease losses and the categories of loans as a percentage of total loans. Changes in the allocation over time reflect the changes in loan portfolio composition, risk profile and refinements to reserve methodologies. For purposes of this presentation, a portion of the allowance for loan and lease losses has been assigned to loan categories based on the relative specific and pool allocation amounts to provide coverage for probable losses not covered in specific, pool and consumer reserve methodologies related to qualitative and measurement factors. At December 31, 2006, the portion of the reserves for these factors was \$45 million.

ALLOCATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES

December 31 Dollars in millions	2006		2005		2004		2003		2002	
	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans	Allowance	Loans to Total Loans
Commercial	\$ 443	40.9%	\$ 489	39.2%	\$ 503	40.1%	\$ 514	41.5%	\$ 504	42.3%
Commercial real estate	30	7.0	32	6.4	26	4.5	34	5.1	52	6.4
Consumer	28	33.1	24	33.1	35	35.9	28	32.6	28	27.8
Residential mortgage	7	12.7	7	14.9	6	11.0	7	8.0	10	11.0
Lease financing	48	5.6	41	5.7	33	7.3	44	11.4	75	11.3
Other	4	.7	3	.7	4	1.2	5	1.4	4	1.2
Total	\$ 560	100.0%	\$ 596	100.0%	\$ 607	100.0%	\$ 632	100.0%	\$ 673	100.0%

Table of Contents

SELECTED LOAN MATURITIES AND INTEREST SENSITIVITY

December 31, 2006 In millions	1 Year or Less	1 Through 5 Years	After 5 Years	Gross Loans
Commercial	\$6,045	\$10,324	\$4,215	\$20,584
Real estate projects	1,106	1,474	136	2,716
Total	\$7,151	\$11,798	\$4,351	\$23,300
Loans with Predetermined rate	\$762	\$1,016	\$1,667	\$3,445
Floating or adjustable rate	6,389	10,782	2,684	19,855
Total	\$7,151	\$11,798	\$4,351	\$23,300

At December 31, 2006, \$745 million notional of pay-fixed interest rate swaps were designated to commercial loans as part of fair value hedge strategies. The changes in fair value of the loans attributable to the hedged risk are included in the commercial loan amount in the above table. In addition, \$7.8 billion notional amount of receive-fixed interest rate swaps were designated as part of cash flow hedging strategies that converted the floating rate (1 month LIBOR, 3 month LIBOR and Prime) on the underlying commercial loans to a fixed rate as part of risk management strategies.

TIME DEPOSITS OF \$100,000 OR MORE

Time deposits in foreign offices totaled \$3.0 billion at December 31, 2006, substantially all of which are in denominations of \$100,000 or more. The following table sets forth maturities of domestic time deposits of \$100,000 or more:

December 31, 2006 – in millions	Certificates of Deposit
Three months or less	\$1,169
Over three through six months	2,185
Over six through twelve months	1,516
Over twelve months	880
Total	\$5,750

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 our common stock and the cash dividends we declared per common share.

	High	Low	Close	Cash Dividends Declared
2006 Quarter				
First	\$71.42	\$61.78	\$67.31	\$.50
Second	72.00	65.30	70.17	.55
Third	73.55	68.09	72.44	.55
Fourth	75.15	67.61	74.04	.55
Total				\$2.15
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

Table of Contents

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(a) Previously reported.

(b) None.

ITEM 9A – CONTROLS AND PROCEDURES

(a) MANAGEMENT’S RESPONSIBILITY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The PNC Financial Services Group, Inc. and subsidiaries (“PNC”) is responsible for establishing and maintaining effective internal control over financial reporting. The internal control system is augmented by written policies and procedures and by audits performed by an internal audit staff, which reports to the Audit Committee of the Board of Directors. Internal auditors test the operation of the internal control system and report findings to management and the Audit Committee, and appropriate corrective and other actions are taken to address identified control deficiencies and other opportunities for improving the system. The Audit Committee, composed solely of independent directors, provides oversight to management’s conduct of the financial reporting process.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to the reliability of financial reporting and financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

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 PNC’s internal control over financial reporting as of December 31, 2006. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that PNC maintained effective internal control over financial reporting as of December 31, 2006.

Deloitte & Touche LLP, the Independent Registered Public Accounting Firm that audited the Consolidated Financial Statements included in this Report, has issued a

report on management’s assessment and on the effectiveness of PNC’s internal control over financial reporting as of December 31, 2006. The report of Deloitte & Touche LLP follows.

(b) REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The PNC Financial Services Group, Inc.
Pittsburgh, Pennsylvania

We have audited management’s assessment, included in the accompanying “Management’s Responsibility For Internal Control Over Financial Reporting” that The PNC Financial Services Group, Inc. and subsidiaries (the “Company”) maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management’s assessment and an opinion on the effectiveness of the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management’s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with

Table of Contents

generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006 and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended of the Company and our report dated March 1, 2007 expressed an unqualified opinion on those financial statements and included explanatory paragraphs regarding the Company's adoption of Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" and the Company's use of the equity method of accounting to recognize its investment in BlackRock, Inc.

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 1, 2007

(c) Internal Controls and Disclosure Controls and Procedures

As of December 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 December 31, 2006, and that there has been no change in internal control over financial reporting that occurred during the fourth quarter of 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B - OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Certain of the information regarding our directors, nominees for director, executive officers, Audit Committee (and Audit Committee financial experts), and shareholder nomination process required by this item is included under the captions "Election of Directors – *Information Concerning Nominees*," "Transactions Involving Directors And Executive Officers – *Family Relationships*," and "Corporate Governance At PNC – *The Audit Committee – Our Code of Business Conduct and Ethics*" and – "*Shareholder Proposals And Nominations*" in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference. In accordance with Item 407(d)(3) of Regulation S-K, the information set forth under the caption "Report of the Audit Committee" in such Proxy Statement will be deemed to be furnished in this Report and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of furnishing the disclosure in this manner.

Information regarding our compliance with Section 16(a) of the Securities Exchange Act of 1934 is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference.

Additional information regarding our executive officers and our directors is included in Part I of this Report under the captions "Executive Officers of the Registrant" and "Directors of the Registrant."

Our PNC Code of Business Conduct and Ethics is available on our corporate website at www.pnc.com under "About PNC – Investor Relations – Corporate Governance." In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our

Table of Contents

directors or executive officers (including the Chairman and Chief Executive Officer, the Chief Financial Officer and the Controller) will be posted at this internet address.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this item is included under the captions “Board Of Directors And Committees Of The Board – *Compensation Of Directors*, – *Deferred Compensation Plans*, and – *Other Director Benefits*,” “Compensation Discussion and Analysis,” – “Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” and “Compensation Tables” in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference. In accordance with Item 407(e)(5) of Regulation S-K, the information set forth under the caption “Compensation Committee Report” in such Proxy Statement will be deemed to be furnished in this Report and will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act as a result of furnishing the disclosure in this manner.

Equity Compensation Plan Information At December 31, 2006

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
1997 Long-Term Incentive Award Plan (Note 1)			
Stock Options	14,925,733	\$59.27	
Incentive Performance Unit Awards (Note 2)	371,734	N/A	
Subtotal	15,297,467		2,574,979
2006 Incentive Award Plan (Note 3)			
Stock Options	24,170	\$68.85	40,192,781
1996 Executive Incentive Award Plan			
Incentive Awards		N/A	152,553
Employee Stock Purchase Plan		(Note 4)	1,413,893
1992 Director Share Incentive Plan		N/A	369,614
Total approved by security holders	15,321,637		44,703,820
Equity compensation plans not approved by security holders			
Total	None	N/A	None
	15,321,637		44,703,820

N/A – not applicable

Note 1 – After shareholder approval of the 2006 Incentive Award Plan at the 2006 annual meeting of PNC’s shareholders on April 25, 2006 (see Note 3 below), no further grants were permitted under the 1997 Long-Term Incentive Award Plan, other than for the exercise of reload or performance unit rights. As of December 31, 2006, the number of remaining shares reserved under this plan for that purpose was 2,574,979.

Note 2 – These incentive performance unit awards provide for the issuance of shares of common stock (up to a target number of shares) based on the degree to which corporate performance goals established by the Personnel and Compensation Committee have been achieved, and, if a premium level of such performance is achieved, for further payment in cash. This number reflects the current maximum number of shares that could be issued pursuant to grants outstanding at December 31, 2006 upon achievement of the performance goals and other conditions of the grants. These grants were all made on January 23, 2006.

Note 3 – The 2006 Incentive Award Plan was adopted by the Board on February 15, 2006 and approved by the PNC shareholders at the 2006 annual meeting on April 25, 2006. The plan initially authorized up to 40,000,000 shares of common stock for issuance under the plan, subject to adjustment in certain circumstances. If and to the extent that options and SARs granted under the plan, or granted under the prior plan and outstanding on the approval date of the plan, terminate, expire or are cancelled, forfeited, exchanged or surrendered after the effective date of the plan without being exercised or if any share awards, share units, dividend equivalents or other share-based awards are forfeited or terminated, or otherwise not paid in full, after the effective date of the plan, the shares subject to such grants become available again for purposes of the plan.

Note 4 – 95% of the fair market value on the last day of each six-month offering period.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item regarding security ownership of certain beneficial owners and management is included under the caption “Compensation Tables – Security Ownership of Directors, Nominees and Executive Officers” in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference.

Information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2006 is included in the table which follows. Additional information regarding these plans is included in Note 18 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

**ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED
TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is included under the captions “Transactions Involving Directors And Executive Officers” and “Corporate Governance At PNC – Director Independence” in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is included under the caption “Independent Auditors,” excluding the information set forth under the caption “Report Of The Audit Committee,” in our Proxy Statement to be filed for the annual meeting of shareholders to be held on April 24, 2007 and is incorporated herein by reference.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) FINANCIAL STATEMENTS

Our consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Report.

(a) (2), (b), and (c) FINANCIAL STATEMENT SCHEDULES

No financial statement schedules are being filed.

(a)(3) and (b) EXHIBITS

Our exhibits listed on the Exhibit Index on pages E-1 through E-4 of this Form 10-K are filed with this Report or are incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE PNC FINANCIAL SERVICES GROUP, INC.
(Registrant)

By: /s/ Richard J. Johnson
Richard J. Johnson
Chief Financial Officer
March 1, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of The PNC Financial Services Group, Inc. and in the capacities indicated on March 1, 2007.

Signature	Capacities
<u>/s/ James E. Rohr</u> James E. Rohr	Chairman, Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ Richard J. Johnson</u> Richard J. Johnson	Chief Financial Officer (Principal Financial Officer)
<u>/s/ Samuel R. Patterson</u> Samuel R. Patterson	Controller (Principal Accounting Officer)
* Paul W. Chellgren; Robert N. Clay; J. Gary Cooper; George A. Davidson, Jr.; Kay Coles James; Richard B. Kelson; Bruce C. Lindsay; Anthony A. Massaro; Jane G. Pepper; Lorene K. Steffes; Dennis F. Strigl; Stephen G. Thieke; Thomas J. Usher; George H. Walls, Jr.; and Helge H. Wehmeier	Directors

*By: /s/ George P. Long, III
George P. Long, III, Attorney-in-Fact, pursuant to Powers
of Attorney filed herewith

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing +
2.1	Agreement and Plan of Merger dated as of October 8, 2006 by and between Mercantile Bankshares Corporation and the Corporation	Incorporated by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K dated October 8, 2006, filed October 10, 2006 ("October 8, 2006 Form 8-K")
3.1	Articles of Incorporation of the Corporation, as amended and restated effective as of August 29, 2005	Incorporated herein by reference to Exhibit 3.3 of the Corporation's Current Report on Form 8-K dated August 25, 2005 ("August 25, 2005 Form 8-K")
3.2	By-Laws of the Corporation, as amended and restated effective as of December 14, 2005	Incorporated herein by reference to Exhibit 3.5 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 ("3 rd Quarter 2005 Form 10-Q")
4.1	There are no instruments with respect to long-term debt of the Corporation and its subsidiaries that involve securities authorized under the instrument in an amount exceeding 10 percent of the total assets of the Corporation and its subsidiaries on a consolidated basis. The Corporation agrees to provide the SEC with a copy of instruments defining the rights of holders of long-term debt of the Corporation and its subsidiaries on request.	
4.2	Terms of \$1.80 Cumulative Convertible Preferred Stock, Series A	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.3	Terms of \$1.80 Cumulative Convertible Preferred Stock, Series B	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.4	Terms of \$1.60 Cumulative Convertible Preferred Stock, Series C	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.5	Terms of \$1.80 Cumulative Convertible Preferred Stock, Series D	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.6	Terms of Series G Junior Participating Preferred Stock	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.7	Terms of 7.00% Non-Cumulative Preferred Stock, Series H	Incorporated herein by reference to Exhibit 3.3 of the Corporation's August 25, 2005 Form 8-K
4.8	Rights Agreement between the Corporation and The Chase Manhattan Bank dated May 15, 2000	Incorporated herein by reference to Exhibit 1 to the Corporation's Report on Form 8-A filed May 23, 2000
4.9	First Amendment to Rights Agreement between the Corporation, The Chase Manhattan Bank, and Computershare Investor Services, LLC dated January 1, 2003	Incorporated herein by reference to Exhibit 4.8 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002 ("2002 Form 10-K")
4.10	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Senior Bank Note with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.9 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 ("3 rd Quarter 2004 Form 10-Q")
4.11	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Senior Bank Note with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.10 of the Corporation's 3 rd Quarter 2004 Form 10-Q
4.12	Form of PNC Bank, National Association Global Bank Note for Fixed Rate Global Subordinated Bank Note with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.11 of the Corporation's 3 rd Quarter 2004 Form 10-Q
4.13	Form of PNC Bank, National Association Global Bank Note for Floating Rate Global Subordinated Bank Note with Maturity of more than Nine Months from Date of Issuance	Incorporated herein by reference to Exhibit 4.12 of the Corporation's 3 rd Quarter 2004 Form 10-Q

Table of Contents

4.14	Indenture, dated as of December 20, 2006 between PNC Funding Corp, the Corporation as guarantor, and The Bank of New York as trustee for \$1,000,000,000 Floating Rate Exchangeable Senior Notes due December 20, 2036	Filed herewith
10.1	The Corporation's Supplemental Executive Retirement Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.1 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 ("2 nd Quarter 2004 Form 10-Q")*
10.2	The Corporation's ERISA Excess Pension Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.2 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.3	The Corporation's Key Executive Equity Program, as amended and restated	Incorporated herein by reference to Exhibit 10.3 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.4	The Corporation's Supplemental Incentive Savings Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.4 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.5	The Corporation's 2006 Incentive Award Plan	Incorporated herein by reference to Exhibit 10.39 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006*
10.6	The Corporation's 1997 Long-Term Incentive Award Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.5 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.7	The Corporation's 1996 Executive Incentive Award Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.6 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.8	The Corporation and Affiliates Deferred Compensation Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.7 of the Corporation's 2 nd Quarter 2004 Form 10-Q*
10.9	AJCA transition guidance amendments to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates Deferred Compensation Plan	Incorporated by reference to Exhibit 10.8 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2005 ("2005 Form 10-K")*
10.10	1992 Director Share Incentive Plan	Incorporated herein by reference to Exhibit 10.13 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999*
10.11	The Corporation's Directors Deferred Compensation Plan, as amended and restated	Incorporated by reference to Exhibit 10.12 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 ("1 st Quarter 2004 Form 10-Q")*
10.12	The Corporation's Outside Directors Deferred Stock Unit Plan, as amended and restated	Incorporated by reference to Exhibit 10.13 of the Corporation's 1 st Quarter 2004 Form 10-Q*
10.13	Amended and Restated Trust Agreement between PNC Investment Corp., as Settler, and Hershey Trust Company, as trustee	Incorporated herein by reference to Exhibit 10.35 of the Corporation's 3 rd Quarter 2005 Form 10-Q*
10.14	Trust Agreement between PNC Investment Corp., as Settler, and PNC Bank, National Association, as trustee	Incorporated herein by reference to Exhibit 10.34 of the Corporation's 3 rd Quarter 2005 Form 10-Q*
10.15	The Corporation's Employee Stock Purchase Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.8 of the Corporation's 2 nd Quarter 2004 Form 10-Q
10.16	Forms of employee stock option, restricted stock, restricted deferral, and incentive share agreements	Incorporated herein by reference to Exhibit 10.30 of the Corporation's 3 rd Quarter 2004 Form 10-Q*
10.17	2005 Forms of employee stock option, restricted stock and restricted deferral agreements	Incorporated herein by reference to Exhibit 10.28 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004 ("2004 Form 10-K")*
10.18	2006 Forms of employee stock option, restricted stock and restricted deferral agreements	Incorporated by reference to Exhibit 10.17 of the 2005 Form 10-K*
10.19	Forms of employee stock option and restricted stock agreements under 2006 Incentive Award Plan	Incorporated by reference to Exhibit 10.39 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006*

Table of Contents

10.20	2006 Forms of employee incentive performance unit and senior officer change in control severance agreements	Filed herewith*
10.21	2007 Forms of employee stock option and restricted stock agreements	Filed herewith*
10.22	Forms of director stock option and restricted stock agreements	Incorporated herein by reference to Exhibit 10.32 of the Corporation's 3 rd Quarter 2004 Form 10-Q*
10.23	2005 Form of director stock option agreement	Incorporated herein by reference to Exhibit 10.33 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005*
10.24	Form of time sharing agreements between the Corporation and certain executives	Incorporated herein by reference to Exhibit 10.36 of the 3 rd Quarter 2005 Form 10-Q*
10.25	Form of senior officer change in control severance agreement	Incorporated herein by reference to Exhibit 10.17 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996*
10.26	Forms of first amendment to senior officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.9 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000*
10.27	Forms of second amendment to senior officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.15 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001*
10.28	Forms of third amendment to senior officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.26 of the Corporation's 1 st Quarter 2004 Form 10-Q*
10.29	Form of other officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.31 of the 3 rd Quarter 2004 Form 10-Q*
10.30	BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated by reference to BlackRock, Inc.'s Quarterly Report on Form 10-Q (Commission File No. 001-15305) for the quarter ended September 30, 2002 ("BlackRock 3 rd Quarter 2002 Form 10-Q")
10.31	First Amendment to the BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated by reference to BlackRock, Inc.'s Quarterly Report on Form 10-Q (Commission File No. 001-15305) for the quarter ended March 31, 2004
10.32	Second Amendment to the BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated herein by reference to the BlackRock 2004 Form 10-K
10.33	Share Surrender Agreement, dated October 10, 2002, among BlackRock, Inc., PNC Asset Management, Inc., and the Corporation	Incorporated by reference to the BlackRock 3 rd Quarter 2002 Form 10-Q
10.34	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement among BlackRock, Inc., PNC Bancorp, Inc. and the Corporation	Incorporated by reference to BlackRock, Inc.'s Current Report on Form 8-K (Commission File No. 001-15305) filed February 22, 2006 ("BlackRock February 22, 2006 Form 8-K")
10.35	Initial Public Offering Agreement, dated September 30, 1999, among BlackRock, Inc., The PNC Financial Services Group, Inc., formerly PNC Bank Corp., and PNC Asset Management, Inc.	Incorporated by reference to BlackRock, Inc.'s Registration Statement on Form S-1 (Registration No. 333-78367), as amended, originally filed with the SEC on May 13, 1999 ("1999 BlackRock Form S-1 as amended")
10.36	Amendment No. 1 to the Initial Public Offering Agreement, dated October 10, 2002, among the Corporation, PNC Asset Management, Inc. and BlackRock, Inc.	Incorporated by reference to the BlackRock 3 rd Quarter 2002 Form 10-Q

Table of Contents

10.37	Amended and Restated Stockholders Agreement, dated September 30, 1999, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc. and its affiliates	Incorporated by reference to the 1999 BlackRock Form S-1 as amended
10.38	Amendment No. 1 to the Amended and Restated Stockholders Agreement, dated October 10, 2002, by and among BlackRock, Inc., PNC Asset Management, Inc. and certain employees of BlackRock, Inc. and its affiliates	Incorporated by reference to the BlackRock 3 rd Quarter 2002 Form 10-Q
10.39	Implementation and Stockholder Agreement, dated as of February 15, 2006, among BlackRock, Inc., New Boise, Inc. and the Corporation	Incorporated by reference to the BlackRock February 22, 2006 Form 8-K
10.40	PNC Bank, National Association US \$20,000,000,000 Global Bank Note Program for the Issue of Senior and Subordinated Bank Notes with Maturities of more than Nine Months from Date of Issue Distribution Agreement dated July 30, 2004	Incorporated herein by reference to Exhibit 10.29 of the Corporation's 3 rd Quarter 2004 Form 10-Q
10.41	Amended and Restated Agreement and Plan of Merger, dated as of February 10, 2005, between the Corporation and Riggs National Corporation	Incorporated herein by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K dated February 10, 2005
10.42	Transaction Agreement and Plan of Merger, dated as of February 15, 2006, by and among Merrill Lynch & Co., Inc., BlackRock, Inc., New Boise, Inc. and Boise Merger Sub, Inc.	Incorporated by reference to the BlackRock February 22, 2006 Form 8-K
10.43	Agreement and Plan of Merger dated as of October 8, 2006 by and between Mercantile Bankshares Corporation and the Corporation	Incorporated by reference to Exhibit 2.1 of the Corporation's October 8, 2006 Form 8-K
12.1	Computation of Ratio of Earnings to Fixed Charges	Filed herewith
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Dividends	Filed herewith
21	Schedule of Certain Subsidiaries of the Corporation	Filed herewith
23	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	Filed herewith
24	Powers of Attorney	Filed herewith
31.1	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chairman and Chief Executive Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith
99.1	Form of Order of the Securities and Exchange Commission Instituting Public Administrative Procedures Pursuant to Section 8A of the Securities Act of 1933 and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Cease-and-Desist Order	Incorporated herein by reference to Exhibit 99.3 of the Corporation's Current Report on Form 8-K dated July 18, 2002

+ Incorporated document references to filings by the Corporation are to SEC File No. 001-09718 and to filings by BlackRock, Inc. are to SEC File No. 001-15305.

* Denotes management contract or compensatory plan.

You can obtain copies of these Exhibits electronically at the SEC's website at www.sec.gov or by mail from the Public Reference Section of the SEC, at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. The Exhibits are also available as part of this Form 10-K on or through PNC's corporate website at www.pnc.com under "About PNC – Investor Relations – Financial Information – SEC filings – Form 10-K." Shareholders and bondholders may also obtain copies without charge by contacting Shareholder Relations at (800) 843-2206 or via e-mail at investor.relations@pnc.com.

PNC FUNDING CORP,
the Company

and

THE PNC FINANCIAL SERVICES GROUP, INC.,
as Guarantor

to

THE BANK OF NEW YORK,
as Trustee

INDENTURE

Dated as of December 20, 2006

\$1,000,000,000 Floating Rate Exchangeable Senior Notes
due December 20, 2036

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
Definitions and Other Provisions of General Application	
SECTION 1.01. Definition of Terms	2
SECTION 1.02. Other Definitions	10
SECTION 1.03. Compliance Certificates and Opinions	11
SECTION 1.04. Form of Documents Delivered to Trustee	11
SECTION 1.05. Acts of Holders	12
SECTION 1.06. Notices, etc., to Trustee, Company and Guarantor	13
SECTION 1.07. Notices to Holders; Waiver	13
SECTION 1.08. Conflict with TIA	14
ARTICLE II	
General Terms and Conditions of the Securities	
SECTION 2.01. Designation, Principal Amount and Authorized Denomination	14
SECTION 2.02. Maturity	14
SECTION 2.03. Form and Terms of Securities	14
SECTION 2.04. Global Securities	15
SECTION 2.05. Payment of Principal; Interest Rate and Payment Dates; Liquidated Damages	15
SECTION 2.06. Method of Payment	16
SECTION 2.07. Transfer and Exchange	17
SECTION 2.08. Paying Agent	20
SECTION 2.09. Execution, Authentication and Delivery	20
SECTION 2.10. Mutilated, Defaced, Destroyed, Lost and Stolen Securities	21
SECTION 2.11. Persons Deemed Owners	22
SECTION 2.12. Cancellation of Securities; Destruction Thereof	22
SECTION 2.13. Unconditional Guarantee	23
SECTION 2.14. Execution of Guarantees	23
ARTICLE III	
Repurchases and Redemption	
SECTION 3.01. Redemption at the Option of the Company	24
SECTION 3.02. Repurchase at the Option of the Holder on Specified Dates	25
SECTION 3.03. Repurchase at Option of the Holder Upon a Change in Control	28
SECTION 3.04. Effect of Repurchase Notice or Change in Control Repurchase Notice	31

SECTION 3.05.	Deposit of Repurchase Price or Change in Control Repurchase Price	32
SECTION 3.06.	Securities Repurchased in Part	32
SECTION 3.07.	Covenant to Comply with Securities Laws Upon Repurchase of Securities	32
SECTION 3.08.	Repayment to the Company	32
SECTION 3.09.	No Sinking Fund	33

ARTICLE IV

Covenants

SECTION 4.01.	Delivery of Certain Information	33
SECTION 4.02.	Payment of Principal and Interest; Compliance with Terms	33
SECTION 4.03.	Maintenance of Agency	33
SECTION 4.04.	Money for Security Payments To Be Held in Trust	34
SECTION 4.05.	Certification of Compliance of the Company and the Guarantor	35
SECTION 4.06.	Corporate Existence	35
SECTION 4.07.	Limitation on Sale or Issuance of Voting Shares of Principal Subsidiary Banks	35
SECTION 4.08.	Ownership of the Company	37
SECTION 4.09.	Liens	37
SECTION 4.10.	Waiver of Covenants	38

ARTICLE V

Exchange

SECTION 5.01.	Exchange Privilege	39
SECTION 5.02.	Exchange Procedure	41
SECTION 5.03.	Taxes on Exchange	42
SECTION 5.04.	Guarantor to Provide Stock	43
SECTION 5.05.	Adjustment of Exchange Price	44
SECTION 5.06.	No Adjustment	50
SECTION 5.07.	Equivalent Adjustments	50
SECTION 5.08.	Adjustment for Tax Purposes	51
SECTION 5.09.	Notice of Adjustment	51
SECTION 5.10.	Notice of Certain Transactions	51
SECTION 5.11.	Effect of Reclassification, Consolidation, Merger, Share Exchange or Sale on Exchange Privilege	52
SECTION 5.12.	Trustee's and Agent's Disclaimer	53
SECTION 5.13.	Voluntary Reduction	53
SECTION 5.14.	Payment Upon Exchange; Daily Exchange Value of Securities Tendered	54
SECTION 5.15.	Simultaneous Adjustments	55
SECTION 5.16.	Exchange Agent	55
SECTION 5.17.	Withholding Tax on Adjustment of Exchange Price	55

ARTICLE VI

INTENTIONALLY OMITTED

ARTICLE VII

REMEDIES

SECTION 7.01.	Events of Default and Defaults	55
SECTION 7.02.	Acceleration of Maturity; Rescission and Annulment	57
SECTION 7.03.	Collection of Indebtedness and Suits for Enforcement by Trustee	58
SECTION 7.04.	Trustee May File Proofs of Claim	58
SECTION 7.05.	Trustee May Enforce Claims Without Possession of Securities	59
SECTION 7.06.	Application of Money Collected	59
SECTION 7.07.	Limitation on Suits	60
SECTION 7.08.	Unconditional Right of Holders To Receive Principal and Interest	60
SECTION 7.09.	Restoration of Rights and Remedies	61
SECTION 7.10.	Rights and Remedies Cumulative	61
SECTION 7.11.	Delay or Omission Not Waiver	61
SECTION 7.12.	Control by Security Holders	61
SECTION 7.13.	Waiver of Past Defaults	62
SECTION 7.14.	Undertaking for Costs	62
SECTION 7.15.	Waiver of Stay or Extension Laws	62

ARTICLE VIII

THE TRUSTEE

SECTION 8.01.	Certain Duties and Responsibilities	63
SECTION 8.02.	Notice of Defaults	63
SECTION 8.03.	Certain Rights of Trustee	63
SECTION 8.04.	Not Responsible for Recitals or Issuance of Securities and Guarantees	64
SECTION 8.05.	May Hold Securities	64
SECTION 8.06.	Money Held in Trust	65
SECTION 8.07.	Compensation and Reimbursement	65
SECTION 8.08.	Qualification of Trustee; Conflicting Interests	65
SECTION 8.09.	Persons Eligible for Appointment as Trustee	65
SECTION 8.10.	Resignation and Removal; Appointment of Successor	66
SECTION 8.11.	Acceptance of Appointment by Successor	67
SECTION 8.12.	Merger, Conversion, Consolidation or Succession to Business of Trustee	68

SECTION 8.13.	Preferential Collection of Claims Against Company and Guarantor	68
---------------	---	----

ARTICLE IX

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

SECTION 9.01.	Company May Consolidate, etc., Only on Certain Terms	68
SECTION 9.02.	Successor Corporation Substituted for Company	69
SECTION 9.03.	Guarantor May Consolidate, etc., Only on Certain Terms	69
SECTION 9.04.	Successor Corporation Substituted for Guarantor	70
SECTION 9.05.	Company May Consolidate, etc. with Guarantor, Only on Certain Terms	70

ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 10.01.	Satisfaction and Discharge of Securities	70
SECTION 10.02.	Satisfaction and Discharge of Indenture	71
SECTION 10.03.	Application of Trust Money	71
SECTION 10.04.	Repayment of Moneys Held by Paying Agent	71

ARTICLE XI

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 11.01.	Exemption from Individual Liability	72
----------------	-------------------------------------	----

ARTICLE XII

HOLDERS' MEETINGS

SECTION 12.01.	Purposes of Meetings	72
SECTION 12.02.	Call of Meetings by Trustee	73
SECTION 12.03.	Call of Meetings by Company, Guarantor or Holders	73
SECTION 12.04.	Qualifications for Voting	73
SECTION 12.05.	Regulations	73
SECTION 12.06.	Voting	74
SECTION 12.07.	No Delay of Rights by Meeting	74

ARTICLE XIII

SECURITY HOLDERS' LISTS AND REPORTS BY TRUSTEE, COMPANY AND GUARANTOR

SECTION 13.01.	Company and Guarantor To Furnish Trustee Names and Addresses of Holders	75
SECTION 13.02.	Preservation of Information; Communications to Holders	75
SECTION 13.03.	Reports by Trustee	75
SECTION 13.04.	Reports by Company and Guarantor	75

ARTICLE XIV

SUPPLEMENTAL INDENTURES

SECTION 14.01.	Supplemental Indentures Without Consent of Security Holders.	75
SECTION 14.02.	Supplemental Indentures with Consent of Security Holders.	76
SECTION 14.03.	Execution of Supplemental Indentures.	77
SECTION 14.04.	Effect of Supplemental Indentures.	78
SECTION 14.05.	Conformity with TIA.	78
SECTION 14.06.	Reference in Securities to Supplemental Indentures.	78

ARTICLE XV

MISCELLANEOUS

SECTION 15.01.	Governing Law	78
SECTION 15.02.	Counterparts	78
SECTION 15.03.	Trustee Not Responsible for Recitals	78
SECTION 15.04.	TIA Controls	79
SECTION 15.05.	Effect of Headings and Table of Contents	79
SECTION 15.06.	Successors and Assigns	79
SECTION 15.07.	Separability Clause	79
SECTION 15.08.	Benefits of Indenture	79
EXHIBIT A	Form of Security	
EXHIBIT B	Transfer Certificate	
EXHIBIT C	Form of Accredited Investor Certificate	
SCHEDULE A	Additional Shares	

INDENTURE, dated as of December 20, 2006 (the "Indenture"), among and between PNC FUNDING CORP, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company"), The PNC FINANCIAL SERVICES GROUP, INC., a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Guarantor"), and THE BANK OF NEW YORK, a New York banking corporation, as trustee (the "Trustee").

RECITALS

The Company and the Guarantor have duly authorized the execution and delivery of this Indenture to provide for establishment, authentication and issuance of securities to be known as the Company's "Floating Rate Exchangeable Senior Notes due December 20, 2036 (the "Securities)", the form and substance of such Securities and the terms, provisions and conditions thereof to be set forth as provided in this Indenture. The Guarantor deems it appropriate to guarantee the Securities on the terms hereinafter provided, and to provide therefore (the "Guarantee").

The Trustee deems it appropriate to serve as trustee on terms hereinafter provided and, to provide therefor, the Trustee has duly authorized the execution and delivery of this Indenture.

All things necessary to make this Indenture a valid agreement of the Company and the Guarantor, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, and for the purpose of setting forth, as provided in this Indenture, the form and substance of the Securities and the terms, provisions and conditions thereof, the Company and the Guarantor covenant and agree with the Trustee as follows:

ARTICLE I

Definitions and Other Provisions
of General Application

SECTION 1.01. Definition of Terms. Unless the context otherwise requires:

- (a) a term defined anywhere in this Indenture has the same meaning throughout;
- (b) the singular includes the plural and vice versa;
- (c) headings are for convenience of reference only and do not affect interpretation;
- (d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;
- (e) unless the context otherwise requires, any reference to an “Article” or “Section” refers to an Article or a Section, as the case may be, of this Indenture;
- (f) the words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision;
- (g) any reference herein to any Person shall be construed to include such Person’s successors and assigns; and
- (h) the following terms have the meanings given to them in this Section 1.01(g):

“3-month LIBOR” means:

(i) the rate for three-month deposits in U.S. dollars commencing on the related LIBOR Rate Reset Date, that appears on the Moneyline Telerate Page 3750 on the LIBOR Determination Date as of 11:00 a.m., London time; or

(ii) if no rate appears on the particular LIBOR Determination Date on the Moneyline Telerate Page 3750, the rate calculated by the Trustee as the arithmetic mean of at least two offered quotations obtained by the Trustee after requesting the principal London offices of each of four major reference banks in the London interbank market to provide the Trustee with its offered quotation for deposits in U.S. dollars for the period of three months, commencing on the related LIBOR Rate Reset Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on that LIBOR Determination Date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; or

(iii) if fewer than two offered quotations referred to in clause (ii) above are provided as requested, the rate calculated by the Trustee as the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York time, on the particular LIBOR Determination Date by three major banks in the City of New York selected by the Trustee, for loans in U.S. dollars to leading European banks for a period of three months and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; or

(iv) if the banks so selected by the Trustee are not quoting as mentioned in clause (iii) above, 3-month LIBOR in effect on the particular LIBOR Determination Date.

“Acquirer Common Stock” shall have the meaning set forth in the definition of “Public Acquirer Change in Control”.

“Affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Applicable Procedures” means, with respect to any transfer or transaction involving a global security or beneficial interests therein, or involving a Security in definitive form, the rules and procedures of the depository for such global security or such Security in definitive form, as the case may be, in each case to the extent applicable to such transaction as in effect from time to time.

“Authorized Newspaper” means the national edition of the Wall Street Journal, the New York Times or other nationally circulated newspaper.

“Beneficial Owner” has the meaning determined in accordance with Rules 13d-3 and 13d-5 promulgated by the Commission under the Exchange Act, or any successor provision, except that (i) a Person shall be deemed to have “beneficial ownership” of all shares of the Common Stock that the Person has the right to acquire, whether exercisable immediately or only after the passage of time and (ii) any percentage of beneficial ownership shall be determined using the definition in clause (i) in both the numerator and the denominator.

“Board of Directors” means, with respect to the Company or the Guarantor, either the Board of Directors of the Company or the Guarantor, as the case may be, or the executive committee of such Board of Directors or other committee duly authorized to act on behalf of the Board of Directors with regard to a given matter.

“Board Resolution” means, with respect to the Company or the Guarantor, a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company or the Guarantor, as the case may be, to have been duly adopted by the applicable Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee

“Business Day” means each Monday, Tuesday, Wednesday, Thursday and Friday which is (i) not a day on which banking institutions in the City of New York, New York, the City of Pittsburgh, Pennsylvania or the Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close and (ii) also a London Banking Day.

“Capital Stock” for any corporation, limited liability company or partnership means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) stock issued by that entity, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

“Change in Control” means the occurrence of one or more of the following events: (i) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of Guarantor’s properties and assets, to any Person or group of related Persons, as defined in Section 13(d) of the Exchange Act (a “Group”); (ii) the approval by the holders of Common Stock of any plan or proposal for the Guarantor’s liquidation or dissolution, whether or not otherwise in compliance with the provisions of this Indenture; (iii) any Person or Group, other than the Guarantor or any of its Subsidiaries or any employee benefit plan of the Guarantor or any of its Subsidiaries, becoming the beneficial owner, directly or indirectly, of shares of, the Guarantor’s voting stock representing more than 50% of the aggregate ordinary voting power represented by the Guarantor’s issued and outstanding Voting Shares; or (iv) the first day on which a majority of the members of Guarantor’s Board of Directors are not Continuing Directors.

“Closing Sale Price” on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date for the Acquirer Common Stock as reported in composite transactions on The New York Stock Exchange or the principal U.S. securities exchange on which the Acquirer Common Stock is traded or, if the Acquirer Common Stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market System.

“Commission” means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

“Common Stock” shall mean shares of the Guarantor’s Common Stock, \$5.00 par value per share, as they exist on the date of this Indenture.

“Common Stock Price” on any date means the closing sale price per share, or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices on such date for the Common Stock as reported in composite transactions on The New York Stock Exchange or the principal U.S. securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a U.S. national or regional securities exchange, as reported by the Nasdaq National Market System. If the Common Stock is not so traded, the Common Stock price will be the average of the mid-point of the last bid and asked prices for the Common Stock on the relevant date quoted by each of at least three nationally recognized independent investment banking firms selected by the Company for this purpose.

“Company Request”, “Company Order”, “Guarantor Request” and “Guarantor Order” mean, respectively, a written request or order signed in the name of the Company or the Guarantor, as the case may be, by its Chairman or any Vice Chairman of the Board of Directors, President or a Vice President, and by its Treasurer, an Assistant Treasurer, Controller, an Assistant Controller, Secretary or an Assistant Secretary, and delivered to the Trustee.

“Consolidated Banking Assets” means the aggregate of the assets of all Principal Subsidiary Banks (including Subsidiaries of such Principal Subsidiary Banks).

“Continuing Directors” means, as of any date of determination, any member of the Guarantor’s Board of Directors who (a) was a member of such Board of Directors as of the date of this Indenture or (b) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

“Daily Exchange Value” means, for each of the 10 consecutive Trading Days during the Observation Period, one-tenth of the product of (i) the applicable Exchange Rate and (ii) the Common Stock Price (or the consideration into which the Common Stock has been exchanged in connection with certain corporate transactions contemplated by this Indenture) on such day.

“Daily Settlement Amount” for each of the 10 Trading Days during the Observation Period consists of: (i) an amount in cash equal to the lesser of \$100 and the Daily Exchange Value relating to such day; and (ii) to the extent such Daily Exchange Value exceeds \$100, a number of shares, referred to as the “net shares” subject to the Company’s right to pay cash in lieu of all or a portion of such shares, as described in Section 5.14, equal to (A) the difference between such Daily Exchange Value and \$100, divided by (B) the Common Stock Price for such day.

“Dollars” means the currency of the United States.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Price” means \$128.5545 per share of Common Stock as of the date of this Indenture, subject to the adjustments described in Article V.

“Exchange Rate” means the number of shares of Common Stock equal to \$1,000 divided by the applicable Exchange Price.

“Holder”, or “Holder of Securities”, means the Person in whose name a Security is registered in the Security Register.

“Institutional Accredited Investor” or “IAI” means an institutional investor that is an “accredited investor” within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act (or any successor provision), as it may be amended from time to time.

“interest” includes Liquidated Damages, whether or no so stated.

“Initial Purchaser” means Morgan Stanley & Co. Incorporated.

“LIBOR Determination Date” means the second London Banking Day preceding each LIBOR Rate Reset Date.

“LIBOR Rate Reset Date” means the 20th day of the months of March, June, September and December of each year commencing on March 20, 2007.

“Liquidated Damages” has the meaning set forth in the Registration Rights Agreement.

“London Banking Day” means a day on which commercial banks are open for business, including dealings in U.S. dollars, in London, England.

“Market Price” means the average of the Common Stock Prices for 20 consecutive Trading Days commencing 30 Trading Days before the record date with respect to any distribution, issuance or other event requiring the computation thereof, appropriately adjusted (as determined in good faith by the Company’s Board of Directors, whose determination shall be conclusive) to take into account the occurrence, during the period commencing on the first of such 20 consecutive Trading Days and ending on such record date, of any event requiring adjustment of the Exchange Price under this Indenture.

“Maturity”, when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether on a Repayment Date, at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

“Moneyline Telerate Page 3750” means the display on Moneyline Telerate (or any successor service) on such page (or any other page as may replace such page on such service) for the purpose of displaying the London interbank rates of major banks for U.S. dollars.

“Observation Period” with respect to any Security means the 10 consecutive Trading Day period beginning on and including the second Trading Day

after delivery of the Exchange Notice to the Exchange Agent pursuant to Section 5.02(a) or the delivery of the appropriate instructions to the Exchange Agent pursuant to the Applicable Procedures as referred to in clause (v) of said Section 5.02(a); provided that, in connection with any Exchange Notice (or appropriate instructions) received after the date of issuance of a notice of redemption of the Securities pursuant to Section 3.01, the Observation Period means the 10 consecutive Trading Days beginning on and including the 13th scheduled Trading Day prior to but not including the applicable Redemption Date.

“Officers’ Certificate” means a certificate signed by the Chairman or any Vice Chairman of the Board of Directors, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company or the Guarantor, as the case may be. Each Officers’ Certificate shall include the statements required by Section 1.03.

“Opinion of Counsel” means a written opinion of counsel, who may be an employee of or counsel for the Company or the Guarantor and who shall be satisfactory to the Trustee. Each Opinion of Counsel shall include the statements required by Section 1.03.

“Outstanding” means as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities, provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made; and

(iii) Securities in exchange for or in lieu of which other Securities have been authenticated and delivered, or Securities which have been paid, pursuant to this Indenture, unless proof satisfactory to the Trustee is presented that any such Securities are held by protected purchasers; provided, however, that in determining whether the Holders of the requisite principal amount of Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company, the Guarantor or any other obligor upon the Securities or by any Affiliate of the Company, the Guarantor or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the

Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company, the Guarantor or any other obligor upon the Securities or any Affiliate of the Company, the Guarantor or such other obligor.

"Over-Allotment Option" shall mean the option granted to the Initial Purchaser pursuant to the Purchase Agreement to purchase up to an additional \$150,000,000 principal amount of Securities.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or any other entity.

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee at the location which is The Bank of New York, 101 Barclay Street, Floor 8 West, New York, New York, 10286, Attention: Corporate Trust Administration, or at such other location as the Trustee may from time to time designate by written notice to the Company and the Guarantor.

"Principal Subsidiary Bank" means each of (i) Pittsburgh National Bank, (ii) any other Principal Subsidiary Bank the consolidated assets of which constitute 20% or more of the consolidated assets of the Guarantor and its Subsidiaries, (iii) any other Principal Subsidiary Bank designated as a Principal Subsidiary Bank pursuant to a Board Resolution and set forth in an Officers' Certificate, and (iv) any Subsidiary that owns, directly or indirectly, any Voting Shares, or securities convertible into, or options, warrants or rights to subscribe for or purchase Voting Shares, of any Principal Subsidiary Bank under clause (i), (ii) or (iii), and in the case of clause (i), (ii), (iii) or (iv) their respective successors (whether by consolidation, merger, conversion, transfer of substantially all their assets and business or otherwise) so long as any such successor is a Principal Subsidiary Bank (in the case of clause (i), (ii) or (iii)) or a Subsidiary (in the case of clause (iv)).

"Public Acquirer Change in Control" means any transaction described in clause (iii) of the definition of Change in Control where the acquirer, or any entity that is a direct or indirect beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the aggregate ordinary voting power of all shares of such acquirer's Capital Stock that are entitled to vote generally in the election of directors, but in each case other than the Guarantor, has a class of common stock traded on a U.S. national securities exchange or quoted on the Nasdaq National Market System or which will be so traded or quoted when issued or exchanged in connection with such Change in Control. Such acquirer's or other entity's class of common stock traded on a U.S. national securities exchange or quoted on the Nasdaq National Market System or which will be so traded or quoted when issued or exchanged in connection with such Change in Control is herein referred to as "Acquirer Common Stock."

“Purchase Agreement” means the Purchase Agreement, dated December 14, 2006, among the Company, the Guarantor and the Initial Purchaser relating to the Securities.

“Redemption Date” means the date fixed for the redemption of the Securities pursuant to Section 3.01.

“Registered Security” means any Security registered as to principal.

“Registration Rights Agreement” means the Registration Rights Agreement, dated December 20, 2006, among the Company, the Guarantor and the Initial Purchaser relating to the Securities.

“Repayment Date”, when used with respect to any Security to be repaid, means the date fixed for repayment pursuant to the terms of such Security.

“Responsible Officer”, when used with respect to the Trustee, means any officer of the Trustee with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Rule 144A” means Rule 144A under the Securities Act (or any successor provision), as it may be amended from time to time.

“Securities Act” means the Securities Act of 1933, as amended from time to time.

“Security Register” means a register of Securities that the Company shall keep or cause to be kept, at one of its said offices or agencies, for the Securities issued hereunder which may include Registered Securities.

“Stated Maturity,” when used with respect to any Security or any installment of principal or interest thereon, means the date specified in Section 2.02 or in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

“Subsidiary” means, with respect to any Person, any other Person a majority of the Voting Shares of which at the time are owned directly or indirectly by such first Person or by one or more of such first Person’s other Subsidiaries.

“TIA” means the Trust Indenture Act of 1939 as in effect on the date of this Indenture;provided that in the event the TIA is amended after such date, TIA means, to the extent required by any such amendment, the TIA as so amended.

“Trading Day” means any regular or abbreviated trading day of The New York Stock Exchange or of the principal U.S. securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a U.S. national or regional securities exchange, of the Nasdaq National Market.

“Transfer Restricted Securities Legend” means the legend labeled as such and that is set forth in Exhibit A hereto.

“Voting Shares” means Capital Stock, or other ownership interests, of any class or classes having voting power under ordinary circumstances to elect at least a majority of the board of directors, managers, trustees, or equivalents thereof, of a Person (irrespective of whether at the time stock of any other class or classes shall have or might have voting power by reason of the failure to pay a dividend or other amount or by reason of the occurrence of any other contingency).

SECTION 1.02. Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
Accepted Purchased Shares	5.05(f)(ii)
Accredited Investor Certificate	2.07(a)(ii)
Additional Shares	5.01(b)(i)
Agent Member	2.07(d)(i)
Cash Percentage	5.14(b)
Cash Percentage Notice	5.14(b)
Change in Control Repurchase Date	3.03(a)
Change in Control Repurchase Notice	3.03(e)
Change in Control Repurchase Price	3.03(a)
Company	Preamble
Company Change in Control Repurchase Notice	3.03(b)
Company Repurchase Notice	3.02(g)
Definitive Transfer Restricted Security	2.07(d)(i)
Dividend Threshold Amount	5.05(e)
Effective Date	5.01(b)(ii)
Event of Default	7.01
Exchange Notice	5.02(a)
Exchange Agent	5.16
Exchange Date	5.02(a)
Ex-Dividend Date	5.05(b)(iii)
Guarantee	Recitals
Guarantor	Preamble
Indenture	Preamble
Initial Interest Rate	2.05(b)
Interest Payment Date	2.05(b)
Notice of Redemption	3.01(c)
Offer Expiration Time	5.05(d)(i)
Paying Agent	2.08
Pre-Dividend Sale Price	5.05(e)(i)
Purchased Shares	5.05(d)(ii)
QIB	2.07(a)(i)

Term	Defined in Section
Record Date	2.06(a)
Repurchase Date	3.02(a)
Repurchase Notice	3.02(b)(i)
Repurchase Price	3.02(a)
Rule 144A Information	4.01
Securities	Recitals
Share Price	5.01(b)(ii)
Spinoff Valuation Period	5.05(c)(ii)(B)
transfer	2.07(c)
Transfer Restricted Global Security	2.07(d)(i)
Transfer Restricted Securities	2.07(c)
Trustee	Preamble

SECTION 1.03. Compliance Certificates and Opinions. Upon any application or request by the Company or the Guarantor to the Trustee to take any action under any provision of this Indenture, the Company or the Guarantor, as the case may be, shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenants compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than annual certificates provided pursuant to Section 4.05) shall include:

- (i) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;
- (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (iii) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and
- (iv) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

SECTION 1.04. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by an opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company or the Guarantor may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company or the Guarantor, as the case may be, stating that the information with respect to such factual matters is in the possession of the Company or the Guarantor, as the case may be, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Any certificate, statement or opinion of an officer of the Company or Guarantor or of counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants in the employ of the Company or Guarantor, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which his certificate, statement or opinion may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous.

Any certificate or opinion of any independent firm of public accountants filed with the Trustee shall contain a statement that such firm is independent.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 1.05. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced (i) by one or more instruments of substantially similar tenor signed by such Holders in person or by their agents duly appointed in writing; and except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company and the Guarantor, (ii) by the record of Holders voting in favor thereof at any meeting of such Holders duly called and held in accordance with the provisions of Article XII, or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Holders. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 8.01) conclusive in favor of the Trustee and the Company and the Guarantor, if made in the manner provided in this Section. If a record date is fixed, those Persons who were Holders of Securities at such record date (or

their duly designated proxies), and only those Persons, shall be entitled to take such action by vote or consent or to revoke any vote or consent previously given, whether or not such Persons continue to be Holders after such record date. No such vote or consent shall be valid or effective for more than 120 days after such record date.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind the Holder of every security issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of any action taken, offered to be taken or omitted to be taken by the Trustee, the Company or the Guarantor in reliance thereon, whether or not notation of such action is made upon such Security.

(d) The Trustee may require such additional proof of any matter referred to in this Section as it shall deem necessary.

SECTION 1.06. Notices, etc., to Trustee, Company and Guarantor. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(i) the Trustee by any Holder or by the Company or the Guarantor shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at the Principal Corporate Trust Office, or

(ii) the Company or the Guarantor by the Trustee or by any Holder shall be sufficient for every purpose hereunder (except as provided in Section 7.01(a)(3)) if in writing and mailed, first class, postage prepaid, to the Company or the Guarantor, as the case may be, addressed to it at the address of its principal executive office at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707 of this Indenture or at any other address previously furnished in writing to the Trustee by the Company or the Guarantor.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture shall be in the English language, except that any published notice may be in the official language of the country of publication.

SECTION 1.07. Notices to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed by first class mail, postage prepaid, to such Holders in the manner and the extent provided in Section 313(c) of the TIA and if published in an Authorized Newspaper or Newspapers, at the expense of the Company, in such city or cities as may be provided elsewhere in this Indenture on at least two Business Days, the first such publication to be not earlier than the earliest date and

not later than the latest date prescribed for the giving of such notice. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance on such waiver. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given. In the event of suspension of regular mail service or if for any other reason it shall be impracticable to give such notice to Holders by mail, then such a notification as shall be made to Holders with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In case by reason of the suspension of publication of any Authorized Newspaper or by reason of any other cause, it shall be impracticable to publish any notice to Holders as provided above, then said notification to Holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder.

SECTION 1.08. Conflict with TIA. If any provision hereof limits, qualifies or conflicts with the duties imposed by any of Sections 310 through 317 of TIA, through operation of Section 318(c) thereof, such imposed duties shall control.

ARTICLE II

General Terms and Conditions of the Securities

SECTION 2.01. Designation, Principal Amount and Authorized Denomination. There is hereby authorized and established a series of Securities designated as "Floating Rate Exchangeable Senior Notes due December 20, 2036", limited in aggregate principal amount to \$1,000,000,000 (or \$1,150,000,000, if the Over-Allotment Option is exercised in full), which amount to be issued shall be as set forth in a Company Order for the authentication and delivery of Securities. The Securities shall be issuable in denominations of \$1,000 and integral multiples thereof.

SECTION 2.02. Maturity. The Stated Maturity of the principal of the Securities shall be December 20, 2036.

SECTION 2.03. Form and Terms of Securities. The Securities shall be substantially in the form, and shall have the terms, set forth on Exhibit A, which in its entirety is made a part of this Indenture and is incorporated by reference herein as if set forth in full herein. In the event of any conflict between the provisions set forth in Exhibit A and the provisions set forth in this Indenture, the provisions of this Indenture shall control. The Securities may have any notations, legends or endorsements required by law, stock exchange rule or usage; provided that any such notation, legend or endorsement required by usage is in a form acceptable to the Company and does not affect the rights, duties or immunities of the Trustee. The Company shall provide any such notations, legends or endorsements to the Trustee in writing.

SECTION 2.04. Global Securities. The Securities shall initially be issued in the form of one or more global securities registered in the name of the depository (which initially shall be The Depository Trust Company) (the “Depository”) or its nominee (the “Global Securities”). Securities represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, Securities in definitive form; provided that any election of the Company to issue Securities in definitive form and to effect transfers of such definitive Securities pursuant to Section 2.07(d) hereof shall be subject to the Applicable Procedures of the Depository. The Global Securities may not be transferred except by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or to a successor Depository or its nominee.

SECTION 2.05. Payment of Principal; Interest Rate and Payment Dates; Liquidated Damages (a) The principal of the Securities shall be due on December 20, 2036 (unless earlier repurchased, redeemed or exchanged). The Company shall pay interest on any overdue principal amount at the interest rate borne by the Securities at the time such interest on the overdue principal amount accrues, compounded quarterly.

(b) The Securities shall bear interest at an annual rate equal to 3-month LIBOR, reset quarterly, minus 0.40%, and will initially bear interest at a rate of 4.96% (the “Initial Interest Rate”); provided that such rate shall never be less than 0% per annum. Interest shall be payable quarterly in arrears on each March 20, June 20, September 20 and December 20 (each, an “Interest Payment Date”), commencing on March 20, 2007. If any Interest Payment Date (other than an Interest Payment Date coinciding with a Redemption Date, Repurchase Date, Change in Control Repurchase Date or the Stated Maturity of the principal of the Securities) falls on a day that is not a Business Day, such Interest Payment Date shall be postponed to the next succeeding Business Day. If the Redemption Date, Repurchase Date, Change in Control Repurchase Date or the Stated Maturity of principal of the Securities shall fall on a day that is not a Business Day, the required payment of interest, if any, and principal will be made on the next succeeding Business Day, and no interest on such payment will accrue for the period from and after the Redemption Date, Repurchase Date, Change in Control Repurchase Date or the Stated Maturity to such next succeeding Business Day; provided that, if such Business Day falls in the next succeeding calendar month, such Interest Payment Date will be brought forward to the immediately preceding Business Day. Interest on the notes will accrue from December 20, 2006 or, if interest has already been paid or duly provided for, from the date on which it was most recently paid or duly provided for. The per annum interest rate shall be reset on each LIBOR Rate Reset Date.

(c) (i) Interest on the Securities will be computed using the actual number of days elapsed between the LIBOR Rate Reset Dates divided by 360. All percentages resulting from any calculation on the Securities will be rounded, if necessary, to the nearest one-hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward, and all dollar amounts used in or resulting from that calculation on the Securities will be rounded to the nearest cent, with one-half cent being rounded upward. The Company will pay principal, interest and Liquidated Damages, if any, on the Securities at the Corporate Trust Office of the Trustee in The City of New York.

(ii) If any LIBOR Rate Reset Date falls on a day that is not a Business Day, the LIBOR Rate Reset Date will be postponed to the next day that is a Business Day. The interest rate in effect on any LIBOR Rate Reset Date will be the applicable rate as reset on that date, and the interest rate in effect on any other day will be the interest rate in effect on the next preceding LIBOR Rate Reset Date or, if there was no preceding LIBOR Rate Reset Date, the interest rate in effect on that day shall be the Initial Interest Rate.

(d) The Trustee shall determine 3-month LIBOR on each LIBOR Determination Date.

(e) The Holders of the Securities shall be entitled to the benefits of the Registration Rights Agreement, including the right to receive Liquidated Damages in the event of Registration Defaults (as defined in the Registration Rights Agreement) under Section 2(e) thereof, such Liquidated Damages to be payable at the same times and to the same Persons as regular interest is payable with respect to the Securities, it being understood that any reference in this Indenture to “interest” shall be deemed to include “Liquidated Damages” if then owing in accordance with the terms of the Registration Rights Agreement. If at any time Liquidated Damages become payable by the Company or Guarantor pursuant to the Registration Rights Agreement, the Company and Guarantor shall promptly deliver to the Trustee an Officers’ Certificate to that effect stating (i) the amount of such Liquidated Damages that are payable, (ii) the date from which such Liquidated Damages shall accrue, and (iii) the date on which such Liquidated Damages are payable pursuant to the terms of the Registration Rights Agreement. Unless and until a Responsible Officer of the Trustee receives such a certificate, the Trustee may assume without inquiry that no Liquidated Damages are payable.

SECTION 2.06. Method of Payment. (a) The Company will pay interest (including Liquidated Damages, if any) on the Securities to the Person who is the registered Holder of a Security at the close of business on March 1, June 1, September 1 and December 1, whether or not a Business Day (each, a “Record Date”), as the case may be, immediately preceding the related Interest Payment Date; provided that interest payable upon repurchase or redemption of the Securities pursuant to Article III or at the Stated Maturity of principal (including any such date that is an Interest Payment Date) shall be paid to the Person to whom principal is payable) and provided that subject to the terms and conditions of this Indenture, the Company will make all payments and deliveries in respect of the Redemption Price, Repurchase Price, Change in Control Repurchase Price and the principal amount at Stated Maturity (including the interest payable on the date such amounts are due), as the case may be, to the Holder who surrenders a Security to the Paying Agent (as defined below) to collect such payments in respect of the Security. The Company will pay cash amounts in United States Dollars.

(b) Notwithstanding Section 2.06(a), if a Holder is holding Securities in definitive form, the Company shall pay interest (including Liquidated Damages, if any),

other than interest payable at the Stated Maturity of principal or on a Redemption Date, Repurchase Date or Change in Control Repurchase Date, by check mailed to such Holder. If a Holder is holding at least \$1,000,000 principal amount of Securities in definitive form, such Holder may receive such interest payments by wire transfer, provided that such Holder has notified the Trustee in writing at the Trustee's Corporate Trust Office, on or before the Record Date before the applicable Interest Payment Date, other than an Interest Payment Date at the Stated Maturity of principal or on a Redemption Date, Repurchase Date or Change in Control Repurchase Date, that such Holder chooses to have interest on such Holder's Securities payable on such Interest Payment Date and all subsequent Interest Payment Dates paid by wire transfer of immediately available funds to an account at a bank (that has facilities to receive wire transfers) in The City of New York, or in another city designated by such Holder and agreed to by the Company and the Trustee. Such payment method will apply until such Holder provides the Trustee written notice to the contrary. The Company shall pay the principal of and interest (including Liquidated Damages, if any) on any Security in definitive form that is due at the Stated Maturity of principal, the Redemption Date, Repurchase Date or Change in Control Repurchase Date in immediately available funds against presentation of such Security in definitive form at the Corporate Trust Office of the Trustee in The City of New York or at any other office or agency of the Trustee in The City of New York that the Trustee may designate to such Holder in writing; provided if any such payment is to be made by wire transfer, the Trustee must have received appropriate wire transfer instructions in writing from any Holder being so paid at least two Business Days prior to the relevant date.

SECTION 2.07. Transfer and Exchange. (a) (i) Notwithstanding any other provision of this Indenture or the Securities, until the expiration of the applicable holding period set forth in Rule 144(k) of the Securities Act (or any successor provision), the Securities may not be offered, sold, pledged or otherwise transferred in whole or in part except (i) to a Person whom the transferor reasonably believes is a qualified institutional buyer, as such term is defined in Rule 144A (a "QIB"), acquiring for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (iii) subject to Section 2.07(d) below, to an institutional investor that is an "accredited investor" as such term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act pursuant to an exemption from registration under the Securities Act (if available), (iv) pursuant to an effective registration statement under the Securities Act or (v) to the Company or the Guarantor, or any of their Subsidiaries, in each of cases (i) through (v) in accordance with any applicable securities laws of any state of the United States and other jurisdictions. Whenever, prior to the expiration of such holding period, any Security is presented or surrendered for registration of transfer or exchange for a Security registered in a name other than that of the Holder thereof, such Security must be accompanied by a certificate in substantially the form set forth in Exhibit B, dated the date of such surrender and signed by the Holder of such Security (and in the case of a proposed transfer to an IAI, by an Accredited Investor Certificate signed by the proposed transferee substantially in the form set

forth in Exhibit C and by an Opinion of Counsel acceptable to the Company), as to compliance with such restrictions on transfer. The Security Registrar shall not be required to accept for such registration of transfer or exchange any Security not so accompanied by such properly completed certificates and Opinion of Counsel, as applicable.

(ii) Notwithstanding any other provision of this Indenture or the Securities, any Securities that are to be reoffered and resold to Institutional Accredited Investors that are not QIBs may be resold in each case only to an Institutional Accredited Investor that has executed and delivered to the Trustee, as Security Registrar, a certificate substantially in the form of Exhibit C hereto (an "Accredited Investor Certificate"), and shall be issued in definitive, fully registered form without interest coupons, substantially in the form set forth herein, in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess thereof. Any Security sold to Institutional Accredited Investors in accordance with the foregoing sentence shall not be issued in the form of a Global Security; provided, however, that Securities in definitive form may be transferred to QIBs in accordance with Rule 144A and exchanged for interests in Global Securities pursuant to Section 2.07(d) below. Securities in definitive form shall be duly executed by the Company and authenticated by the Trustee as provided herein, and shall be registered in the name of the Institutional Accredited Investor purchasing such Security in definitive form, if any.

(b) Any certificate evidencing a Security (and all securities issued in exchange therefor or substitution thereof) shall bear the Transfer Restricted Securities Legend, unless (1) such Security has been sold pursuant to a registration statement that has been declared effective under the Securities Act (and which continues to be effective at the time of such transfer) or pursuant to Rule 144 under the Securities Act or any similar provision then in force, (2) such Security is eligible for resale pursuant to Rule 144(k) under the Securities Act (or any successor provision) or (3) otherwise agreed by the Company in writing, with written notice thereof to the Trustee.

(c) Every Security that bears or is required under this Section 2.07 to bear the Transfer Restricted Securities Legend (the "Transfer Restricted Securities") shall be subject to the restrictions on transfer set forth in this Section 2.07 (including those set forth in the Transfer Restricted Securities Legend), and the Holder of each such Transfer Restricted Security, by such Holder's acceptance thereof, agrees to be bound by all such restrictions on transfer. As used in this Section 2.07, the term "transfer" encompasses any sale, pledge, loan, transfer or other disposition whatsoever of any Transfer Restricted Security or any interest therein.

(d) (i) Transfer of a Definitive Transfer Restricted Security to a Transfer Restricted Global Security. Notwithstanding anything herein to the contrary, if the Holder of a definitive Security that is a Transfer Restricted Security (a "Definitive Transfer Restricted Security") wishes at any time to transfer such Definitive Transfer Restricted Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Transfer Restricted Security that is

a Global Security (a "Transfer Restricted Global Security"), such transfer may be effected, subject to the other provisions of this Indenture and the Applicable Procedures, only in accordance with this Section 2.07(d). Upon receipt by (1) the Depositary of (A) written instructions given in accordance with the Applicable Procedures from any member or participant in the Depositary (an "Agent Member") directing the Depositary to credit or cause to be credited to a specified Agent Member's account a beneficial interest in the Transfer Restricted Global Security, in a principal amount equal to the principal amount of the Definitive Transfer Restricted Security to be so transferred and (B) a written order given in accordance with the Applicable Procedures containing information regarding the account of the Agent Member to be credited with such beneficial interest; and upon receipt by (2) the Trustee of (A) the Definitive Transfer Restricted Security to be transferred and (B) notification from the Depositary of the transaction described in (1) above, the Trustee shall cancel the Definitive Transfer Restricted Security and instruct the Depositary to increase the principal amount of the Transfer Restricted Global Security by the principal amount of the Definitive Transfer Restricted Security so transferred, and to credit or cause to be credited to the account of the Person specified in such instructions a corresponding principal amount of the Transfer Restricted Global Security.

(ii) Transfers by IALs. In connection with any transfer of a definitive Security by an Institutional Accredited Investor, such Institutional Accredited Investor shall be required, prior to such transfer, to furnish to the Company and the Trustee, as Security Registrar, an Opinion of Counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and in form acceptable to the Company, to the effect that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(iii) Transfers to IALs. In connection with any transfer of any Security to an Institutional Accredited Investor, such Institutional Accredited Investor shall be required, prior to such transfer, to furnish to the Company and the Trustee, as Security Registrar, an Accredited Investor Certificate executed by such Institutional Accredited Investor and an Opinion of Counsel having substantial experience in practice under the Securities Act and otherwise reasonably acceptable to the Company, addressed to the Company and in form acceptable to the Company, to the effect that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(e) Any Security (or Security issued in exchange or substitution therefor) as to which such restrictions on transfer shall have expired in accordance with their terms or as to conditions for removal of the Transfer Restricted Securities Legend have been satisfied may, upon surrender of such Security for exchange to the Security Registrar in accordance with the provisions of this Section 2.07, be exchanged for a new Security or Securities, of like tenor and aggregate principal amount, which shall not bear the Transfer

Restricted Securities Legend. If the Transfer Restricted Security surrendered for exchange is represented by a Global Security bearing a Transfer Restricted Securities Legend, the principal amount of the Global Security so legended shall be reduced by the appropriate principal amount, and the principal amount of a Global Security without the Transfer Restricted Securities Legend shall be increased by an equal principal amount. If a Global Security without the Transfer Restricted Securities Legend is not then outstanding, the Company shall execute and the Trustee upon receipt of a Company Request shall authenticate and deliver a Global Security without the Transfer Restricted Securities Legend to the Depositary. The Security Registrar shall not be required to remove any Transfer Restricted Securities Legend from a Security unless directed to do so in an Officers' Certificate.

(f) The Trustee and the Security Registrar shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of a beneficial interest in any Security that is a Global Security (including any transfers between or among Depositary participants, indirect participants or Beneficial Owners in any such Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements of this Indenture.

SECTION 2.08. Paying Agent. The Company shall maintain an office or agency where Securities may be presented for payment (the "Paying Agent"). If the Company fails to maintain a Paying Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 8.07. The Company or any of its Subsidiaries or an Affiliate of the Company or any of its Subsidiaries may act as Paying Agent. The Company initially appoints the Trustee as Paying Agent in connection with the Securities.

SECTION 2.09. Execution, Authentication and Delivery. The Securities shall be executed on behalf of the Company and the Guarantees endorsed thereon shall be executed on behalf of the Guarantor by, respectively, its Chairman, Vice Chairman, President or one of its Executive Vice Presidents or Senior Vice Presidents under its corporate seal, which may be in facsimile form and may be imprinted or otherwise reproduced thereon and attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities or Guarantees may be manual or facsimile. Typographical and other minor errors or defects in any such reproduction of the seal or any such signature shall not affect the validity or enforceability of any Security that has been duly authenticated and delivered by the Trustee.

Securities and Guarantees bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company or the Guarantor, respectively, shall bind the Company and the Guarantor, respectively, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities, or did not hold such offices at the date of such Securities and Guarantees.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company with Guarantees endorsed thereon executed by the Guarantor to the Trustee for authentication; and the Trustee shall authenticate and deliver such Securities to or upon a Company Order, an Officers' Certificate and an Opinion of Counsel without any further action by the Company or the Guarantor.

The Trustee shall have the right to decline to authenticate and deliver any Security under this Section if the Trustee, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees and/or vice presidents shall determine that such action would expose the Trustee to personal liability.

All Registered Securities shall be dated the date of their authentication; provided, however, that if provided for in the form of Security, interest may accrue from a date other than the authentication date.

No Security or Guarantee endorsed thereon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Notwithstanding the provisions of this Section 2.09, if all the Securities are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate and Opinion of Counsel required pursuant to this Section 2.09 at or prior to the time of authentication of each Security if such documents are delivered at or prior to the time of authentication upon original issuance of the first Security to be issued and such documentation specifically, covered and subsequent issuances; provided, however, that any subsequent request by the Company to the Trustee to authenticate Securities shall constitute a representation and warranty by the Company that as of the date of such request the statements made in the Officers' Certificate delivered pursuant to this Section 2.09 shall be true and correct on the date thereof as if made on and as of the date thereof.

SECTION 2.10. Mutilated, Defaced, Destroyed, Lost and Stolen Securities or Coupons. In case any temporary or definitive Security shall become mutilated or defaced or be destroyed, lost or stolen, and in the absence of notice to the Company, the Guarantor or the Trustee that such Security has been acquired by a protected purchaser, the Company in the case of a mutilated Security shall, and in the case of a lost, stolen or destroyed Security may in its discretion, execute, and upon a Company Request, the Trustee shall authenticate and deliver, a new Security with a duly executed Guarantee thereon, of like tenor and principal amount, and bearing a number, letter or other distinguishing symbol not contemporaneously outstanding, in exchange and substitution for the mutilated Security, or in lieu of and in substitution for the Security so destroyed, lost or stolen, or if any such Security shall have matured or shall

be about to mature, instead of issuing a substituted Security, the Company in its discretion may pay or authorize the payment of the same without surrender thereof (except in the case of a mutilated Security) instead of issuing a new Security. In every case the applicant for a substituted Security shall furnish to the Company, the Guarantor and the Trustee such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft, the applicant shall also furnish to the Company, the Guarantor and the Trustee evidence to their satisfaction of the destruction, loss or theft of such Security and of the ownership thereof.

Upon the issuance of any substitute Security under this Section 2.10, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every substitute Security issued pursuant to the provisions of this Section 2.10 by virtue of the fact that any such Security is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, guaranteed by the Guarantor, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone and shall be entitled to all the benefits of (but shall be subject to all the limitations of rights set forth in) this Indenture equally and proportionately with any and all other Securities duly authenticated and delivered hereunder. All Securities shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions of this Section 2.10 are exclusive with respect to the replacement or payment of mutilated, defaced or destroyed, lost or stolen Securities and shall, to the fullest extent permitted under applicable law, preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.11. Persons Deemed Owners. The Company, the Guarantor, the Trustee, and any agent of the Company, the Guarantor or the Trustee may treat the Holder of any Security as the absolute owner of such Security for the purposes of receiving payment thereof or on account thereof and for all other purposes whatsoever whether or not such Security be overdue, and neither the Company, the Guarantor, the Trustee, any Paying Agent nor any Security Registrar shall be affected by notice to the contrary. All such payments so made to any Holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon such Security.

SECTION 2.12. Cancellation of Securities; Destruction Thereof. All Securities surrendered for payment, redemption, registration of transfer or exchange, if surrendered to the Company, the Guarantor or any Paying Agent or any Securities Registrar, shall be delivered to the Trustee for cancellation or, if surrendered to the Trustee, shall be cancelled by it, and no Securities shall be authenticated and delivered in lieu thereof except as expressly permitted by any of the provisions of this Indenture. The Trustee shall destroy cancelled Securities held by it and deliver a certificate of destruction to the Company. If the Company or the Guarantor shall acquire any of the

Securities, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such securities, or the Guarantee endorsed thereon, unless and until the same are delivered to the Trustee for cancellation.

SECTION 2.13. Unconditional Guarantee. The Guarantor hereby unconditionally guarantees to each Holder of a Security authenticated and delivered by the Trustee and to the Trustee, the due and punctual payment of the principal of, and interest (including Liquidated Damages, if any) on such Security, net of any taxes required to be withheld, when and as the same shall become due and payable, whether by declaration thereof or otherwise, in accordance with the terms of such Security and of this Indenture. In case of default by the Company in the payment of any such principal or interest (including Liquidated Damages, if any), the Guarantor agrees duly and punctually to pay the same. The Guarantor hereby agrees that its obligations hereunder or under any Guarantee shall be absolute and unconditional irrespective of any invalidity, irregularity or unenforceability of any such Security, or this Indenture, any failure to enforce the provisions of any such Security, or this Indenture, any waiver, modification or indulgence granted to the Company with respect thereto by the holder of such Security, or the Trustee, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any such Security, or the indebtedness evidenced thereby and all demands whatsoever, and covenants that its obligation hereunder or under any Guarantee will not be discharged as to any such Security, except by payment in full of the principal thereof and interest thereon.

The Guarantor shall be subrogated to all rights of the holder of any Security against the Company in respect of any amounts paid by the Guarantor pursuant to the provisions of any Guarantee; provided, however, that the Guarantor shall not be entitled to enforce, or to receive any payments arising out of or based upon, such right of subrogation until the principal of and interest (including Liquidated Damages, if any) then due on all Securities shall have been paid in full.

The Guarantee set forth in this Section shall not be valid or become obligatory for any purpose with respect to a Security until the certificate of authentication on such Security shall have been signed by the Trustee.

SECTION 2.14. Execution of Guarantees. To evidence its Guarantee to the Holders of Securities specified in Section 2.13, the Guarantor hereby agrees to execute the Guarantees, in substantially the form above described, to be endorsed on each security authenticated and delivered by the Trustee. Each such Guarantee shall be signed on behalf of the Guarantor as set forth in Section 2.09, prior to the authentication of the Security on which it is endorsed, and the delivery of such Security by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of such Guarantee on behalf of the Guarantor.

ARTICLE III

Repurchases and Redemption

SECTION 3.01. Redemption at the Option of the Company. (a) Beginning on December 26, 2007 and during the period thereafter to Maturity, the Securities are redeemable as a whole at any time, or in part from time to time, in any integral multiple of \$1,000, at the option of the Company for cash at a Redemption Price equal to 100% of the principal amount, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the Redemption Date.

(b) A Notice of Redemption (as defined below) pursuant to this Section 3.01 shall contain the information required under Section 3.01(c) and will be mailed at least 30 days, but not more than 60 days, before the Redemption Date to each Holder of Securities to be redeemed at the Holder's address appearing in the Security Register. If money sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on a Redemption Date is deposited with the Paying Agent prior to 10:00 a.m., New York City time, on the Redemption Date, on and after such Redemption Date, interest (including Liquidated Damages, if any) shall cease to accrue on such Securities or portions thereof. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part, but only in integral multiples of \$1,000 of principal amount.

(c) At least 30 days, but not more than 60 days, before any Redemption Date, the Company shall mail a notice of redemption (the "Notice of Redemption") by first-class mail, postage prepaid, to each Holder of Securities to be redeemed at such Holder's address appearing in the Security Register.

The Notice of Redemption shall identify the Securities to be redeemed and shall state:

- (i) the Redemption Date;
- (ii) the Redemption Price and, to the extent known at the time of such notice, the amount of accrued but unpaid interest (including Liquidated Damages, if any) payable on the Redemption Date;
- (iii) the current Exchange Price;
- (iv) the name and address of the Paying Agent and Exchange Agent;
- (v) that Securities called for redemption may be exchanged at any time before the close of business on the second Business Day immediately preceding the Redemption Date;
- (vi) that Holders who want to exchange Securities must satisfy the requirements set forth in the Securities and Article V;

(vii) that Securities called for redemption must be surrendered to the Paying Agent in order to collect the Redemption Price therefor, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon;

(viii) if fewer than all the outstanding Securities are to be redeemed, the certificate numbers, if any, and principal amounts of the particular Securities to be redeemed;

(ix) that, unless the Company defaults in paying the Redemption Price, interest (including Liquidated Damages, if any) on Securities called for redemption will cease to accrue on and after the Redemption Date, and the Securities called for redemption will cease to be Outstanding; and

(x) the CUSIP number of the Securities called for redemption.

(d) At the Company's request, the Trustee shall give the Notice of Redemption in the Company's name and at the Company's expense, so long as the Company makes such request at least five Business Days prior to the date by which such Notice of Redemption is to be given to Holders in accordance with this Section 3.01, and the Company provides the Trustee the Notice of Redemption.

(e) If any of the Securities are in the form of a Global Security, then the Company shall modify such Notice of Redemption to the extent necessary to accord with the Applicable Procedures that apply to the redemption of Global Securities.

SECTION 3.02. Repurchase at the Option of the Holder on Specified Dates. (a) At the option of the Holder, the Company shall repurchase on December 20, 2007, 2008, 2011, 2016, 2021, 2026 and 2031 (each, a "Repurchase Date") all or a portion of the Securities held by such Holder for cash at a price per Security equal to 100% of the principal amount of the Security (the "Repurchase Price"), together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the Repurchase Date.

(b) Securities shall be repurchased pursuant to this Section 3.02 at the option of the Holder thereof upon:

(i) delivery to the Company and the Paying Agent by the Holder of a written notice substantially in the form included in the Form of Security attached as Exhibit A hereto (a "Repurchase Notice") at any time prior to the Repurchase Date until the close of business on the Business Day prior to such Repurchase Date stating:

(A) if the Security which the Holder will deliver to be repurchased is a Security in definitive form, the certificate number of such Security, or if such Security is a Global Security, the notice must comply with the Applicable Procedures;

(B) the portion of the principal amount of the Security which the Holder will deliver to be repurchased, which portion must be in a principal amount of \$1,000 or any integral multiple thereof; and

(C) that such Security shall be repurchased as of the Repurchase Date pursuant to the terms and conditions specified in this Indenture; and

(ii) delivery or book-entry transfer of such Security to the Paying Agent prior to, on or after the Repurchase Date (together with all necessary endorsements) at the offices of the Paying Agent, such delivery being a condition to receipt by the Holder of the Repurchase Price therefor, together with accrued but unpaid interest (including Liquidated Damages, if any); provided that the Repurchase Price, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, shall be so paid pursuant to this Section 3.02 only if the Security so delivered to the Paying Agent shall conform in all material respects to the description thereof in the related Repurchase Notice.

(c) The Company shall repurchase from the Holder thereof, pursuant to this Section 3.02, a portion of a Security if the principal amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the repurchase of all of a Security also apply to the repurchase of a portion of a Security.

(d) Any repurchase by the Company contemplated pursuant to the provisions of this Section 3.02 shall be consummated by the delivery to the Paying Agent of the Repurchase Price, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, to be received by the Holder promptly following the later of the Repurchase Date and the Business Day following delivery or book-entry transfer of the Security to the Paying Agent in accordance with this Section 3.02.

(e) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Repurchase Notice contemplated by this Section 3.02 shall have the right to withdraw such Repurchase Notice at any time prior to the close of business on the Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent at the principal office of the Paying Agent in accordance with Section 3.04. If the Paying Agent holds money sufficient to pay the Repurchase Price of a Security on the Repurchase Date in accordance with the terms of this Indenture, then, immediately after the Repurchase Date, the Security will cease to be Outstanding, whether or not the Security is delivered to the Paying Agent. Thereafter, all other rights of the Holder of a Security shall terminate, other than the right to receive the Repurchase Price upon delivery of the Security.

(f) The Paying Agent shall promptly notify the Company of the receipt by it of any Repurchase Notice or written notice of withdrawal thereof.

(g) Company Repurchase Notice. In connection with any repurchase of Securities pursuant to this Section 3.02, the Company shall give written notice of the Repurchase Date to the Holders of the Securities (the "Company Repurchase Notice").

The Company Repurchase Notice shall be sent by first-class mail to the Trustee and to each Holder (and each beneficial owner if required by applicable law) of the Securities, which notice shall be provided no more than two weeks after December 20, 2006 and again on a date not less than 30 days prior to each date of repurchase. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Security for repurchase pursuant to this Section 3.02 shall be determined by the Company, whose determination shall be final and binding. Each Company Repurchase Notice shall include a form of Repurchase Notice to be completed by a Holder and shall state:

- (i) the Repurchase Price, the Exchange Price and, to the extent known at the time of such notice, the amount of accrued but unpaid interest (including Liquidated Damages, if any) that will be payable with respect to the Securities on the Repurchase Date;
- (ii) the name and address of the Paying Agent and the Exchange Agent;
- (iii) that Securities as to which a Repurchase Notice has been given may be exchanged only if (x) the applicable Repurchase Notice has been withdrawn in accordance with the terms of this Indenture and (y) the Securities may be exchanged pursuant to Article V of this Indenture;
- (iv) that Securities must be surrendered to the Paying Agent to collect payment of the Repurchase Price and accrued but unpaid interest (including Liquidated Damages, if any);
- (v) that the Repurchase Price for any Securities as to which a Repurchase Notice has been given and not withdrawn, together with accrued but unpaid interest (including Liquidated Damages, if any) payable with respect thereto, shall be paid promptly following the later of the Repurchase Date and the time of surrender of such Securities as described in clause (iv);
- (vi) the procedures the Holder must follow under this Section 3.02;
- (vii) the exchange rights of the Securities;
- (viii) that, unless the Company defaults in making payment of such Repurchase Price, interest (including Liquidated Damages, if any) on Securities covered by any Repurchase Notice will cease to accrue on and after the Repurchase Date;
- (ix) the CUSIP number of the Securities; and
- (x) the procedures for withdrawing a Repurchase Notice (as specified in Section 3.04).

(h) At the Company's request, which shall be made at least five Business Days prior to the date by which the Company Repurchase Notice is to be given to the Holders in accordance with this Section 3.02, and at the Company's expense, the Trustee shall give the Company Repurchase Notice in the Company's name; provided that, in all cases, the text of the Company Repurchase Notice shall be prepared by the Company.

(i) If any of the Securities is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the Applicable Procedures that apply to the repurchase of Global Securities.

(j) There shall be no repurchase of any Securities pursuant to this Section 3.02 if an Event of Default (other than a default in the payment of the Repurchase Price) has occurred prior to, on or after, as the case may be, the giving by the Holders of such Securities of the required Repurchase Notice, and such Event of Default is continuing. The Paying Agent will promptly return to the respective Holders thereof any Securities (x) with respect to which a Repurchase Notice has been withdrawn in compliance with this Indenture, or (y) held by it during the continuance of an Event of Default (other than a default in the payment of the Repurchase Price) in which case, upon such return, the Repurchase Notice with respect thereto shall be deemed to have been withdrawn.

SECTION 3.03. Repurchase at Option of the Holder Upon a Change in Control. (a) If at any time that Securities remain Outstanding there shall have occurred a Change in Control, Securities shall be repurchased by the Company, at the option of the Holder thereof, at a price in cash (the “Change in Control Repurchase Price”) equal to 100% of the principal amount of such Securities plus accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the date (the “Change in Control Repurchase Date”) fixed by the Company that is not less than 30 days nor more than 60 days after the date the Company Change in Control Repurchase Notice (as defined below) is given, subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 3.03(e).

(b) Company Change in Control Repurchase Notice. In connection with any repurchase of Securities pursuant to this Section 3.03, the Company shall give written notice of the occurrence of a Change in Control, the repurchase right arising as a result thereof and the Change in Control Repurchase Date to the Holders and the Trustee (the “Company Change in Control Repurchase Notice”). The Company Change in Control Repurchase Notice shall be sent by first-class mail to the Trustee and to each Holder not more than 20 Business Days after the occurrence of a Change in Control. Each Company Change in Control Repurchase Notice shall include a form of Change in Control Repurchase Notice to be completed by a Holder and shall state:

(i) the Change in Control Repurchase Date;

(ii) the Change in Control Repurchase Price, the Exchange Price, the Exchange Rate, whether the Change in Control is in connection with a corporate transaction referred to in Section 5.01(b)(i) of this Indenture, the number of Additional Shares, if any, to be received pursuant to Section 5.01(b)(i) of this Indenture and, to the extent known at the time of such notice, the amount of accrued but unpaid interest (including Liquidated Damages, if any) that will be payable with respect to the Securities on the Change in Control Repurchase Date;

(iii) the name and address of the Paying Agent and the Exchange Agent;

(iv) that the Company must receive the Holder's Change in Control Repurchase Notice on or before the close of business on the third Business Day prior to the Change in Control Repurchase Date;

(v) that the Securities must be surrendered to the Paying Agent to collect payment of the Change in Control Repurchase Price and accrued but unpaid interest (including Liquidated Damages, if any);

(vi) that the Change in Control Repurchase Price for any Securities as to which a Change in Control Repurchase Notice has been given and not withdrawn, together with any accrued but unpaid interest (including Liquidated Damages, if any) payable with respect thereto, shall be paid promptly following the later of the Change in Control Repurchase Date and the time of surrender of such Securities as described in clause (v) above;

(vii) the procedures the Holder must follow under this Section 3.03;

(viii) the exchange rights of the Securities, including that Securities as to which a Change in Control Repurchase Notice has been given may be exchanged only if such Change in Control Repurchase Notice has been withdrawn in accordance with the terms of this Indenture;

(ix) that, unless the Company defaults in making payment of such Change in Control Repurchase Price, interest (including Liquidated Damages, if any) on Securities covered by any Change in Control Repurchase Notice will cease to accrue on and after the Change in Control Repurchase Date;

(x) the CUSIP number of the Securities; and

(xi) the procedures for withdrawing a Change in Control Repurchase Notice (as specified in Section 3.04).

(c) At the Company's request, which shall be made at least five Business Days prior to the date by which the Company Change in Control Repurchase Notice is to be given to the Holders in accordance with this Section 3.03 and at the Company's expense, the Trustee shall give the Company Change in Control Repurchase Notice in the Company's name; provided that, in all cases, the text of the Company Change in Control Repurchase Notice shall be prepared by the Company.

(d) If any of the Securities is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the Applicable Procedures that apply to the repurchase of Global Securities.

(e) For a Security to be so repurchased at the option of the Holder upon a Change in Control, the Paying Agent must receive such Security with the form entitled "Option to Elect Repurchase Upon a Change in Control" (a "Change in Control Repurchase Notice") on the reverse thereof duly completed, together with such Security duly endorsed for transfer, on or before the close of business on the third Business Day prior to the Change in Control Repurchase Date. All questions as to the validity, eligibility (including time of receipt) and acceptance of any Security for repurchase pursuant to this Section 3.03 shall be determined by the Company, whose determination shall be final and binding.

(f) The Company shall repurchase from the Holder thereof, pursuant to this Section 3.03, a portion of a Security if the principal amount of such portion is \$1,000 or an integral multiple of \$1,000. Provisions of this Indenture that apply to the repurchase of all of a Security also apply to the repurchase of a portion of a Security.

(g) Any repurchase by the Company contemplated pursuant to the provisions of this Section 3.03 shall be consummated by the delivery to the Paying Agent of the Change in Control Repurchase Price, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, to be received by the Holder promptly following the later of the Change in Control Repurchase Date and the Business Day following the delivery or book-entry transfer of the Security to the Paying Agent in accordance with this Section 3.03.

(h) Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent the Change in Control Repurchase Notice contemplated by this Section 3.03(h) shall have the right to withdraw such Change in Control Repurchase Notice at any time prior to the close of business on the Business Day preceding the Change in Control Repurchase Date by delivery of a written notice of withdrawal to the Paying Agent at the principal office of the Paying Agent in accordance with Section 3.04. If the Trustee or the Paying Agent holds money sufficient to pay the Change in Control Repurchase Price of a Security on the Change in Control Repurchase Date in accordance with the terms of this Indenture, then, on the Change in Control Repurchase Date, the Security will cease to be Outstanding, whether or not the Security is delivered to the Paying Agent. Thereafter, all other rights of the Holder of a Security shall terminate, other than the right to receive the Change in Control Repurchase Price upon delivery of the Securities.

(i) The Paying Agent shall promptly notify the Company of the receipt by it of any Change in Control Repurchase Notice or written withdrawal thereof.

(j) Notwithstanding anything herein to the contrary, the Company's obligations pursuant to this Section 3.03 shall be satisfied if a third party makes an offer to repurchase Outstanding Securities after a Change in Control in the manner and at the times and otherwise in compliance in all material respects with the requirements of this Section 3.03, and such third party purchases all Securities properly tendered and not withdrawn pursuant to the requirements of this Section 3.03.

(k) Not more than 30 days after the occurrence of a Change in Control, the Company shall use its commercially reasonable efforts to either (i) obtain the consents under all existing indebtedness required to permit the repurchase of the Securities pursuant to any Company Change in Control Repurchase Notice or (ii) repay in full all existing indebtedness and terminate all commitments under all existing indebtedness, the terms of which in each case would prohibit the repurchase of the Securities pursuant to any Company Change in Control Repurchase Notice; provided that if no Holders deliver a Change in Control Repurchase Notice prior to such date, or if the Company shall have satisfied its obligations to repurchase the Securities of all Holders that have submitted a Change in Control Repurchase Notice, the Company shall be deemed to have satisfied the requirements of this Section 3.03(k).

SECTION 3.04. Effect of Repurchase Notice or Change in Control Repurchase Notice. (a) Upon receipt by the Paying Agent of a Repurchase Notice or Change in Control Repurchase Notice, the Holder of the Security in respect of which such Repurchase Notice or Change in Control Repurchase Notice, as the case may be, was given shall (unless such Repurchase Notice or Change in Control Repurchase Notice is withdrawn as specified in the following paragraph) thereafter be entitled to receive solely the Repurchase Price or Change in Control Repurchase Price, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, to but not including the Repurchase Date or Change in Control Repurchase Date, as the case may be, with respect to such Security. Such Repurchase Price or Change in Control Repurchase Price, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, to but not including the Repurchase Date or Change in Control Repurchase Date, as the case may be, shall be paid to such Holder, subject to receipt of funds by the Paying Agent, promptly following the later of (x) the Repurchase Date or the Change in Control Repurchase Date, as the case may be, with respect to such Security (provided that the conditions in Section 3.02 or Section 3.03, as applicable, have been satisfied) and (y) the time of delivery or book-entry transfer of such Security to the Paying Agent by the Holder thereof in the manner required by Section 3.02 or Section 3.03, as applicable. Securities in respect of which a Repurchase Notice or Change in Control Repurchase Notice, as the case may be, has been given by the Holder thereof may not be exchanged pursuant to Article V of this Indenture on or after the date of the delivery of such Repurchase Notice or Change in Control Repurchase Notice, as the case may be, unless such Repurchase Notice or Change in Control Repurchase Notice, as the case may be, has first been validly withdrawn as specified in the following paragraph.

(b) A Repurchase Notice or Change in Control Repurchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent in accordance with the Repurchase Notice or Change in Control Repurchase Notice, as the case may be, at any time prior to the close of business on the Repurchase Date or the close of business on the Business Day preceding the Change in Control Repurchase Date, as the case may be, specifying:

(i) if the Security with respect to which such notice of withdrawal is being submitted is a Security in definitive form, the certificate number of such Security, or if such Security is a Global Security, the notice must comply with the Applicable Procedures;

-
- (ii) the principal amount of the Security with respect to which such notice of withdrawal is being submitted; and
- (iii) the principal amount, if any, of such Security which remains subject to the original Repurchase Notice or Change in Control Repurchase Notice, as the case may be, and which has been or will be delivered for repurchase by the Company.

SECTION 3.05. Deposit of Repurchase Price or Change in Control Repurchase Price. Prior to 10:00 a.m. (New York City time) on or prior to the Repurchase Date or the Change in Control Repurchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent an amount of money (in immediately available funds if deposited on such Business Day) sufficient to pay the aggregate Repurchase Price or Change in Control Repurchase Price, as the case may be, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, to but not including the Repurchase Date or Change in Control Repurchase Date, as the case may be, of all the Securities or portions thereof which are to be repurchased as of the Repurchase Date or Change in Control Repurchase Date, as the case may be.

SECTION 3.06. Securities Repurchased in Part. Any Security in definitive form that is to be repurchased only in part shall be surrendered at the office of the Paying Agent (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, one or more new Securities in definitive form, of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Security in definitive form so surrendered which is not repurchased.

SECTION 3.07. Covenant to Comply with Securities Laws Upon Repurchase of Securities. When complying with the provisions of Section 3.02 or 3.03 of this Indenture (so long as such offer or repurchase constitutes an "issuer tender offer" for purposes of Rule 13e-4 (which term, as used herein, includes any successor provision thereto) under the Exchange Act at the time of such offer or repurchase), the Company shall (i) comply in all material respects with Rule 13e-4 and Rule 14e-1 under the Exchange Act, (ii) file the related Schedule TO (or any successor schedule, form or report) under the Exchange Act and (iii) otherwise comply in all material respects with all Federal and state securities laws so as to permit the rights and obligations under Section 3.02 or 3.03 to be exercised in the time and in the manner specified in Section 3.02 or 3.03.

SECTION 3.08. Repayment to the Company. To the extent that the aggregate amount of cash deposited by the Company pursuant to Section 3.05 exceeds

the aggregate Repurchase Price or Change in Control Repurchase Price, as the case may be, of the Securities or portions thereof which the Company is obligated to repurchase as of the Repurchase Date or Change in Control Repurchase Date, as the case may be, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, then, unless otherwise agreed in writing with the Company, promptly after the Business Day following the Repurchase Date or Change in Control Repurchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest, if any, thereon.

SECTION 3.09. No Sinking Fund. The Securities are not entitled to any sinking fund payments.

ARTICLE IV

Covenants

SECTION 4.01. Delivery of Certain Information. At any time when the Guarantor is not subject to Section 13 or 15(d) of the Exchange Act, upon the request of a Holder or any Beneficial Owner of Securities or holder or Beneficial Owner of Common Stock delivered upon exchange therefor, the Company will promptly furnish or cause to be furnished Rule 144A Information (as defined below) to such Holder or any Beneficial Owner of Securities or holder or Beneficial Owner of Common Stock delivered upon exchange thereof or to a prospective purchaser of any such security designated by any such Holder, holder or Beneficial Owner, as the case may be, to the extent required to permit compliance by such Holder or holder with Rule 144A under the Securities Act in connection with the resale of any such security. “Rule 144A Information” shall be such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act or any successor provisions. Whether a Person is a Beneficial Owner shall be determined by the Company to the Company’s reasonable satisfaction.

SECTION 4.02. Payment of Principal and Interest; Compliance with Terms. The Company will duly and punctually pay the principal of and interest (including Liquidated Damages, if any) on the Securities in accordance with the terms of the Securities and this Indenture, net of any taxes required to be withheld, and will duly comply with all the other terms, agreements and conditions contained in, or made in this Indenture for the benefit of, the Securities.

SECTION 4.03. Maintenance of Agency. The Company and the Guarantor will maintain an office or agency in the Borough of Manhattan, The City of New York, where notices and demands to or upon the Company and the Guarantor in respect of the Securities, the Guarantees and this Indenture may be served. The Company and the Guarantor hereby respectively appoint the Trustee its initial office or agency for the purpose of this Section 4.03.

The Company and the Guarantor, by written notice to the Trustee, may also from time to time designate one or more other offices or agencies where Securities may be presented for any or all such purposes, and, by like notice, may from time to time rescind such designations.

SECTION 4.04. Money for Security Payments To Be Held in Trust If the Company shall at any time act as its own Paying Agent for any Securities, it will, on or before each due date of the principal of or interest (including Liquidated Damages, if any) on any of the Securities, set aside, segregate and hold in trust for the benefit of the Persons entitled thereto, a sum sufficient to pay the principal or interest (including Liquidated Damages, if any) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any Securities, it will, prior to each due date of the principal of or interest (including Liquidated Damages, if any) on any Securities, deposit, subject to the last paragraph of this Section 4.04, with a Paying Agent a sum sufficient to pay the principal or interest (including Liquidated Damages, if any) so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal and interest (including Liquidated Damages, if any), and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee and the Company, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of principal of or any interest (including Liquidated Damages, if any) on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to said Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Company or the Guarantor (or any other obligor upon the Securities) in the making of any payment of principal of or interest (including Liquidated Damages, if any) on the Securities; and
- (3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of or interest (including Liquidated Damages, if any) on any Security and remaining unclaimed for one year after such principal or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company and the Guarantor for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company. The Trustee may also adopt and employ, at the expense of the Company, any other reasonable means of notification of such proposed repayment.

SECTION 4.05. Certification of Compliance of the Company and the Guarantor. Each of the Company and the Guarantor will promptly (and in any event within three Business Days) notify the Trustee upon obtaining knowledge of any default under this Indenture, and shall comply with the provisions of Section 314(a)(4) of the TIA, if applicable.

SECTION 4.06. Corporate Existence. Subject to Article IX, the Company and the Guarantor will do or cause to be done all things necessary to preserve and keep in full force and effect their respective corporate existence, rights (charter and statutory) and franchises and the corporate existence, rights (charter and statutory) and franchises of all Subsidiaries other than the Company; provided, however, that the Company and the Guarantor shall not be required to, or to cause any such Subsidiary to, preserve any right or franchise or to keep in full force and effect the corporate existence of any such Subsidiary if the Company (in the case of the Company) or the Guarantor (in all other cases) shall determine that the keeping in existence or preservation thereof is no longer desirable in the conduct of the business of the Company or the Guarantor, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Holders of the Securities.

SECTION 4.07. Limitation on Sale or Issuance of Voting Shares of Principal Subsidiary Banks. The Guarantor will not (a) permit the issue, sale or other disposition of any Voting Shares, or securities convertible into, or options, warrants or rights to subscribe for or purchase, Voting Shares, of any Principal Subsidiary Bank, (b) permit the merger or consolidation of any Principal Subsidiary Bank with or into any other Person, or (c) permit the sale or other disposition of all or substantially all of the assets of any Principal Subsidiary Bank, if, after giving effect to any such transaction (specified in clause (a), (b) or (c) above) and the issuance of the maximum number of Voting Shares issuable upon the conversion or exercise of all such convertible securities, options, warrants or rights, the Guarantor would own, directly or indirectly, less than 80% of the Voting Shares of such Principal Subsidiary Bank (and of any other Principal Subsidiary Bank any Voting Shares of which are owned,

directly or indirectly, by such Principal Subsidiary Bank); provided, however, that the foregoing shall not prohibit any such issuance, sale or disposition of shares or securities, any such merger or consolidation or any such sale or disposition of assets if:

(i) required by any law or any regulation or order of any governmental authority;

(ii) required as a condition imposed by any law or any regulation or order of any governmental authority to the acquisition by the Guarantor, directly or indirectly, of any other Person, if thereafter, (x) the Guarantor would own, directly or indirectly, at least 80% of the Voting Shares of such other Person, and (y) the Consolidated Banking Assets of the Guarantor would be at least equal to the Consolidated Banking Assets of the Guarantor prior thereto, and (z) by a Board Resolution, such other Person shall have been designated a Principal Subsidiary Bank for all purposes of this Indenture;

(iii) upon consummation of such transaction, the Guarantor owns, directly or indirectly, not less than the percentage of Voting Shares of such Principal Subsidiary Bank (and of any other Principal Subsidiary Bank any Voting Shares of which are owned, directly or indirectly, by such Principal Subsidiary Bank) which it owned prior to such transaction; or

(iv) the proceeds of any such issuance, sale or other disposition are invested within 180 days after such issuance, sale or other disposition in any one or more Principal Subsidiary Banks (including any previously existing Principal Subsidiary Bank or any other corporation which upon such investment becomes a Principal Subsidiary Bank), or if within 180 days after such issuance, sale or other disposition the Guarantor has entered into an agreement to invest such proceeds in any one or more Principal Subsidiary Banks (including any previously existing Principal Subsidiary Bank or any Person which upon such investment would become a Principal Subsidiary Bank), but such investment has not been made because all regulatory or other approvals have not been obtained but are in the process of being obtained, and if, in each case, the consolidated assets of the Principal Subsidiary Bank(s) acquired or to be acquired or invested in (including any one or more Person which, upon such investment, would become Principal Subsidiary Banks) would be at least equal to 80% of the consolidated assets of the Principal Subsidiary Bank being disposed of; provided, however, that if the Guarantor makes a subsequent acquisition as described in this paragraph using its common stock and preferred stock, with a fair market value at least equal to the proceeds of any sale, assignment, transfer or disposition of a Principal Subsidiary Bank, it will not also be required to invest the proceeds of any sale, assignment, transfer or disposition as otherwise required by this paragraph; provided, further, that the Guarantor will, for the purpose of satisfying this covenant, only issue preferred shares in a subsequent acquisition in an amount needed to replace any preferred stock of the acquired company; provided, however, that nothing herein shall be deemed to restrict or prohibit the merger of a Principal Subsidiary Bank with and into a Principal Subsidiary Bank or the Guarantor, the consolidation of Principal Subsidiary Banks into a Principal Subsidiary Bank or the Guarantor, or the sale or other disposition of all or substantially all of the

assets of any Principal Subsidiary Bank to another Principal Subsidiary Bank or the Guarantor, if, in any such case in which the surviving, resulting or acquiring entity is not the Guarantor, the Guarantor would own, directly or indirectly, at least 80% of the Voting Shares of the Principal Subsidiary Bank (and of any other Principal Subsidiary Bank any Voting Shares of which are owned, directly or indirectly, by such Principal Subsidiary Bank) surviving such merger, resulting from such consolidation or acquiring such assets.

SECTION 4.08. Ownership of the Company. Subject to Article IX, the Guarantor will at all times continue to own, directly or indirectly, all of the issued and outstanding Voting Shares of the Company.

SECTION 4.09. Liens. The Guarantor will not, and it will not permit any Subsidiary to, pledge, mortgage or hypothecate, or permit to exist any pledge, mortgage or hypothecation, or other lien upon, Voting Shares of any Principal Subsidiary Bank owned by the Guarantor or any Subsidiary to secure any indebtedness for borrowed money without making effective provisions whereby any Securities shall be equally and ratably secured with any and all such indebtedness; provided, however, that this restriction shall not apply to or prevent:

(a) the mortgage, pledge or hypothecation of, or the establishment of a lien on, any such Voting Shares to secure indebtedness of the Guarantor or a Subsidiary as part of the purchase price of such Voting Shares, or incurred prior to, at the time of, or within 120 days after, acquisition thereof for the purpose of financing all or any part of the purchase price thereof;

(b) the acquisition by the Guarantor or any Subsidiary of any Voting Shares subject to mortgages, pledges, hypothecations or other liens existing thereon at the time of acquisition (whether or not the obligations secured thereby are assumed by the Guarantor or such Subsidiary);

(c) the assumption by the Guarantor or a Subsidiary of obligations secured by mortgages on, pledges or hypothecations of, or other liens on, any such Voting Shares, existing at the time of the acquisition by the Guarantor or such Subsidiary of such Voting Shares;

(d) the extension, renewal or refunding (or successive extensions, renewals or refundings), in whole or in part, of any mortgage, pledge, hypothecation or other lien referred to in the foregoing clauses (a), (b) and (c); provided, however, that the principal amount of any and all other obligations and indebtedness secured thereby shall not exceed the principal amount so secured at the time of such extension, renewal or refunding, and that such extension, renewal or refunding shall be limited to all or a part of the Voting Shares that were subject to the mortgage, pledge, hypothecation or other lien so extended, renewed or refunded; or

(e) liens to secure loans or other extensions of credit by a Principal Subsidiary Bank subject to Section 23A of the Federal Reserve Act or any successor or similar federal law or regulations promulgated thereunder;

and provided, further, that, notwithstanding the foregoing, the Guarantor may incur or permit to be incurred or to exist upon such Voting Shares (a) liens for taxes, assessments or other governmental charges or levies which are not yet due or are payable without penalty or of which the amount, applicability or validity is being contested by the Guarantor or a Subsidiary in good faith by appropriate proceedings and the Guarantor or such Subsidiary shall have set aside on its books adequate reserves with respect thereto (segregated to the extent required by generally accepted accounting principles), or (b) the lien of any judgment, if such judgment shall not have remained undischarged, or unstayed on appeal or otherwise, for more than 60 days.

In case the Guarantor or any Subsidiary shall propose to pledge, mortgage or hypothecate any voting Shares at any time owned by it to secure any indebtedness, other than as permitted by subdivisions (a) to (e), inclusive, of this Section, the Guarantor will prior thereto give written notice thereof to the Trustee, and will prior to or simultaneously with such pledge, mortgage or hypothecation, by supplemental indenture delivered to the Trustee, in form satisfactory to it, effectively secure all the Securities equally and ratably with such indebtedness, by pledge, mortgage or hypothecation of such Voting Shares. Such supplemental indenture shall contain the provisions concerning the possession, control, release and substitution of mortgaged and pledged property and securities and other appropriate matters which are required or are permitted by the TIA (as in effect at the date of execution of such supplemental indenture) to be included in a secured indenture qualified under said Act, and may also contain such additional and amendatory provisions permitted by said Act as the Guarantor and the Trustee shall deem advisable or appropriate, or as the Trustee shall deem necessary, in connection with such pledge, mortgage or hypothecation.

SECTION 4.10. Waiver of Covenants. The Company or the Guarantor, as the case may be, may omit in any particular instance to comply with any covenant or condition set forth in Sections 4.06 through 4.09 hereof, if before or after the time for such compliance the Holders of a majority in principal amount of the Securities at the time Outstanding shall, by Act of such Holders of Securities, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the Guarantor and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

SECTION 4.11. Requirement to Deliver Reports. The Company will deliver to the Trustee any reports it is required to file with Commission pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended from time to time, and under the TIA within 15 days after the Company has filed those documents or reports with the Commission.

ARTICLE V

Exchange

SECTION 5.01. Exchange Privilege. (a) Subject to the provisions of this Article V, a Holder of a Security may exchange such Security for cash and Common Stock, if any (and subject to the Company's right to elect to pay only cash), at the Exchange Rate on or prior to December 20, 2036.

(b) (i) If the Company has provided a Change in Control Repurchase Notice, and a Holder of Securities elects to exchange its Securities in connection with a corporate transaction that occurs on or prior to December 20, 2007 and that constitutes a Change in Control (other than relating to the composition of the Guarantor's Board of Directors as described in clause (iv) of the definition of Change in Control in Section 1.01) and 10% or more of the fair market value of the consideration for the Common Stock (as determined by the Company's Board of Directors, whose determination shall be conclusive evidence of such fair market value) in the corporate transaction consists of (i) cash, (ii) other property or (iii) securities that are not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market System, then the Exchange Price of the Securities being exchanged by such Holder at that time shall be decreased by increasing the Exchange Rate by a number of additional shares of Common Stock (the "Additional Shares") determined in the manner set forth below; provided that if the Share Price in such transaction is greater than \$300.00, or less than \$73.46 (subject in each case to adjustment as described below), the number of Additional Shares shall be zero; provided further that in no event will the Exchange Rate exceed 13.6129 per \$1,000 principal amount of Securities, subject to adjustments in the same manner as the Exchange Price as set forth in this Indenture. For the avoidance of doubt, the adjustment provided for in this Section 5.01(b) shall only be made with respect to the Securities being exchanged in connection with such Change in Control and shall not be effective as to any Securities not so exchanged (it being understood that a Holder of Securities electing to exchange the Securities pursuant to this Section 5.01(b) shall provide the Exchange Agent with a notice as contemplated by Section 5.02).

(ii) The number of Additional Shares will be determined by the Company by reference to the table attached as Schedule A hereto, based on the date the corporate transaction becomes effective (the "Effective Date") and the share price paid per share of Common Stock in the corporate transaction (the "Share Price"); provided that if (i) holders of shares of Common Stock receive only cash in such corporate transaction, the Share Price shall be the cash amount paid per share, and (ii) otherwise, the Share Price shall be the average of the Common Stock Price on the five Trading Days prior to but not including the Effective Date; and provided further, that if the Share Price is between two Share Price amounts in the table, or the Effective Date is between two Effective Dates in the table, the Company shall determine the number of Additional Shares by a straight-line interpolation between the number of Additional Shares set forth for the higher and lower Share Price amounts and the two dates, as applicable, based on a 365-day year.

(iii) The Share Prices set forth in the first row of the table I.c., column headers) in Schedule A hereto will be adjusted as of any date on which the Exchange Price of the Securities is adjusted pursuant to this Indenture. The adjusted Share Prices will equal the Share Prices applicable immediately prior to such adjustment, multiplied by a fraction, the numerator of which is the Exchange Rate immediately prior to the adjustment giving rise to the Share Price adjustment, and the denominator of which is the Exchange Rate as so adjusted. The number of Additional Shares will be adjusted in the same manner as the Exchange Rate as set forth in this Indenture.

(iv) Exchange “in connection with a corporate transaction”, for purposes of this Section 5.01, means any exchange in respect of which the Exchange Notice is delivered at any time during the period from and including the Effective Date until, and including, the close of business on the Business Day immediately preceding the Change in Control Repurchase Date corresponding to such corporate transaction.

(c) Notwithstanding the foregoing, and in lieu of adjusting the Exchange Rate as set forth in Section 5.01(b), in the case of a Public Acquirer Change in Control, the Company may elect (with sufficient advance notice thereof to the Trustee and the Exchange Agent and each Holder of Securities) that, from and after the Effective Date of such Public Acquirer Change in Control, the right to exchange a Security will be changed into a right to exchange a Security for a number of shares of Acquirer Common Stock. If the Company makes the election referred to in the immediately preceding sentence, the Company will, at any time prior to the 20th day immediately preceding the proposed Effective Date of the Public Acquirer Change in Control, adjust the terms of the Holder’s exchange privilege set forth in Section 5.01(b) such that following such adjustment the Acquirer Common Stock shall be deemed to be the Common Stock component of the Daily Settlement Amount, and the Exchange Rate in effect immediately before the Effective Date of such transaction described in this Section 5.01(c) shall be adjusted by a fraction:

(i) the numerator of which will be (a) in the case of a share exchange, consolidation or merger pursuant to which the Common Stock is exchanged into cash, securities or other property, the fair market value of all cash and any other consideration (as determined by the Guarantor’s Board of Directors) paid or payable per share of Common Stock or (b) in the case of any other Public Acquirer Change in Control, the average of the Common Stock Price for the five consecutive Trading Days prior to but excluding the Effective Date of such Public Acquirer Change in Control, and

(ii) the denominator of which will be the average of the Closing Sale Prices of the Public Acquirer Common Stock for the five consecutive Trading Days prior to but excluding the Effective Date of such Public Acquirer Change in Control.

(d) A Holder may exchange a portion of a Security equal to \$1,000 or any integral multiple thereof. Provisions of this Indenture that apply to exchange of all of a Security also apply to exchange of a portion of a Security.

(e) If a Security is called for redemption pursuant to Section 3.01 of this Indenture, in order to exchange such Security, the Holder must deliver the Security to the Exchange Agent (or, if the Security is held in book-entry form, complete and deliver to the Depositary appropriate instructions in accordance with the Applicable Procedures) at any time prior to the close of business on the day that is two Business Days prior to the applicable Redemption Date for such Security (unless the Company shall default in paying the Redemption Price when due, in which case the exchange right shall terminate on the date such Event of Default is cured and such Security is redeemed). A Security in respect of which a Holder has delivered a Repurchase Notice pursuant to Section 3.02, or a Change in Control Repurchase Notice pursuant to Section 3.03 exercising the option of such Holder to require the Company to repurchase such Security, may be exchanged only if such Repurchase Notice or Change in Control Repurchase Notice, as the case may be, is withdrawn by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Repurchase Date or the close of business on the Business Day preceding the Change in Control Repurchase Date, as the case may be, in accordance with Section 3.02 or Section 3.03, as applicable.

(f) A Holder of Securities is not entitled to any rights of a holder of Common Stock until such Holder has exchanged its Securities into Common Stock.

SECTION 5.02. Exchange Procedure. (a) To exchange a Security, a Holder must (i) if the Security is in definitive form, complete and manually sign the irrevocable exchange notice on the back of the Security (an “Exchange Notice”, which term, for the avoidance of doubt, shall include the instructions referred to in clause (v) of this Section 5.02(a), if applicable) and deliver such notice to the Exchange Agent, (ii) if the Security is in definitive form, surrender the Security to the Exchange Agent, (iii) if the Security is in definitive form, furnish appropriate endorsements and transfer documents if required by the Security Registrar or the Exchange Agent, (iv) pay any transfer or other tax, if required by Section 5.03 and (v) if the Security is held in book-entry form, complete and deliver to the Depositary appropriate exchange instructions pursuant to the Applicable Procedures. The date on which the Holder satisfies all of the foregoing requirements is the “Exchange Date”. As promptly as practicable after the Exchange Date, and in any event no later than the third Trading Day immediately following the last day of the related Observation Period, the Company shall deliver to the Holder through the Exchange Agent cash and shares of Common Stock in the amounts calculated in accordance with Section 5.14.

(b) The Person in whose name the Security is registered shall be deemed to be a stockholder of record on the Exchange Date provided that no surrender of a Security on any date when the Security Register of the Company shall be closed shall be

effective to constitute the Person or Persons entitled to receive the shares of Common Stock upon such exchange as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the Person or Persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such Security Register is open; provided further that such exchange shall be at the Exchange Price in effect on the date that such Security shall have been surrendered for exchange, as if the Security Register of the Company had not been closed. Upon exchange of a Security, such Person shall no longer be a Holder of such Security.

(c) No payment or adjustment will be made for accrued but unpaid interest (including Liquidated Damages, if any) on an exchanged Security or for dividends or distributions on shares of Common Stock issued upon exchange of a Security. The Company shall not adjust the Exchange Price to account for the accrued but unpaid interest (including Liquidated Damages, if any). Notwithstanding the foregoing, if Securities are exchanged after the close of business on a Record Date and prior to the opening of business on the next Interest Payment Date; provided that such Interest Payment Date is an Interest Payment Date the interest due on which is payable to the Holder as of the preceding Record Date, Holders of such Securities at the close of business on such Record Date shall receive the accrued but unpaid interest (including Liquidated Damages, if any) payable on such Securities on the corresponding Interest Payment Date notwithstanding the exchange. In such event, such Security, when surrendered for exchange, must be accompanied by delivery of a check payable to the Exchange Agent in an amount equal to the accrued but unpaid interest (including Liquidated Damages, if any) payable on such Interest Payment Date on the portion so exchanged. If such payment does not accompany such Security, the Security shall not be exchanged; provided that no such payment shall be required if such Security has been called for redemption on a Redemption Date within the period between the close of business on such Record Date and the opening of business on such Interest Payment Date, or if such Security is surrendered for exchange on the Interest Payment Date or is being redeemed on such Interest Payment Date, or if such Interest Payment Date is the Stated Maturity of the principal of the Securities. If the Company defaults in the payment of interest (including Liquidated Damages, if any) payable on the Interest Payment Date, the Exchange Agent shall promptly repay such funds to the Holder.

(d) Upon surrender of a Security that is exchanged in part, the Company shall execute, and the Trustee shall, upon receipt of a Company Order, authenticate and deliver to the Holder, a new Security equal in principal amount to the unexchanged portion of the Security surrendered.

SECTION 5.03. Taxes on Exchange. If a Holder exchanges a Security, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon such exchange. However, the Holder shall pay any tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Exchange Agent may refuse to deliver the certificates representing the Common Stock being issued in a name other than the Holder's name until the Exchange Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

SECTION 5.04. Guarantor to Provide Stock. (a) The Guarantor shall, prior to issuance of any Securities hereunder, and from time to time as may be necessary, reserve, out of its authorized but unissued Common Stock, a sufficient number of shares of Common Stock to permit the exchange of all outstanding Securities into shares of Common Stock. The certificates representing the shares of Common Stock issued upon exchange of Transfer Restricted Securities shall bear a legend substantially in the following form:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE OR OTHER SECURITIES LAWS. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, PLEDGED, OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER (1) REPRESENTS THAT IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) AND IS PURCHASING IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (2) AGREES NOT TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE WHICH IS THE LATER OF (X) TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(K) OF THE SECURITIES ACT) AFTER THE LATER OF THE LAST DATE OF ORIGINAL ISSUANCE OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) AND THE LAST DATE ON WHICH THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY AFFILIATE OF THE PNC FINANCIAL SERVICES GROUP, INC. WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) AND (Y) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY APPLICABLE LAW (THE “RESALE RESTRICTION TERMINATION DATE”) EXCEPT (A) TO THE PNC FINANCIAL SERVICES GROUP, INC. OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT AND WHICH CONTINUES TO BE EFFECTIVE AT THE TIME OF SUCH TRANSFER, (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN

THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, OR (E) TO AN INSTITUTIONAL INVESTOR THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(A) (1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION THEREUNDER (IF AVAILABLE) (IN EACH CASE (A) THROUGH (E) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS) AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; AND, IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE PNC FINANCIAL SERVICES GROUP, INC. AND THE TRANSFER AGENT. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE."

(b) The Company and Guarantor covenant that all shares of Common Stock delivered upon exchange of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and non-assessable and shall be free from preemptive rights and free of any lien or adverse claim.

(c) The Company and Guarantor will endeavor promptly to comply with all Federal and state securities laws regulating the offer and delivery of shares of Common Stock upon exchange of Securities, if any, and will list or cause to have quoted such shares of Common Stock on each U.S. national securities exchange or in the over-the-counter market or such other market on which the Common Stock is then listed or quoted.

SECTION 5.05. Adjustment of Exchange Price. The Exchange Price shall be adjusted (without duplication) from time to time by the Company as follows:

(a) In case the Guarantor shall (i) pay a dividend or other distribution in shares of Common Stock to all holders of Common Stock, (ii) subdivide its outstanding Common Stock into a greater number of shares or (iii) combine its outstanding Common Stock into a smaller number of shares, the Exchange Price shall be adjusted so that the Holder of any Security thereafter surrendered for exchange shall be entitled to receive the number of shares of Common Stock which it would have owned or been entitled to receive had such Security been exchanged immediately prior to the happening of such event. For the purposes of calculating the Exchange Price adjustment pursuant to this Section 5.05(a), Holders of a Security shall be treated as if they had the right to exchange the Security solely into Common Stock at the then applicable Exchange Price. An adjustment made pursuant to this Section 5.05(a) shall become effective immediately after the record date in the case of a dividend or distribution, and shall become effective immediately after the effective date in the case of a subdivision or combination.

(b) In case the Guarantor shall issue to all holders of Common Stock rights, warrants or options entitling such holders (for a period commencing no earlier than the date of distribution and expiring not more than 60 days after the date of distribution) to subscribe for or purchase shares of Common Stock (or securities convertible into Common Stock) at a price per share less than the average Common Stock Price for the five Trading Days ending on the earlier of the record date in respect of such distribution or the Trading Day before the Ex-Dividend Date with respect thereto, the Exchange Price shall be decreased so that the Exchange Price shall equal the price determined by multiplying the Exchange Price in effect immediately prior to the record date for such issue by a fraction,

(i) the numerator of which shall be the number of shares of Common Stock outstanding on such date of public announcement, plus the number of shares which the aggregate subscription or purchase price for the total number of shares of Common Stock offered by the rights, warrants or options so issued (or the aggregate conversion price of the convertible securities offered by such rights, warrants or options) would purchase at such average Common Stock Price, and

(ii) the denominator of which shall be the number of shares of Common Stock outstanding on such date of public announcement plus the number of Additional Shares of Common Stock offered by such rights, warrants or options (or into which the convertible securities so offered by such rights, warrants or options are exchangeable);

provided that no adjustment will be made if Holders of the Securities are entitled to participate in the distribution on substantially the same terms as holders of the Common Stock as if such Holders had exchanged their Securities solely for Common Stock immediately prior to such distribution at the then applicable Exchange Price. Such adjustment shall be made successively whenever any such rights, warrants or options are issued, and shall become effective immediately after such record date. If, at the end of the period during which such rights, warrants or options are exercisable, not all rights, warrants or options shall have been exercised, the adjusted Exchange Price shall be immediately readjusted to what it would have been upon application of the foregoing adjustment, substituting the number of additional shares of Common Stock actually issued (or the number of shares of Common Stock issuable upon conversion of convertible securities actually issued) for the total number of shares of Common Stock offered (or convertible securities offered).

(iii) The “Ex-Dividend Date” for any such issuance or distribution means the date immediately prior to the commencement of “ex-dividend” trading for such issuance or distribution on The New York Stock Exchange or such other U.S. national securities exchange or the Nasdaq Stock Market or similar system of automated dissemination of quotations of securities prices on which the Common Stock is then listed or quoted.

(c) (i) In case the Guarantor shall distribute to all holders of Common Stock any shares of Capital Stock of the Guarantor (other than Common Stock) or evidences of its indebtedness, other securities or other assets, or shall distribute to all holders of Common Stock rights, warrants or options to subscribe for or purchase any of its securities (excluding (1) those rights, options and warrants referred to in Section 5.05(b); (2) those dividends, distributions, subdivisions and combinations referred to in Section 5.05(a); and (3) those dividends and distributions paid in cash referred to in Section 5.05(e)), then in each such case the Exchange Price shall be decreased so that the same shall equal the price determined by multiplying the Exchange Price in effect immediately prior to the date of such distribution by a fraction,

(A) the numerator of which shall be the Market Price on the record date for the determination of holders of Common Stock entitled to receive such distribution less the fair market value on such Record Date (as determined by the Company's Board of Directors, whose determination shall be conclusive evidence of such fair market value) of the portion of the Capital Stock or evidences of indebtedness, securities or assets so distributed or of such rights, warrants or options, in each case applicable to one share of Common Stock, and

(B) the denominator of which shall be the Market Price on such record date,

such adjustment to become effective immediately after the record date for such distribution; provided that if the numerator of the foregoing fraction is less than \$1.00 (including a negative amount), then in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder shall have the right to receive upon exchange, in addition to the cash and Common Stock issuable upon such exchange, the distribution such Holder would have received had such Holder exchanged its Security solely into Common Stock at the then applicable Exchange Price immediately prior to the record date for such distribution; provided that no adjustment will be made if Holders of the Securities are entitled to participate in the distribution on substantially the same terms as holders of the Common Stock as if such Holders had exchanged their Securities solely into Common Stock immediately prior to such distribution at the then applicable Exchange Price.

(ii) Notwithstanding the foregoing, if the distribution by the Guarantor to all holders of its Common Stock consists of Capital Stock of, or similar equity interests in, a Subsidiary or other business unit of the Guarantor (unless such Capital Stock or similar equity interests are distributed to holders in such distribution as if such holders had exchanged their Securities for Common Stock), the Exchange Price shall be decreased so that the same shall be equal to the rate determined by multiplying the Exchange Price in effect on the record date with respect to such distribution by a fraction:

(A) the numerator of which shall be the average Common Stock Price over the Spinoff Valuation Period, and

(B) the denominator of which shall be the sum of (x) the average Common Stock Price over the 10 consecutive Trading Day period (the Spinoff Valuation Period) commencing on and including the Trading Day on which “ex-dividend trading” commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the Common Stock is then listed or quoted plus (y) the average fair market value (as determined by the Board of Directors and described in a resolution of the Company’s Board of Directors) over the Spinoff Valuation Period of the portion of the assets so distributed applicable to one share of Common Stock,

such adjustment to become effective immediately prior to the opening of business on the day following such record date provided that the Company may in lieu of the foregoing adjustment make adequate provision so that each Holder shall have the right to receive upon exchange the amount of the distribution such Holder would have received had such holder exchanged each Security on the record date with respect to such distribution. If any dividend or distribution of the type described in this Section 5.05(c) is declared but not so paid or made, such adjustment to the Exchange Price shall be reversed. In any case in which this paragraph is applicable, Section 5.05(a), Section 5.05(b) and the first paragraph of this Section 5.05(c) shall not be applicable.

(d) In case the Guarantor or any Subsidiary of the Guarantor makes a payment in respect of a tender or exchange offer, other than an odd-lot offer, to holders of the Common Stock to the extent that the cash and the value of any other consideration included in the payment per share of Common Stock exceeds the Common Stock Price on the Trading Day next succeeding the last day on which tenders or exchanges may be made pursuant to such tender or exchange offer, the Exchange Price shall be decreased so that the same shall equal the price determined by multiplying the Exchange Price in effect immediately prior to the Offer Expiration Time by a fraction,

(i) the numerator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the last time (the Offer Expiration Time) tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) multiplied by the Common Stock Price on the Trading Day next succeeding the Offer Expiration Time, and

(ii) the denominator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Common Stock based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares of Common Stock validly tendered or exchanged and not withdrawn as of the Offer Expiration Time (the shares deemed so accepted up to any such maximum being referred to as the Purchased Shares) and (y) the product of the number of shares of Common

Stock outstanding (less any Purchased Shares) at the Offer Expiration Time and the Common Stock Price on the Trading Day next succeeding the Offer Expiration Time, such adjustment to become effective immediately prior to the opening of business on the day following the Expiration Time. If the Company or Guarantor is obligated to purchase shares pursuant to any such tender or exchange offer, but the Company or Guarantor is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Exchange Price shall again be adjusted to be the Exchange Price that would then be in effect if such tender or exchange offer had not been made.

(e) In case the Guarantor shall declare a cash dividend or cash distribution to all of the holders of Common Stock such that the aggregate cash dividends or cash distributions per share of Common Stock in any fiscal quarter exceeds \$0.550 (the "Dividend Threshold Amount"), the Exchange Price shall be decreased to equal the price determined by multiplying the Exchange Price in effect immediately prior to the record date for such dividend or distribution by a fraction,

(i) the numerator of which shall be the average of the Common Stock Price for the three consecutive Trading Days ending on the Trading Day immediately preceding the record date for such dividend or distribution (the "Pre-Dividend Sale Price"), minus the difference between the full amount of the dividend or distribution to the extent payable in cash applicable to one share of the Common Stock and the Dividend Threshold Amount, and

(ii) the denominator of which shall be the Pre-Dividend Sale Price,

such adjustment to become effective immediately after the record date for such dividend or distribution: provided that if the numerator of the foregoing fraction is less than \$1.00 (including a negative amount), then in lieu of the foregoing adjustment, the Company shall make adequate provision so that each Holder shall have the right to receive upon exchange, in addition to the cash and shares of Common Stock issuable upon such exchange, the amount of cash such Holder would have received had such Holder exchanged its Securities solely for Common Stock at the then applicable Exchange Price immediately prior to the record date for such cash dividend or cash distribution. If such cash dividend or cash distribution is not so paid or made, the Exchange Price shall again be adjusted to be the Exchange Price that would then be in effect if such dividend or distribution had not been declared.

(f) In case of a tender or exchange offer made by a Person other than the Company or the Guarantor or any Subsidiary of the Company or the Guarantor for an amount that increases the offeror's ownership of Common Stock to more than 25% of the Common Stock outstanding and shall involve the payment by such Person of consideration per share of Common Stock having a fair market value (as determined by

the Company's Board of Directors, whose determination shall be conclusive, and described in a resolution of the Company's Board of Directors) that as of the Offer Expiration Time exceeds the Common Stock Price on the Trading Day next succeeding the Offer Expiration Time, and in which, as of the Offer Expiration Time, the Board of Directors is not recommending rejection of the offer, the Exchange Price shall be decreased so that the same shall equal the price determined by multiplying the Exchange Price in effect immediately prior to the Offer Expiration Time by a fraction,

(i) the numerator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Offer Expiration Time multiplied by the Common Stock Price on the Trading Day next succeeding the Offer Expiration Time, and

(ii) the denominator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to holders of Common Stock based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Offer Expiration Time (the shares deemed so accepted up to any such maximum being referred to as the "Accepted Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Accepted Purchased Shares) at the Offer Expiration Time and the Common Stock Price on the Trading Day next succeeding the Offer Expiration Time,

such adjustment to become effective immediately prior to the opening of business on the day following the Offer Expiration Time. If such Person is obligated to purchase shares pursuant to any such tender or exchange offer, but such Person is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Exchange Price shall again be adjusted to be the Exchange Price that would then be in effect if such tender or exchange offer had not been made.

Notwithstanding the foregoing, the adjustment described in this Section 5.05(f) shall not be made if, as of the Offer Expiration Time, the offering documents with respect to such offer disclose a plan or intention to cause the Guarantor to engage in a consolidation, merger or sale of all or substantially all of the properties and assets of the Guarantor.

(g) In any case in which this Section 5.05 shall require that an adjustment be made immediately following a record date established for purposes of this Section 5.05, the Company may elect to defer (but only until five Business Days following the filing by the Company with the Trustee of the certificate described in Section 5.09) issuing to the holder of any Security exchanged after such record date the cash, shares of Common Stock and other Capital Stock of the Guarantor issuable upon such exchange over and above the cash, shares of Common Stock and other Capital Stock of the Guarantor issuable upon such exchange only on the basis of the Exchange Price prior to adjustment; and, in lieu of the cash and shares the issuance of which is so deferred, the Company shall issue, or cause its transfer agents to issue, due bills or other appropriate evidence of the right to receive such shares.

(h) Before taking any action which would cause an adjustment decreasing the Exchange Price so that the shares of Common Stock issuable upon exchange of the Securities would be issued for less than the par value of such Common Stock, the Guarantor will take all corporate action which may be necessary in order that the Guarantor may validly and legally issue fully paid and nonassessable shares of such Common Stock at such adjusted Exchange Price.

SECTION 5.06. No Adjustment. (a) No adjustment in the Exchange Price shall be required unless the adjustment would require an increase or decrease of at least 1% in the Exchange Price as last adjusted; provided that any adjustments which by reason of this Section 5.06 are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article V shall be made to the nearest cent, with one-half cent rounded up, or to the nearest ten-thousandth (0.0001) of a share, with each five hundred-thousandth (0.00005) of a share being rounded up, as the case may be.

(b) No adjustment need be made upon the issuance of Common Stock under any present or future employee benefits plan or program of the Guarantor.

(c) No adjustment need be made upon the issuance of Common Stock pursuant to (i) the exercise of any options, warrants or rights to purchase such Common Stock, (ii) the exchange of any exchangeable securities for such Common Stock or (iii) the conversion of any convertible securities into such Common Stock, in each case so long as such options, warrants, rights to purchase, exchangeable securities or convertible securities are outstanding as of the date on which the Securities are first issued.

(d) No adjustment need be made for a change in the par value or a change to no par value of the Common Stock.

(e) To the extent that the Securities become exchangeable for cash, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

(f) To the extent that any rights plan adopted by the Guarantor is in effect upon exchange of the Securities pursuant to the terms of this Indenture, a Holder shall receive, in addition to cash or shares of Common Stock to be received upon exchange, the rights under such rights plan, only if the rights have not separated from the Common Stock at the time of exchange, and no adjustment of the Exchange Price shall be made in connection with any distribution of rights thereunder in such circumstances; provided, however, that if such rights have separated from the Common Stock, a Holder shall not receive such rights, but an adjustment to the Exchange Price shall be made in accordance with Section 5.05(c) above.

SECTION 5.07. Equivalent Adjustments. If, as a result of an adjustment made pursuant to Section 5.05 above, the Holder of any Security thereafter surrendered for exchange shall become entitled to receive any shares of Capital Stock of the Guarantor other than shares of Common Stock, thereafter the Exchange Price of such

other shares so receivable upon exchange of any Securities shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in this Article V.

SECTION 5.08. Adjustment for Tax Purposes. The Company shall be entitled to make such reductions in the Exchange Price, in addition to those required by Section 5.05, as the Company's Board of Directors in its discretion shall determine to be advisable in order that any stock dividends, subdivisions of shares, distributions of rights to purchase stock or other securities, or distributions of securities convertible into or exchangeable for stock hereafter made by the Guarantor to its holders of Common Stock shall not be taxable to such holders.

SECTION 5.09. Notice of Adjustment. Whenever a Change in Control (including a Public Acquirer Change in Control) occurs, or the Exchange Price is adjusted (whether pursuant to Section 5.01(b), 5.01(c), 5.05 or 5.11) or Holders become entitled to other securities or due bills, the Company shall promptly mail to Holders a notice of such occurrence or the adjustment and file with the Trustee and the Exchange Agent an Officers' Certificate briefly stating the facts of such occurrence or the facts requiring the adjustment and the manner of computing it. In the case of an adjustment, the certificate shall be conclusive evidence of the correctness of such adjustment, absent manifest error, and the Trustee and the Exchange Agent may conclusively assume that, unless and until such certificate is received by it, no such adjustment is required.

SECTION 5.10. Notice of Certain Transactions. In case:

- (a) the Guarantor shall declare a dividend (or any other distribution) on the Common Stock; or
- (b) the Guarantor shall authorize the granting to the holders of Common Stock of rights, warrants or options to subscribe for or purchase any share of any class or any other rights, warrants or options; or
- (c) of any reclassification of the Common Stock of the Guarantor (other than a subdivision or combination of its outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation, merger, or share exchange to which the Guarantor is a party and for which approval of any holders of Common Stock is required, or of the sale or transfer of all or substantially all of the properties and assets of the Guarantor; or
- (d) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company or Guarantor;

the Company shall cause to be filed with the Trustee and the Exchange Agent and to be mailed to each Holder of Securities at its address appearing in the Security Register, as promptly as possible but in any event at least ten days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights, warrants or options, or, if a record is not

to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, share exchange, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, share exchange, transfer, dissolution, liquidation or winding-up.

SECTION 5.11. Effect of Reclassification, Consolidation, Merger, Share Exchange or Sale on Exchange Privilege (a) If any of the following shall occur, namely: (i) any reclassification or change of outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination); (ii) any consolidation, combination, merger or share exchange to which the Guarantor is a party other than a merger in which the Guarantor is the resulting or surviving corporation and which does not result in any reclassification of, or change (other than a change in name, or par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination) in, outstanding shares of Common Stock; or (iii) any sale or conveyance of all or substantially all of the properties and assets of the Company or Guarantor, then the Company or Guarantor, or such successor or purchasing corporation, as the case may be, shall, as a condition precedent to such reclassification, change, consolidation, merger, share exchange, sale or conveyance, execute and deliver to the Trustee a supplemental indenture providing that the Holder of each Security then outstanding shall have the right to exchange such Security into the kind and amount of cash, securities or other property receivable upon such reclassification, change, consolidation, merger, share exchange, sale or conveyance by a holder of the number of shares of Common Stock deliverable upon exchange of such Security solely into Common Stock at the then applicable Exchange Price immediately prior to such reclassification, change, consolidation, merger, share exchange, sale or conveyance. Such supplemental indenture shall provide for adjustments of the Exchange Price which shall be as nearly equivalent as may be practicable to the adjustments of the Exchange Price provided for in this Article V. If, in the case of any such consolidation, merger, share exchange, sale or conveyance, the stock or other securities and property (including cash) receivable thereupon by a holder of Common Stock includes shares of Capital Stock or other securities and property of a corporation other than the successor or purchasing corporation, as the case may be, in such consolidation, merger, share exchange, sale or conveyance, then such supplemental indenture shall also be executed by such other corporation and shall contain such additional provisions to protect the interests of the Holders of the Securities as the Company's Board of Directors shall reasonably consider necessary by reason of the foregoing. The provisions of this Section 5.11 shall similarly apply to successive consolidations, mergers, share exchanges, sales or conveyances. Notwithstanding the foregoing, a distribution by the Guarantor to all or substantially all holders of Common Stock for which an adjustment to the Exchange Price or provision for exchange of the

Securities may be made pursuant to Section 5.05 shall not be deemed to be a sale or conveyance of all or substantially all of the properties and assets of the Guarantor for purposes of this Section 5.11.

(b) In the event the Company or any other Person shall execute a supplemental indenture pursuant to this Section 5.11, the Company shall promptly file with the Trustee an Opinion of Counsel stating that such supplemental indenture is authorized or permitted by this Indenture, and an Officers' Certificate briefly stating the reasons therefor, the kind or amount of cash, securities or other property receivable by Holders of the Securities upon the conversion of their Securities after any such reclassification, change, consolidation, merger, share exchange, sale or conveyance, any adjustment to be made with respect thereto and that all conditions precedent have been complied with.

(c) For purposes of this Section 5.11, the type and amount of consideration that a Holder of Securities would have been entitled to receive as a holder of the Common Stock in the case of a transaction described in Article V that causes the Common Stock to be exchanged into the right to receive more than a single type of consideration, determined based in part upon any form of stockholder election, will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election.

SECTION 5.12. Trustee's and Agent's Disclaimer. (a) The Company shall make all calculations and determinations under this Article V. The Trustee has no duty to determine when an adjustment under this Article V (whether pursuant to Section 5.01(b), 5.01(c), 5.05 or 5.11) should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the correctness of any such adjustment, and shall be fully protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 5.09. The Trustee shall have no duty to confirm, review or verify, any calculations or determinations made under this Article V. The Trustee shall not be accountable for, and makes no representation as to the validity or value of any securities or assets issued upon exchange of Securities, and the Trustee shall not be responsible for the Company's failure to comply with any provisions of this Article V. Each Exchange Agent (other than the Company or an Affiliate of the Company) shall have the same protection under this Section 5.12 as the Trustee.

(b) The Trustee shall not be under any responsibility to determine the correctness of any provisions contained in any supplemental indenture executed pursuant to Section 5.11, but may accept as conclusive evidence of the correctness thereof, and shall be protected in relying upon, the Officers' Certificate with respect thereto which the Company is obligated to file with the Trustee pursuant to Section 5.11.

SECTION 5.13. Voluntary Reduction. The Company from time to time may reduce the Exchange Price by any amount for any period of time if such period is at least 20 Trading Days or such longer period as may be required by law and if the reduction is irrevocable during such period, if the Company's Board of Directors

determines, in good faith, that such decrease would be in the best interests of the Company provided that in no event may the Exchange Price be less than the par value of a share of Common Stock. Any such determination by the Company's Board of Directors shall be conclusive.

SECTION 5.14. Payment Upon Exchange; Daily Exchange Value of Securities Tendered (a) Holders tendering the Securities for exchange shall be entitled to receive upon exchange of each \$1,000 principal amount of Securities, no later than the third Trading Day immediately following the last day of the related Observation Period, cash and shares of Common Stock, if any, subject to clause (b) below with respect to all or any portion of Common Stock which the Company elects to settle in cash, equal to the sum of the Daily Settlement Amounts for each of the 10 Trading Days during the related Observation Period. Cash will be delivered in lieu of fractional shares of Common Stock issuable in connection with payment of the foregoing amounts (based on the Common Stock Price on the last day of the applicable Observation Period).

(b) By the close of business on the Business Day prior to the first Trading Day of the Observation Period, the Company may specify a percentage of each Daily Share Amount that will be settled in cash (the "Cash Percentage") and will notify the Holder of such Cash Percentage through written notice to the Trustee (the "Cash Percentage Notice"). If the Company elects to specify a Cash Percentage, (x) the amount of cash that the Company will deliver in lieu of all or an applicable portion of the Daily Share Amount in respect of each Trading Day in the Observation Period will equal the product of: (i) the Cash Percentage, (ii) the Daily Share Amount for such Trading Day (assuming for this purpose that the Company has not specified a Cash Percentage), and (y) the number of shares of Common Stock deliverable in respect of each Trading Day in the Observation Period (in lieu of the full Daily Share Amount for such Trading Day) will be a percentage of the Daily Share Amount (assuming that the Company has not specified a Cash Percentage) equal to 100% minus the Cash Percentage.

(c) If the Company does not specify a Cash Percentage by the close of business on the Trading Day prior to the first scheduled Trading Day of the Observation Period, the Company shall settle 100% of the Daily Share Amount for each Trading Day in the Observation Period with shares of Common Stock; provided, however, that the Company shall pay cash in lieu of fractional shares otherwise issuable upon exchange of such Security. The Company may, at its option, revoke any Cash Percentage Notice through written notice to the Trustee, which must be given by the close of business on the Business Day prior to the first Scheduled Trading Day of the Observation Period.

(d) Neither the Trustee nor the Exchange Agent has any duty to determine or calculate the Exchange Rate, the Daily Exchange Value, the cash amounts payable upon exchange or the number of shares, if any, of Common Stock issuable upon exchange, or any other computation required under this Article V, all of which shall be determined by the Company in accordance with the provisions of this Indenture, and the Trustee and the Exchange Agent shall not be under any responsibility to determine the correctness of any such determinations and/or calculations, and may conclusively rely on the correctness thereof.

SECTION 5.15. Simultaneous Adjustments. In the event that this Article V requires adjustments to the Exchange Price under more than one of Sections 5.05(a) and (c), and the Record Dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 5.05(c), as applicable, and, second, the provisions of Section 5.05(a). If more than one event requiring adjustment pursuant to Section 5.05 shall occur before completing the determination of the Exchange Price for the first event requiring such adjustment, then the Company's Board of Directors (whose determination shall, if made in good faith, be conclusive) shall make such adjustments to the Exchange Price (and the calculation thereof) after giving effect to all such events as shall preserve for Holders the Exchange Price protection provided in Section 5.05.

SECTION 5.16. Exchange Agent. The Company shall maintain an office or agency where Securities may be presented for exchange (the Exchange Agent). If the Company fails to maintain a Exchange Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 8.07. The Company or any of its Subsidiaries or an Affiliate of the Company or any of its Subsidiaries may act as Exchange Agent. The Company initially appoints the Trustee as Exchange Agent in connection with the Securities.

SECTION 5.17. Withholding Tax on Adjustment of Exchange Price. If an adjustment to the Exchange Price pursuant to Section 5.05 is made, such adjustment results in a deemed distribution to a Holder for U.S. federal income tax purposes and such Holder is not a U.S. person within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended, the Company may satisfy any withholding tax obligation on such deemed distribution to such Holder by reducing, by no more than the amount necessary to satisfy such withholding obligation, the interest and principal payable to such Holder or the cash and Common Stock payable to such Holder upon an exchange.

ARTICLE VI

INTENTIONALLY OMITTED

ARTICLE VII

REMEDIES

SECTION 7.01. Events of Default and Defaults. (a) "Event of Default", with respect to any Securities, wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (1) default in the payment of any interest and Liquidated Damages, if any, upon any Security when such interest becomes due and payable, and continuance of

such default for a period of 30 days, whether or not such failure shall be due to compliance with agreements with respect to other indebtedness of the Company, the Guarantor or their Subsidiaries or for any other cause;

(2) failure to pay the principal of any Security, when it becomes due and payable, at the stated Maturity, upon acceleration, upon redemption or otherwise, including the failure to make cash payments or, if applicable, to deliver shares of Common Stock due upon exchange or make a payment to repurchase Securities tendered pursuant to Section 3.01 or 3.02, whether or not such failure shall be due to compliance with agreements with respect to other indebtedness of the Company, the Guarantor or their Subsidiaries or for any other cause ;

(3) failure to provide a Change of Control Repurchase Notice upon the occurrence of a Change of Control on a timely basis;

(4) default in the performance, or breach, of any covenant or warranty of the Company or the Guarantor in respect of the Securities (other than a covenant or warranty a default in the performance of which or the breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 90 days after there has been given to the Company and the Guarantor by the Trustee, by registered or certified mail, or to the Company, the Guarantor and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities, a written notice specifying such default or breach and requiring it to be remedied;

(5) the entry of a decree or order by a court having jurisdiction in the premises for relief in respect of the Company, the Guarantor or any Principal Subsidiary Bank under Title 11 of the United States Code, as now constituted or as hereafter amended, or any other applicable Federal or State bankruptcy law or other similar law, or appointing a receiver, trustee or other similar official of the Company, the Guarantor or any Principal Subsidiary Bank or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days;

(6) the filing by the Company, the Guarantor or any Principal Subsidiary Bank of a petition or answer or consent seeking relief under Title 11 of the United States Code, as now constituted or as hereinafter amended, or any other applicable Federal or State bankruptcy law or other similar law, or the consent by it to the institution of proceedings thereunder or to the filing of any such petition or to the appointment or taking possession of a receiver, trustee, custodian or other similar official of the Company, the Guarantor or any Principal Subsidiary Bank or of any substantial part of its property, or the Company, the Guarantor or any Principal Subsidiary Bank shall fail generally to pay its debts as such debts become due or shall take any corporate action in furtherance of any such action; or

(7) the Guarantee of the Securities for any reason ceasing to be in full force and effect

SECTION 7.02. Acceleration of Maturity; Rescission and Annulment If an Event of Default, other than an Event of Default specified in clauses (6 and 7) above, shall occur and be continuing, the Trustee may, and at the written request of the holders of at least 25% in principal amount of Securities shall, declare the principal of and accrued interest on all the Securities to be due and payable by written notice to the Company, and such notice shall specify the respective Event of Default and that it is a "Notice of Acceleration." Upon delivery of such notice, the principal of and accrued and unpaid interest and Liquidation Damages, if any, on all the Securities shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to the Securities has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities, by written notice to the Company, the Guarantor and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company or the Guarantor has paid or deposited with the Trustee a sum sufficient to pay in Dollars

(A) all overdue installments of interest on all Securities,

(B) the principal of any Securities which have become due otherwise than by such declaration of acceleration and interest (including Liquidated Damages, if any) thereon at the rate or rates prescribed therefor by the terms of the Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor by the terms of the Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, except as a result of negligence or bad faith; and

(2) all Events of Default, other than the nonpayment of the principal of Securities which have become due solely by such acceleration, have been cured or waived as provided in Section 7.13.

No such rescission shall affect any subsequent default or impair any rights arising from a subsequent default.

In case the Trustee shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned because of such rescission or annulment or for any other reason or shall have been determined adversely to the Trustee, then and in every such case the Company, the Guarantor and the Trustee shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceedings had been taken.

SECTION 7.03. Collection of Indebtedness and Suits for Enforcement by Trustee The Company covenants that if:

(1) default is made in the payment of any interest upon any Security when such interest becomes due and payable, and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of any Security, whether upon Maturity or upon any redemption or by declaration or otherwise,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal and interest (including Liquidated Damages, if any), with interest upon the overdue principal and to the extent that payment of such interest is lawful, upon overdue installments of interest (including Liquidated Damages, if any), at the rate or rates prescribed therefor by the terms of the Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company, the Guarantor or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company, the Guarantor or any other obligor upon the Securities, wherever situated.

If an Event of Default with respect to any Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 7.04. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company, the Guarantor or any other obligor upon the Securities or the property of the Company, the Guarantor or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company or the Guarantor for payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of any Securities and to file such other papers or documents as may be necessary or advisable in order to have the claim of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Securities allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Securities to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 8.07. To the extent that such payment of reasonable compensation, expenses, disbursements, advances and other amounts out of the estate in any such proceedings shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, moneys, securities and other property which the Holders of the Securities may be entitled to receive in such proceedings, whether in liquidation or under any plan of reorganization or arrangement or otherwise.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Securities any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of Securities in any such proceeding.

SECTION 7.05. Trustee May Enforce Claims Without Possession of Securities. All rights of action and claims under this Indenture or under the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

In any proceedings brought by the Trustee (and also any proceedings involving the interpretation of any provision of this Indenture to which the Trustee shall be a party), the Trustee shall be held to represent all the Holders of the Securities in respect of which such action was taken, and it shall not be necessary to make any Holders of such Securities parties to any such proceedings.

SECTION 7.06. Application of Money Collected. Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date

or dates fixed by the Trustee and in the case of the distribution of such money on account of principal or interest, upon presentation (except in respect of Subdivision FIRST below) of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due to the Trustee under Section 8.07.

SECOND: To the payment of the amounts then due and unpaid upon the Securities for principal and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal and interest, respectively.

THIRD: The balance, to the Person or Persons lawfully entitled thereto, or as a court of competent jurisdiction may direct.

SECTION 7.07. Limitation on Suits. No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continued Event of Default with respect to the Securities;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities; it being understood and intended that no one or more Holders of Securities shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb, or prejudice the rights of any other Holders of Securities or to obtain or to seek to obtain priority or preference over any other such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Securities.

SECTION 7.08. Unconditional Right of Holders To Receive Principal and Interest. Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right which is absolute and unconditional to receive payment of

the principal of and interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on the Redemption Date or Repayment Date, as the case may be) at the respective places, at the respective times, at the respective rates, in the respective amounts and in Dollars, and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

SECTION 7.09. Restoration of Rights and Remedies. If the Trustee or any Holder of any Security has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder of any Security then and in every such case the Company, the Guarantor, the Trustee and the Holders of any Security shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and such Holders shall continue as though no such proceeding had been instituted.

SECTION 7.10. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Holders of any Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 7.11. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of the Securities may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by such Holders, as the case may be.

SECTION 7.12. Control by Security Holders. The Holders of a majority in principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee under this Indenture with respect to the Securities, provided that

- (1) such direction shall not be in conflict with any statute or rule of law or with this Indenture,
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee need not take any action which it determines might involve it in personal liability or would be unduly prejudicial to the Holders of Securities not joining in such direction.

SECTION 7.13. Waiver of Past Defaults. The Holders of a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default.

(1) in the payment of the principal of or interest on any Security, or

(2) in respect of a covenant or provision hereof which under Article XIV cannot be modified or amended without the consent of the Holder of each Outstanding Security affected. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose in respect of the Securities under this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 7.14. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder of any Security, or group of Holders of any Security, holding in the aggregate more than 10% in principal amount of the Outstanding Securities, or to any suit instituted by any Holder of Securities for the enforcement of the payment of the principal of or interest on any Security on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption or repayment, on or after the Redemption Date or Repayment Date, as the case may be).

SECTION 7.15. Waiver of Stay or Extension Laws. The Company and the Guarantor covenant (to the extent that they may lawfully do so) that they will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law wherever enacted, now or any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company and the Guarantor (to the extent that they may lawfully do so) hereby expressly waive all benefit or advantage of any such law, and covenant that they will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VIII

THE TRUSTEE

SECTION 8.01. Certain Duties and Responsibilities. (a) The Trustee shall comply with, have all the benefits of, and be subject to, the provisions of Section 315 of the TIA.

(b) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 8.02. Notice of Defaults. Within 90 days after the occurrence of any default hereunder with respect to any Securities, the Trustee shall transmit in the manner and to the extent provided in Section 313(c) of the TIA, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that except in the case of a default in the payment of the principal, or interest on any Security, or in the payment of any sinking fund installment or analogous obligation with respect to the Securities, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interests of the Holders of Securities; and provided, further, that in the case of any default of the character specified in Section 7.01(3) no such notice to Holders of Securities shall be given until at least 60 days after the occurrence thereof. For the purpose of this Section, the term “default” means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 8.03. Certain Rights of Trustee. Except as otherwise provided in Section 8.01:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company or the Guarantor mentioned herein shall be sufficiently evidenced by a Company Request or Company Order or a Guarantor Request or a Guarantor Order and any resolution of a Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate and an Opinion of Counsel;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities pursuant to this Indenture, unless such Holders of Securities shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company and the Guarantor, personally or by agent or attorney;

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

SECTION 8.04. Not Responsible for Recitals or Issuance of Securities and Guarantees. The recitals contained herein and in the Securities and Guarantees, except the certificates of authentication, shall be taken as the statement of the Company or the Guarantor, as the case may be, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or the Guarantees. The Trustee shall not be accountable for the use or application by the Company or the Guarantor of Securities or the proceeds thereof.

SECTION 8.05. May Hold Securities. The Trustee, any Paying Agent or any other agent of the Company or the Guarantor, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 8.08 and 8.13, may otherwise deal with the Company and the Guarantor with the same rights it would have if it were not Trustee, Paying Agent, or such other agent.

SECTION 8.06. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company or the Guarantor.

SECTION 8.07. Compensation and Reimbursement. The Company and the Guarantor jointly and severally agree:

(1) to pay to the Trustee from time to time in Dollars reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) to reimburse the Trustee in Dollars upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company and the Guarantor under this Section, the Trustee shall have a lien prior to the Securities and Guarantees upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of or interest on particular Securities.

SECTION 8.08. Qualification of Trustee; Conflicting Interests. The Trustee for the Securities issued hereunder shall be subject to the provisions of Section 310(b) of the TIA during the period of time provided for therein. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of Section 310(b) of the Trust Indenture Act.

SECTION 8.09. Persons Eligible for Appointment as Trustee. There shall at all times be a Trustee for the Securities hereunder which shall at all times be either

(i) a corporation or national association organized and doing business under the laws of the United States of America or of any State or the District of Columbia which is authorized under such laws to exercise corporate trust powers and is subject to supervision or examination by Federal, state or District of Columbia authority; or

(ii) a corporation or national association organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees' in either case having a combined capital and surplus of at least \$50,000,000. If such corporation or national association publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation or national association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither the Company, the Guarantor, nor any Person directly or indirectly controlling, controlled by, or under common control with the Company or the Guarantor shall serve as trustee for the Securities. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in Section 8.10.

SECTION 8.10. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Trustee for the Securities and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company and the Guarantor. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Trustee and to the Company and the Guarantor.

(d) If at any time

(1) the Trustee shall fail to comply with Section 8.08 after written request therefor by the Company or the Guarantor or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 8.09 and shall fail to resign after written request therefor by the Company or the Guarantor or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company or the Guarantor, by a Board Resolution, may remove the Trustee or (ii) subject to Section 7.07, any Holder of a Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company or the Guarantor, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities delivered to the Company, the Guarantor and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Company or the Guarantor. If no successor Trustee shall have been so appointed by the Company, the Guarantor or the Holders of Securities and have accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company or the Guarantor shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee, in the manner specified in Section 1.07, to the Holders of the Securities. Each notice shall include the name of the successor Trustee and the address of its Principal Corporate Trust Office.

SECTION 8.11. Acceptance of Appointment by Successor. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company, the Guarantor and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the resigning Trustee; but, on request of the Company, the Guarantor or such successor Trustee, such resigning Trustee shall, upon payment of its outstanding charges and expenses, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 8.07. Upon request of any such successor Trustee, the Company and the Guarantor shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 8.12. Merger, Conversion, Consolidation or Succession to Business of Trustee Any corporation or national association into which the Trustee for the Securities may be merged or converted or with which it may be consolidated, or any corporation or national association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or national association succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation or national association shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 8.13. Preferential Collection of Claims Against Company and Guarantor The Trustee shall comply with the requirements of Section 311 of the TIA and any rules or regulations promulgated by the Commission thereunder.

ARTICLE IX

CONSOLIDATION, MERGER, CONVEYANCE OR TRANSFER

SECTION 9.01. Company May Consolidate, etc., Only on Certain Terms The Company shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety, to any corporation, unless:

(1) the corporation formed by such consolidation or into which the Company is merged or the corporation which acquires by conveyance or transfer the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all the Securities and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with; and

(4) the Guarantor has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the Guarantees remain in full force and effect.

SECTION 9.02. Successor Corporation Substituted for Company. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Company substantially as an entirety in accordance with Section 9.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein.

In the event of any such conveyance or transfer, the Person named as the "Company" in the first paragraph of this instrument or any successor which shall theretofore have become such in the manner prescribed in this Article may be dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker of all the securities and from its obligations under this Indenture.

SECTION 9.03. Guarantor May Consolidate, etc., Only on Certain Terms. The Guarantor shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any corporation, unless:

(1) the corporation formed by such consolidation or into which the Guarantor is merged or the corporation which acquires by conveyance or transfer the properties and assets of the Guarantor substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual performance of the obligations of the Guarantor and the performance of every covenant of this Indenture on the part of the Guarantor to be performed or observed, including, without limitation, the obligation to provide Common Stock upon exchange of the Securities;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Guarantor shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 9.04. Successor Corporation Substituted for Guarantor. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of the Guarantor substantially as an entirety in accordance with Section 9.03, the successor corporation formed by such consolidation or into which the Guarantor is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under this Indenture with the same effect as if such successor corporation had been named as the Guarantor herein.

In the event of any such conveyance or transfer, the corporation named as the Guarantor in the first paragraph of this instrument or any successor which shall theretofore have become such in the manner prescribed in this Article may be dissolved, wound-up and liquidated at any time thereafter, and such corporation thereafter shall be released from its liabilities as Guarantor and from its obligations under this Indenture.

SECTION 9.05. Company May Consolidate, etc. with Guarantor, Only on Certain Terms The Company shall not consolidate with or merge into the Guarantor or convey or transfer its properties and assets substantially as an entirety to the Guarantor, unless:

(1) the Guarantor shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual performance of the obligations of the Company and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Guarantor shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

ARTICLE X

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 10.01. Satisfaction and Discharge of Securities. The Company and the Guarantor shall be deemed to have satisfied and discharged the entire indebtedness on all the Outstanding Securities, and the Trustee, at the expense of the Company and the Guarantor and upon Company Request, shall execute proper instruments acknowledging satisfaction and discharge of such indebtedness, when all Outstanding Securities theretofore authenticated and delivered (other than (i) any Securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.10; (ii) Outstanding Securities for whose payment money

has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Sections 4.04) have been delivered to the Trustee for cancellation and (iii) the Company and the Guarantor have delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that all conditions precedent herein provided for relating to due satisfaction and discharge of the entire indebtedness on all Outstanding Securities have been complied with.

SECTION 10.02. Satisfaction and Discharge of Indenture. Upon compliance by the Company and the Guarantor with the provisions of Section 10.01 as to the satisfaction and discharge of any Securities issued hereunder, and if the Company and the Guarantor have paid or caused to be paid all other sums payable under this Indenture, this Indenture shall cease to be of any further effect (except as otherwise provided herein). Upon Company Request and receipt of an Opinion of Counsel, an Officers' Certificate and, if appropriate under the circumstances, an opinion of independent public accountants (and at the expense of the Company), the Trustee shall execute proper instruments acknowledging satisfaction and discharge of this Indenture.

Notwithstanding the satisfaction and discharge of this Indenture, any obligations of the Company or the Guarantor under Sections 2.10, 6.01, 8.07 and 8.10, and the obligations of the Trustee under Section 10.03 shall survive.

SECTION 10.03. Application of Trust Money. All money and obligations deposited with the Trustee pursuant to Section 10.01 shall be held irrevocably in trust and shall be made under the terms of an escrow trust agreement in form and substance satisfactory to the Trustee. Such money and obligations shall be applied by the Trustee, in accordance with the provisions of the Securities, this Indenture and such escrow trust agreement, to the payment, either directly or through any Paying Agent (including the Company or Guarantor acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal of and interest, if any, on the Securities for the payment of which such money and obligations have been deposited with the Trustee. If Securities are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provision or in accordance with any mandatory sinking fund requirement, the Company or Guarantor shall make such arrangements as are satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company or Guarantor.

SECTION 10.04. Repayment of Moneys Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture with respect to the Securities, all moneys then held by any Paying Agent for such Securities under the provisions of this Indenture shall, upon demand of the Company or Guarantor, be repaid to it or paid to the Trustee and thereupon such Paying Agent shall be released from all further liability with respect to such moneys.

ARTICLE XI

IMMUNITY OF INCORPORATORS, STOCKHOLDERS,
OFFICERS AND DIRECTORS

SECTION 11.01. Exemption from Individual Liability. No recourse under or upon any obligation, covenant or agreement of this Indenture, or of any Security, or for any claim based thereon otherwise in respect thereof, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company, the Guarantor or the Trustee or of any predecessor or successor corporation, either directly or through the Company, the Guarantor or the Trustee, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood and agreed that this Indenture and the obligations issued hereunder are solely corporate obligations of the Company and the Guarantor and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, stockholders, officers or directors, as such, of the Company, the Guarantor or the Trustee or of any predecessor or successor corporation, or any of them, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or Guarantees or implied therefrom, and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, stockholder, officer or director, as such, because of the creation of the indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in this Indenture or in any of the Securities or Guarantees or implied therefrom, are hereby expressly waived and released as a condition of, and as a consideration for, the execution and delivery of this Indenture and the issue of such Securities.

ARTICLE XII

HOLDERS' MEETINGS

SECTION 12.01. Purposes of Meetings. A meeting of Holders of Securities may be called at any time and from time to time pursuant to the provisions of this Article XII for any of the following purposes:

- (1) to give any notice to the Company, the Guarantor, or the Trustee for the Securities, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Holders pursuant to any of the provisions of Article VII;
- (2) to remove the Trustee and nominate a successor trustee pursuant to the provisions of Article VIII;
- (3) to consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 14.02; or

(4) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Securities under any other provision of this Indenture or under applicable law.

SECTION 12.02. Call of Meetings by Trustee. The Trustee for the Securities may at any time call a meeting of Holders of Securities to take any action specified in Section 12.01 to be held at such time and at such place in the Borough of Manhattan, the City of New York as the Trustee shall determine. Notice of every meeting of the Holders of Securities, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of Securities in the manner and to the extent provided in Section 1.07. Such notice shall be given not less than 20 nor more than 90 days prior to the date fixed for the meeting.

SECTION 12.03. Call of Meetings by Company, Guarantor or Holders. In case at any time the Company or the Guarantor, pursuant to a Board Resolution, or the Holders of at least 10% in aggregate principal amount of the Outstanding Securities, shall have requested the Trustee to call a meeting of Holders of Securities, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 20 days after receipt of such request, then the Company, the Guarantor or such Holders may determine the time and the place in the Borough of Manhattan and may call such meeting to take any action authorized in Section 12.01 by giving notice thereof as provided in Section 12.02.

SECTION 12.04. Qualifications for Voting. To be entitled to vote at any meeting of Holders a Person shall be (a) a Holder of one or more Securities or (b) a Person appointed by an instrument in writing as proxy by such Holder. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company, the Guarantor and their counsel; provided, however, that representatives of the Trustee shall be entitled during a meeting of Holders to meet with the Holders outside the presence of representatives of the Company, the Guarantor and their counsel.

SECTION 12.05. Regulations. Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of the Securities, in regard to proof of the holding of Securities and of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, The submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall think fit.

The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting unless the meeting shall have been called by the Company, the Guarantor or by Holders of the Securities as provided in Section 12.03, in which case the Company, the Guarantor or the Holders calling the meeting as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by majority vote of the meeting.

At any meeting each Holder of Securities with respect to which such meeting is being held or proxy therefor shall be entitled to one vote for each 1,000 (in the currency or currency unit in which such Securities are denominated) principal amount of Securities held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any such Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Securities held by him or instruments in writing aforesaid duly designating him as the Person to vote on behalf of other Holders. At any meeting of Holders, the presence of Persons holding or representing Securities with respect to which such meeting is being held in an aggregate principal amount sufficient to take action on the business for the transaction of which such meeting was called shall constitute a quorum, but, if less than a quorum is present, the Persons holding or representing a majority in aggregate principal amount of such Securities represented at the meeting may adjourn such meeting with the same effect, for all intents and purposes, as though a quorum had been present. Any meeting of Holders of Securities with respect to which a meeting was duly called pursuant to the provisions of Section 12.02 or Section 12.03 may be adjourned from time to time by a majority of such Holders present, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

SECTION 12.06. Voting. The vote upon any resolution submitted to any meeting of Holders of Securities with respect to which such meeting is being held shall be by written ballots on which shall be subscribed the signatures of such Holders or of their representatives by proxy and the serial number or numbers of the Securities held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record in triplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more Persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided in Section 12.02. The record shall show the serial numbers of the Securities voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the triplicates shall be delivered to each of the Company and the Guarantor and the other to the Trustee to be preserved by the Trustee.

Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 12.07. No Delay of Rights by Meeting. Nothing contained in this Article Fourteen shall be deemed or construed to authorize or permit by reason of any call of a meeting of Holders or any rights expressly or impliedly conferred hereunder

to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Indenture or of the Securities.

ARTICLE XIII

SECURITY HOLDERS' LISTS AND REPORTS BY TRUSTEE, COMPANY AND GUARANTOR

SECTION 13.01. Company and Guarantor To Furnish Trustee Names and Addresses of Holders. In accordance with Section 312(a) of the TIA, the Company and the Guarantor will furnish or cause to be furnished to the Trustee (a) semiannually and not more than 10 days after the Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Registered Securities as of such date in each year, and (b) at such other times as the Trustee may request in writing, within 30 days after receipt by the Company or the Guarantor of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, except that, so long as the Trustee is Security Registrar, no such list need be furnished.

SECTION 13.02. Preservation of Information; Communications to Holders. The Trustee shall comply with the obligations imposed upon it pursuant to Section 312 of The TIA, subject to the exculpation from liability contained in Section 312(c) of such Act.

SECTION 13.03. Reports by Trustee. The Trustee shall comply with the provisions of Section 313 of the TIA.

SECTION 13.04. Reports by Company and Guarantor. The Company or the Guarantor shall Comply with the provisions of Section 314(a)(1)(2) and (3) of the TIA.

ARTICLE XIV

SUPPLEMENTAL INDENTURES

SECTION 14.01. Supplemental Indentures Without Consent of Security Holders

Without the consent of the Holders of any Securities, the Company and the Guarantor, when authorized by a Board Resolution (a copy of which shall be delivered to the Trustee), and the Trustee for the Securities, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the Guarantor, and the assumption by any such successor of the covenants and obligations of the Company or the Guarantor herein and in the Securities or the Guarantees contained;

(2) to evidence and provide for the acceptance of appointment by another Person as a successor Trustee hereunder with respect to the Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to Section 8.11;

(3) to add to the covenants and agreements of the Company or the Guarantor for the benefit of the Holders of the Securities, or to surrender any right or power herein conferred upon the Company or the Guarantor provided that such action shall not adversely affect the interests of the Holders of the Securities;

(4) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture provided such other provisions shall not adversely affect the interests of the Holders of Securities;

(5) to secure the Securities in accordance with the provisions of Section 4.09;

(6) to permit payment in the United States of principal, or interest on Securities; or

(7) to provide for the issuance of uncertificated Securities in the place of certificated Securities.

The Trustee is hereby authorized to join with the Company and the Guarantor in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer, assignment, mortgage or pledge of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 14.02. Supplemental Indentures with Consent of Security Holders

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities affected by such supplemental indenture or indentures, by Act of said Holders delivered to the Company, the Guarantor and the Trustee, the Company and the Guarantor, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of the Securities under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Maturity of the principal of, or the Stated Maturity of, or any installment of interest (including Liquidated Damages, if any) on, any Security, or reduce the principal amount thereof or the rate of interest thereon, or change the method of computing the amount of principal thereof on any date, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity or the Stated Maturity, as the case may be, thereof (or, in the case of redemption, repurchase or a repayment, on or after the Redemption Date, Repurchase Date or the Repayment Date, as the case may be);

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture;

(3) modify any of the provisions of this Section, Section 3.02, 3.03, Section 4.10 or Section 7.13, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby;

(4) modify this Indenture to impair any right that you may have to exchange your Securities; or

(5) modify or affect in any manner adverse to the Holders of the Securities the terms and conditions of the obligation of the Guarantor in respect of the due and punctual payment of the principal of or interest on the Securities.

It shall not be necessary for any Act of Security Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 14.03. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall receive, and (subject to Section 8.01) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution and delivery of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 14.04. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture pursuant to the provisions of this Article XIV, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company, the Guarantor and the Holders of any Securities affected thereby shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes with regard to the Securities.

SECTION 14.05. Conformity with TIA.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the TIA as then in effect.

SECTION 14.06. Reference in Securities to Supplemental Indentures

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Guarantor shall so determine, new Securities so modified as to conform, in the opinion of the Trustee or the Boards of Directors of the Company and the Guarantor, to any such supplemental indenture may be prepared and executed by the Company, with duly executed Guarantees endorsed thereon, and authenticated and delivered by the Trustee in exchange for the Securities then Outstanding.

ARTICLE XV

Miscellaneous

SECTION 15.01. Governing Law. THIS INDENTURE AND EACH SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS.

SECTION 15.02. Counterparts. This Indenture may be executed in any number of counterparts each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 15.03. Trustee Not Responsible for Recitals. The recitals herein contained are made by the Company and the Guarantor and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Indenture.

SECTION 15.04. TIA Controls. If any provision of this Indenture limits, qualifies, or conflicts with another provision which is required or deemed to be included in this Indenture by the TIA, the required or deemed provision shall control.

SECTION 15.05. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 15.06. Successors and Assigns. All covenants and agreements in this Indenture by the Company and the Guarantor shall bind their respective successors and assigns, whether so expressed or not.

SECTION 15.07. Separability Clause. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 15.08. Benefits of Indenture. Nothing in this Indenture or in the Securities express or implied shall give to any Person, other than the parties hereto and their successors and assigns hereunder, the Holders of the Securities, any benefit of any legal or equitable right, remedy or claim under this Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

PNC FUNDING CORP,
the Company,

by _____
Name:
Title:

THE PNC FINANCIAL SERVICES GROUP,
INC., as Guarantor,

by _____
Name:
Title:

THE BANK OF NEW YORK,
as Trustee,

by _____
Name:
Title:

FORM OF SECURITY

[FORM OF FACE OF NOTE]

[Transfer Restricted Securities Legend – Include only
on Transfer Restricted Securities]

THIS SECURITY AND ANY COMMON STOCK ISSUABLE IN EXCHANGE FOR THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THIS SECURITY AND ANY COMMON STOCK ISSUABLE IN EXCHANGE FOR THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER (IF AVAILABLE), (3) SUBJECT TO THE REQUIREMENTS OF THE INDENTURE, TO AN INSTITUTIONAL INVESTOR THAT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) OF REGULATION D UNDER THE SECURITIES ACT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THIS SECURITY, ANY SHARES OF COMMON STOCK ISSUABLE IN EXCHANGE FOR IT AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY AND ANY SUCH SHARES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY THE HOLDER OF THIS SECURITY AND SUCH SHARES SHALL BE DEEMED BY THE ACCEPTANCE OF THIS NOTE AND ANY SUCH SHARES TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN. TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS TO THE DEPOSITORY TRUST COMPANY, TO NOMINEES OF THE DEPOSITORY TRUST COMPANY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

[To be Included on Both Transfer Restricted and Global Securities]

THIS SECURITY HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR PURPOSES OF SECTIONS 1271 ET SEQ. OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE ISSUE DATE OF THIS SECURITY IS DECEMBER 20, 2006. FOR INFORMATION REGARDING THE ISSUE PRICE, THE YIELD TO MATURITY AND THE AMOUNT OF OID PER \$1,000 OF PRINCIPAL AMOUNT, PLEASE CONTACT THE COMPANY AT ONE PNC PLAZA, 249 FIFTH AVENUE, PITTSBURGH, PENNSYLVANIA 15222-2707 TO THE ATTENTION OF THE SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER OF THE GUARANTOR.

PNC FUNDING CORP

**Floating Rate Exchangeable Senior Note due December 20, 2036
Guaranteed by The PNC Financial Services Group, Inc.**

No.: R -

CUSIP NUMBER: 693476 AX 1
ISIN NUMBER: US693476AX16

Principal Amount: \$

PNC Funding Corp., a Pennsylvania corporation, promises to pay to [Cede & Co.]* or registered assigns, [the principal amount of \$] [the principal amount as set forth on Schedule I hereto]*, on December 20, 2036, subject to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place. This Security is exchangeable as specified on the other side of this Security.

Interest Payment Dates: March 20, June 20, September 20 and December 20, commencing March 20, 2007.

Record Dates: March 1, June 1, September 1 and December 1 (whether or not a Business Day), commencing March 1, 2007.

PNC Funding Corp.,

by _____
Name:
Title:

by _____
Name:
Title:

* Include only on Global Security

For value received the Guarantor (which term includes any successor Person under the Indenture) unconditionally guarantees, to the extent set forth in the Indenture and subject to provisions in the Indenture dated as of December 20, 2006 (the “Indenture”) among PNC Funding, PNC Financial Services Group, Inc. (the “Guarantor”) and The Bank of New York, as trustee (the “Trustee”), (a) the due and punctual payment of the principal of, and the interest (including Liquidated Damages, if any) on the Securities, net of any taxes required to be withheld (as defined in the Indenture), whether at maturity, by acceleration, redemption or otherwise, and the due and punctual payment of interest on overdue principal, premium, if any and interest and Liquidated Damages, if any, on the Securities, if lawful (subject in all cases to any applicable grace period provided in the Indenture), and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and the Securities and (b) in the case of any extension of time of payment or renewal of any Securities or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantor to the Holders of Securities and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article II of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee. Each Holder of Securities, by the same, (a) agrees to and shall be bound by such provisions and (b) appoints the Trustee attorney-in-fact of such Holder for such purpose.

IN WITNESS HEREOF, the Guarantor has caused the Guarantee to be signed by its duly authorized officers.

THE PNC FINANCIAL SERVICES
GROUP, INC., as Guarantor,

by _____
Name:
Title:

by _____
Name:
Title:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK,
as Trustee,

by _____
Authorized Officer

Dated:

[FORM OF REVERSE SIDE OF NOTE]

PNC Funding Corp.

Floating Rate Exchangeable Senior Note due December 20, 2036

(1) Interest. The Company will pay interest on any overdue principal amount at the interest rate borne by the Securities at the time such interest on the overdue principal amount accrues, compounded quarterly.

This Security will bear interest at an annual rate equal to 3-month LIBOR, reset quarterly, minus 0.40%, and will initially bear interest at a rate of 4.96%; provided that such rate shall never be less than 0% per annum. Interest will be payable quarterly in arrears on March 20, June 20, September 20 and December 20 of each year (each, an “Interest Payment Date”), subject to Section 2.05 of the Indenture, commencing March 20, 2007. The Company will pay interest on any overdue principal amount at the interest rate borne by the Floating Rate Exchangeable Senior Notes due December 20, 2036 (the “Securities”) at the time such interest on the overdue principal amount accrues, compounded quarterly, and it shall pay interest on overdue installments of interest (without regard to any applicable grace period), at the same interest rate, compounded quarterly. Interest (including Liquidated Damages, if any) on the Securities will be computed using the actual number of days elapsed between the LIBOR Rate Reset Dates divided by 360.

The Holders of the Securities shall be entitled to the benefits of the Registration Rights Agreement, including the right to receive Liquidated Damages in the event of Registration Defaults (as defined in the Registration Rights Agreement under Section 2(e) thereof), such Liquidated Damages to be payable at the same times and to the same Persons as regular interest is payable with respect to the Securities, it being understood that any reference in this Security to “interest” shall be deemed to include “Liquidated Damages” if then owing in accordance with the terms of the Registration Rights Agreement.

(2) Method of Payment. Subject to the terms and conditions of the Indenture, the Company will pay interest (including Liquidated Damages, if any) on this Security to the Person who is the registered Holder of this Security at the close of business on March 1, June 1, September 1 and December 1, whether or not a Business Day (each, a “Record Date”), as the case may be, immediately preceding the related Interest Payment Date provided that interest payable upon repurchase or redemption of this Security or at the Stated Maturity of principal (including any such date that is an Interest Payment Date) shall be paid to the Person to whom principal, the redemption price or repurchase price is payable). Subject to the terms and conditions of the Indenture, the Company will make all payments in respect of the Redemption Price, Repurchase Price, Change in Control Repurchase Price and the principal amount at Stated Maturity (including interest payable on the date such amounts are due), as the case may be, to the Holder who surrenders a Security to a Paying Agent to collect such payments in respect of the Security. The Company will pay cash amounts in money of

the United States that at the time of payment is legal tender for payment of public and private debts. Notwithstanding the foregoing, if a Holder is holding Securities in definitive form, the Company shall pay interest (including Liquidated Damages, if any), other than interest payable at the Stated Maturity of principal or on a Redemption Date, Repurchase Date or Change in Control Repurchase Date, by check mailed to such Holder. If a Holder is holding at least \$1,000,000 principal amount of Securities in definitive form, the Company may pay such interest by wire transfer provided that such Holder has notified the Trustee in writing at the Trustee's Corporate Trust Office, on or before the Record Date before the applicable Interest Payment Date, other than an Interest Payment Date at the Stated Maturity of principal or on a Redemption Date, Repurchase Date or Change in Control Repurchase Date, that such Holder chooses to have interest on such Holder's Securities payable on such Interest Payment Date and all subsequent Interest Payment Dates paid by wire transfer of immediately available funds to an account at a bank (that has facilities to receive wire transfers) in The City of New York, or in another city designated by such Holder and agreed to by the Company and the Trustee. Such payment method will apply until such Holder provides the Trustee written notice to the contrary. The Company shall pay the principal of and interest (including Liquidated Damages, if any) on any Security in definitive form that is due at the Stated Maturity of principal, the Redemption Date or Repurchase Date or Change in Control Repurchase Date in immediately available funds against presentation of such Security in definitive form at the Corporate Trust Office of the Trustee in The City of New York or at any other office or agency of the Trustee in The City of New York that the Trustee may designate to such Holder in writing; provided if any such payment is to be made by wire transfer, the Trustee must have received appropriate wire transfer instructions in writing from any Holder being so paid at least two Business Days prior to the relevant date.

(3) Paying Agent, Exchange Agent and Registrar. Initially, The Bank of New York as trustee under the Indenture (the "Trustee") will act as Paying Agent, Exchange Agent and Security Registrar. The Company may appoint and change any Paying Agent, Exchange Agent or Security Registrar without notice, other than notice to the Trustee; provided that the Company will maintain at least one Paying Agent having an office or agency in the State of New York, City of New York, Borough of Manhattan, which shall initially be an office or agency of the Trustee. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Exchange Agent or Security Registrar.

(4) Indenture. The Company issued the Securities under an Indenture dated as of December 20, 2006 (the "Indenture") among the Company, the Guarantor and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as in effect from time to time (the "TIA"). Capitalized terms used herein and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are direct, unsubordinated, unsecured debt obligations of the Company. The Indenture does not limit other indebtedness of the Company, secured or unsecured.

(5) Redemption at the Option of the Company. No sinking fund is provided for the Securities. Beginning on December 26, 2007 and during the periods thereafter to maturity, the Securities are redeemable as a whole at any time, or in part from time to time, in any integral multiple of \$1,000, at the option of the Company for cash at a Redemption Price equal to 100% of the principal amount, together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the Redemption Date.

Notice of redemption pursuant to paragraph 5 of this Security will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's address appearing in the Security Register. If money sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to 10:00 a.m., New York City time, on the Redemption Date, on and after such Redemption Date, interest (including Liquidated Damages, if any) shall cease to accrue on such Securities or portions thereof. Securities in denominations larger than \$1,000 of principal amount may be redeemed in part but only in integral multiples of \$1,000 of principal amount.

(6) Repurchase By the Company at the Option of the Holder on Specified Dates; Repurchase at the Option of the Holder Upon a Change in Control. Subject to the terms and conditions of the Indenture, the Company shall become obligated to repurchase, at the option of the Holder, on December 20, 2007, 2008, 2011, 2016, 2021, 2026 and 2031 (each, a "Repurchase Date"), all or a portion of the Securities held by such Holder, in any integral multiple of \$1,000, for cash at a price per Security equal to 100% of the aggregate principal amount of the Security (the "Repurchase Price"), together with accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the Repurchase Date upon delivery of a Repurchase Notice containing the information set forth in the Indenture, together with the Securities subject thereto and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture.

The Company shall provide notice of the Repurchase Date no more than two weeks after December 20, 2006 and again on a date not less than 30 days prior to each Repurchase Date.

At the option of the Holder and subject to the terms and conditions of the Indenture, the Company shall become obligated to repurchase the Securities held by such Holder after the occurrence of a Change in Control of the Company for a Change in Control Repurchase Price equal to 100% of the principal amount thereof plus accrued but unpaid interest (including Liquidated Damages, if any) thereon, up to but not including the Change in Control Repurchase Date which Change in Control Repurchase Price shall be paid in cash. Holders have the right to withdraw any Repurchase Notice or Change in Control Repurchase Notice, as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash sufficient to pay the Repurchase Price or Change in Control Repurchase Price, as the case may be, and accrued but unpaid interest (including Liquidated Damages, if any) on all Securities or portions thereof to be repurchased as of the Repurchase Date or the Change in Control Repurchase Date, as the case may be, is held by the Paying Agent by 10:00 a.m., New York City time, on the Business Day immediately following the Repurchase Date or on or prior to the Change in Control Repurchase Date, interest (including Liquidated Damages, if any) shall cease to accrue on such Securities (or portions thereof) as of such Repurchase Date or Change in Control Repurchase Date, and the Holder thereof shall have no other rights as such, other than the right to receive the Repurchase Price or Change in Control Repurchase Price, as the case may be, and interest (including Liquidated Damages, if any) upon surrender of such Security.

(7) Exchange. A Holder of an Security may exchange any portion of the principal amount of any Security define that is an integral multiple of \$1,000 for cash and fully paid and non-assessable shares (calculated as to each exchange to the nearest 1/10000th of a share) of Common Stock in accordance with the provisions of Article V of the Indenture (including the Company's right to settle a percentage of each Daily Share Amount in cash, as described below); provided that if such Security is called for redemption, the exchange right will terminate at the close of business on the second Business Day immediately preceding the Redemption Date of such Security (unless the Company shall default in making the redemption payment when due, in which case the exchange right shall terminate at the close of business on the date such Default is cured and such Security is redeemed). Such exchange right shall commence on the initial issuance date of the Securities and expire at the close of business on the date of maturity, subject, in the case of exchange of any Global Security, to any Applicable Procedures. The Exchange Price shall, as of the date of the Indenture, initially be \$128.5545 per share of Common Stock. The Exchange Rate shall be the number of shares of date of the Indenture referred to above equal to \$1,000 divided by the applicable Exchange Price. The Exchange Price and Exchange Rate will be adjusted under the circumstances specified in the Indenture. Upon exchange, no adjustment for interest (including Liquidated Damages, if any) or dividends will be made. No fractional shares will be issued upon exchange; in lieu thereof, an amount will be paid in cash based upon the Common Stock Price on the last day of the applicable Observation Period. The Company has the right to settle a percentage of each Daily Share Amount in cash in lieu of delivering Company Stock, as described below. Delivery of the shares of Common Stock and cash (including cash in lieu of fractional shares) shall be deemed to satisfy the Company's obligation to pay the principal amount of a exchanged Security and accrued but unpaid interest (including Liquidated Damages, if any) thereon. Any accrued interest (including Liquidated Damages, if any) payable on a exchanged Security will be deemed paid in full, rather than canceled, extinguished or forfeited.

In addition, following certain corporate transactions that occur on or prior to December 20, 2007 and that constitute a Change in Control (other than relating to the

composition of the Guarantor's Board of Directors as described in clause (iv) of the definition of Change in Control in Section 1.01) and for which 10% or more of the fair market value of the consideration for the Common Stock (as determined by the Company's Board of Directors) in the corporate transaction consists of (i) cash, (ii) other property or (iii) securities that are not traded or scheduled to be traded immediately following such transaction on a U.S. national securities exchange or the Nasdaq National Market System, a Holder who elects to exchange its Securities in connection with such corporate transaction will be entitled to receive Additional Shares of Common Stock upon exchange in certain circumstances (it being understood that a Holder of Securities electing to exchange its Securities pursuant to Section 5.01(b) of the Indenture referred to above shall provide the Exchange Agent with a notice as contemplated by Section 5.02 of the Indenture).

As provided in the Indenture, to exchange an Security, a Holder must (a) complete and manually sign the exchange notice set forth below and deliver such notice to the Exchange Agent, (b) surrender the Security to the Exchange Agent, (c) furnish appropriate endorsements and transfer documents if required by the Registrar or the Exchange Agent, (d) pay any transfer or other tax, if required and (e) if the Security is held in book-entry form, complete and deliver to the Depository appropriate instructions pursuant to the Applicable Procedures. If a Holder surrenders an Security for exchange between the close of business on the Record Date and the opening of business on the related Interest Payment Date; provided that such Interest Payment Date is an Interest Payment Date the interest due on which is payable to the Holder as of the preceding Record Date, the Security must be accompanied by payment of an amount equal to the interest (including Liquidated Damages, if any) payable on such Interest Payment Date on the principal amount of the Security or portion thereof then exchanged; provided that no such payment shall be required if such Security has been called for redemption on a Redemption Date within the period between the close of business on such Record Date and the opening of business on such Interest Payment Date, or if such Security is surrendered for exchange on the Interest Payment Date or is being redeemed on such Interest Payment Date or if such Interest Payment Date is the Stated Maturity of the principal of the Securities. A Holder may exchange a portion of an Security equal to \$1,000 or any integral multiple thereof.

An Security in respect of which a Holder has delivered a Repurchase Notice or a Change of Control Repurchase Notice exercising the option of such Holder to require the Company to repurchase such Security as provided in Section 3.02 or Section 3.03, respectively, of the Indenture may be exchanged only if such notice of exercise is withdrawn in accordance with the terms of the Indenture.

By the close of business on the Business Day prior to the first Trading Day of the Observation Period, the Company may specify a percentage of each Daily Share Amount that will be settled in cash (the "Cash Percentage") and will notify the Holder of such Cash Percentage through written notice to the Trustee (the "Cash Percentage Notice"). If the Company elects to specify a Cash Percentage, (x) the amount of cash that the Company will deliver in lieu of all or an applicable portion of the Daily Share Amount in respect of each Trading Day in the Observation Period will equal the product

of: (i) the Cash Percentage, (ii) the Daily Share Amount for such Trading Day (assuming for this purpose the Company has not specified a Cash Percentage) and (iii) the daily Common Stock price for such Trading Day, and (y) the number of shares of Common Stock deliverable in respect of each Trading Day in the Observation Period (in lieu of the full Daily Share Amount for such Trading Day) will be a percentage of the Daily Share Amount (assuming the Company has not specified a Cash Percentage) equal to 100% minus the Cash Percentage.

If the Company does not specify a Cash Percentage by the close of business on the Trading Day prior to the first scheduled Trading Day of the Observation Period, the Company shall settle 100% of the Daily Share Amount for each Trading Day in the Observation Period with shares of Common Stock; provided, however, that the Company shall pay cash in lieu of fractional shares otherwise issuable upon exchange of such Note. The Company may, at its option, revoke any Cash Percentage Notice through written notice to the Trustee which must be given by the close of business on the Business Day prior to the first Scheduled Trading Day of the Observation Period.

(8) Denominations; Transfer; Exchange. The Securities are in fully registered form, without coupons, in denominations of \$1,000 of principal amount and integral multiples of \$1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Security Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of an Security to be redeemed in part, the portion of the Security not to be redeemed), or any Securities in respect of which a Repurchase Notice or a Change in Control Repurchase Notice has been given and not withdrawn (except, in the case of an Security to be repurchased in part, the portion of the Security not to be repurchased), or any Securities for a period of 15 days before the mailing of a Notice of Redemption of Securities to be redeemed.

(9) Persons Deemed Owners. The registered Holder of this Security may be treated as the owner of this Security for all purposes.

(10) Amendment; Waiver. Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate principal amount of the Securities at the time outstanding and (ii) certain Defaults may be waived with the written consent of the Holders of a majority in aggregate principal amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee may amend the Indenture or the Securities, among other things, (i) to cure any ambiguity, omission, defect or inconsistency, or make any other change that does not adversely affect the rights of any Holder of Securities in any material respect, (ii) to evidence and provide for the acceptance of appointment under the Indenture by a successor Trustee, or (iii) to comply with the provisions of the TIA or any requirement of the Commission in connection with the qualification of the Indenture under the TIA, in each case as set forth in the Indenture.

(11) Defaults and Remedies. As set forth in the Indenture, if an Event of Default occurs and is continuing, the Trustee may, and at the written request of the Holders of not less than 25% in principal amount of Securities then Outstanding shall, declare the principal of and accrued but unpaid interest (including Liquidated Damages, if any) of all the Securities to be due and payable in the manner, at the time and with the effect provided in the Indenture. Holders of Securities may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee is not obligated to enforce the Indenture or the Securities unless it has received security or indemnity reasonably satisfactory to it. The Indenture permits, subject to certain limitations therein provided, Holders of a majority in aggregate principal amount of the Securities at the time outstanding to direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of Securities notice of any continuing Default or Event of Default (except a default in payment of principal or interest when due, for any reason) if it determines in good faith that withholding notice is in the interests of Holders.

(12) Trustee Dealings with the Company. Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

(13) No Recourse Against Others. A director, officer, employee or shareholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting an Security, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

(14) Ranking. The Securities shall be the direct, unsubordinated, unsecured obligations of the Company and shall rank *pari passu* among themselves and with all of the Company's existing and future direct, unsubordinated, unsecured indebtedness from time to time outstanding.

(15) Authentication. This Security shall not be valid until an authorized signatory of the Trustee manually signs the Trustee's Certificate of Authentication on the other side of this Security.

(16) Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (Tenants In Common), TEN ENT (Tenants By The Entireties), JT TEN (Joint Tenants With Right Of Survivorship And Not As Tenants In Common), CUST (Custodian) and U/G/M/A (Uniform Gift To Minors Act).

(17) Governing Law. THIS SECURITY AND THE INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ITS PRINCIPLES OF CONFLICTS OF LAWS.

(18) CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed hereon.

(19) Conflicts with Indenture. In the event of any conflict, inconsistency or ambiguity between any provision set forth in this Security and any provision of the Indenture, the Indenture shall control.

(20) Guarantee. The Guarantor has unconditionally guaranteed, to the extent set forth in the Indenture and subject to provisions in the Indenture (a) the due and punctual payment of the principal of, and the interest (including Liquidated Damages, if any) on the Securities, net of any taxes required to be withheld (as defined in the Indenture), whether at maturity, by acceleration, redemption or otherwise, and the due and punctual payment of interest on overdue principal, premium, if any and interest and Liquidated Damages, if any, on the Securities, if lawful (subject in all cases to any applicable grace period provided in the Indenture), and the due and punctual performance of all other obligations of the Company to the Holders or the Trustee all in accordance with the terms of the Indenture and the Securities and (b) in the case of any extension of time of payment or renewal of any Securities or any of such other obligations, the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise. The obligations of the Guarantor to the Holders of Securities and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in Article II of the Indenture and reference is hereby made to the Indenture for the precise terms of the Guarantee. Each Holder of Securities, by the same, (a) agrees to and shall be bound by such provisions and (b) appoints the Trustee attorney-in-fact of such Holder for such purpose.

ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Insert assignee's soc. sec. or tax ID no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
agent to transfer this Security on the books of the Company.
The agent may substitute another to act for him.

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the other side of this Security)

Signature Guaranteed

Participant in a Recognized Signature Guarantee Medallion Program

By: _____
Authorized Signatory

EXCHANGE NOTICE

To exchange this Security for Cash and Common Stock of the Company, check the box

☐

To exchange only part of this Security, state
the principal amount to be exchanged (which
must be \$1,000 or an integral multiple of
\$1,000):

If you want the stock certificate made out in another
person's name fill in the form below:

(Insert the other person's soc. sec. or tax ID no.)

(Print or type other person's name, address and zip code)

Date: _____

Your Signature: _____
(Sign exactly as your name appears on the other side of this Security)

Signature Guaranteed

Participant in a Recognized Signature Guarantee Medallion Program

By: _____
Authorized Signatory

FORM OF REPURCHASE NOTICE

To: PNC Funding Corp

The undersigned registered holder of this Security requests and instructs the Company to repurchase this Security, or the portion hereof (which is \$1,000 principal amount or a multiple thereof) designated below, on the date specified below, in accordance with the terms and conditions referred to in this Security and the Indenture referred to in this Security and directs that the check in payment for this Security or the portion thereof and any Securities representing the portion of principal amount hereof not to be so repurchased, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If any portion of this Security not repurchased is to be issued in the name of a Person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto.

Dated:

Signature(s)

Fill in for registration of Securities
not repurchased if to be issued other
than to and in the name of registered holder:

(Name)

(Street Address)

(City, state and zip code)

Please print name and address

principal amount to be repurchased (if less than all): \$__000

date of requested repurchase: ____, 20__

(specify either 2007, 2008, 2011, 2016, 2021, 2026 or 2031)

**FORM OF OPTION TO ELECT REPURCHASE
UPON A CHANGE IN CONTROL**

To: PNC Funding Corp

The undersigned registered holder of this Security hereby acknowledges receipt of a notice from PNC Funding Corp as to the occurrence of a Change in Control with respect to The PNC Financial Services Group and requests and instructs the Company to repurchase this Security, or the portion hereof (which is \$1,000 principal amount or a multiple thereof) designated below, in accordance with the terms of this Security and the Indenture referred to in this Security and directs that the payment for this Security or the portion thereof and any Securities representing any unrepurchased principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If any portion of this Security not repurchased is to be issued in the name of a Person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto.

Dated:

Signature(s)

Fill in for registration of Securities
not repurchased if to be issued other
than to and in the name of registered holder:

(Name)

(Street Address)

(City, state and zip code)

Please print name and address

principal amount to be repurchased (if less than all): \$__000

SCHEDULE I*

PNC FUNDING CORP.

Floating Rate Exchangeable Senior Notes due December 20, 2036

No.:

Date

Principal Amount

Notation

- Include only on Global Security

TRANSFER CERTIFICATE

In connection with any transfer of any of the Securities within the period prior to the expiration of the holding period applicable to the sales thereof under Rule 144(k) under the Securities Act of 1933, as amended (the "Securities Act") (or any successor provision), the undersigned registered owner of this Security hereby certifies with respect to \$_____ principal amount of the above-captioned Securities presented or surrendered on the date hereof (the "Surrendered Securities") for registration of transfer, or for exchange where the securities deliverable upon such exchange are to be registered in a name other than that of the undersigned registered owner (each such transaction being a "transfer"), that such transfer complies with the restrictive legend set forth on the face of the Surrendered Securities for the reason checked below:

- ☐ The transfer of the Surrendered Securities complies with Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act"); or
- ☐ The transfer of the Surrendered Securities is pursuant to an exemption from the registration requirement of the Securities Act provided by Rule 144 thereunder; or
- ☐ The transfer of the Surrendered Securities is to an institutional investor that is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act; or
- ☐ The transfer of the Surrendered Securities is pursuant to an effective registration statement under the Securities Act; or
- ☐ The transfer of the Surrendered Securities is made to the Company or any of its subsidiaries.

The undersigned confirms that, to the undersigned's knowledge, such Securities are not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act (an "Affiliate").

Date:

Signature(s)

(If the registered owner is a corporation, partnership or fiduciary, the title of the Person signing on behalf of such registered owner must be stated.)

Signature Guaranteed

Participant in a Recognized Signature
Guarantee Medallion Program

By: _____
Authorized Signatory

FORM OF ACCREDITED INVESTOR CERTIFICATE

[DATE]

PNC Funding Corp
Attn: Senior Vice President and Chief Financial Officer
One PNC Plaza
249 Fifth Avenue
Pittsburgh, PA 15222-2027

Ladies and Gentlemen:

We are delivering this letter in connection with the proposed transfer of \$_____ of Floating Rate Exchangeable Senior Notes due December 20, 2036 (the "Securities") of PNC Funding Corp (the "Company"), as described in the Offering Circular dated December 20, 2006 (the "Offering Circular") relating to the Securities.

We hereby confirm that:

1. We are an institutional "accredited investor" (as defined in Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Securities Act of 1933, as amended (the "Securities Act")), or an entity in which all of the equity owners are institutional "accredited investors" within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act ("Institutional Accredited Investors"), and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Securities, and we and any accounts for which we are acting are each able to bear the economic risks of our or their investment. We will acquire Securities having a minimum principal amount of not less than \$100,000 for our own account or for any accounts for which we are acting.

2. We are acquiring the Securities for our own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which we exercise sole investment discretion.

3. We are not acquiring the Securities with a view to distribution thereof or with any present intention of offering or selling the Securities or the shares of Common Stock of The PNC Financial Services Group, Inc. (the "Guarantor") issuable upon exchange thereof (the "Underlying Shares"), except as permitted below; provided that the disposition of our property and the property of any accounts for which we are acting as fiduciary shall remain at all times within our control.

4. We understand that any subsequent transfer of the Securities and the Underlying Shares is subject to certain restrictions and conditions set forth in the indenture relating to the Securities and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Securities or the Underlying Shares except in compliance with such restrictions and conditions and the Securities Act.

5. We understand that the offer and sale of neither the Securities nor the Underlying Shares have been or will be registered under the Securities Act, and that neither the Securities nor the Underlying Shares may be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell any Securities or Underlying Shares, we will do so only (i) to a person whom we reasonably believe is a qualified institutional buyer, as such term is defined in Rule 144A (a “QIB”), acquiring for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) subject to the requirements of the indenture relating to the Securities, pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (iii) to an institutional investor that is an “accredited investor” as such term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the Securities Act pursuant to an exemption from registration under the Securities Act (if available), (iv) pursuant to an effective registration statement under the Securities Act or (v) to the Company, Guarantor or any of their subsidiaries, in each of cases (i) through (v) in accordance with any applicable securities laws of any state of the United States and other jurisdictions, and we further agree to provide to any person purchasing any of the Securities or Underlying Shares from us a notice advising such purchaser that resales of the Securities and Underlying Shares are restricted as stated herein.

6. We understand that, on any proposed transfer of any Securities or Underlying Shares, we will be required to furnish to the Company and the trustee for the Securities (the “Trustee”) such certificates, legal opinions and other information as the Company, the Guarantor or the Trustee may reasonably require to confirm that the proposed transfer complies with the foregoing restrictions. We further understand that the Securities and Underlying Shares purchased by us will be in certificated form and will bear a legend to the foregoing effect.

Each of the Company, the Guarantor, the Trustee and the initial purchaser of the Securities is entitled to rely upon this letter and is irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

(Name of Purchaser)

By: _____

Name:

Title:

Address:

C-3

SCHEDULE A

The following table sets forth the hypothetical Share Price and the number of Additional Shares to be received per \$1,000 principal amount of Securities:

Effective Date of Change in Control	Stock Price													
	73.46	75.00	80.00	85.00	90.00	95.00	100.00	110.00	120.00	130.00	150.00	200.00	250.00	300.00
December 20, 2006	5.8341	5.5546	4.7212	3.9859	3.3323	2.7475	2.2212	1.3691	0.8262	0.4767	0.1503	0.0058	0.0000	0.0000
March 20, 2007	5.8341	5.5546	4.7212	3.9859	3.3323	2.7475	2.2212	1.3129	0.7524	0.4033	0.1098	0.0041	0.0000	0.0000
June 20, 2007	5.8341	5.5546	4.7212	3.9859	3.3323	2.7475	2.2212	1.3121	0.6655	0.3134	0.0662	0.0026	0.0000	0.0000
September 20, 2007	5.8341	5.5546	4.7212	3.9859	3.3323	2.7475	2.2212	1.3121	0.5572	0.1947	0.0251	0.0010	0.0000	0.0000
December 20, 2007	5.8341	5.5546	4.7212	3.9859	3.3323	2.7475	2.2212	1.3121	0.5546	0.0000	0.0000	0.0000	0.0000	0.0000

The share prices and additional share amounts set forth above are based upon a PNC Common Share price of \$73.46 at December 14, 2006 and an initial exchange price of \$128.5545.

Schedule A-1

2006 FORMS OF EMPLOYEE INCENTIVE PERFORMANCE UNIT AND SENIOR
OFFICER CHANGE IN CONTROL SEVERANCE AGREEMENTS

2006-2008 Incentive Performance Units Grant

Performance Period: January 1, 2006—December 31, 2008 (3 Years)

Performance Measures and Goals: Relative PNC Earnings per Share Growth and Return on Average Common Equity (not including goodwill) Performance
100% Vests on Final Award

THE PNC FINANCIAL SERVICES GROUP, INC.
1997 LONG-TERM INCENTIVE AWARD PLAN

* * *

2006-2008 INCENTIVE PERFORMANCE UNIT AGREEMENT

* * *

GRANTEE: < name >
GRANT DATE: _____, 2006
TARGET SHARE UNITS: < whole number > share units

1. Definitions. Certain terms used in this 2006-2008 Incentive Performance Unit Agreement (“Agreement”) are defined in Section 15 or elsewhere in the Agreement.

2. Grant of 2006-2008 Incentive Performance Units. Pursuant to Article 8 of the Plan (as defined in Section 15.43), The PNC Financial Services Group, Inc. (“PNC”) grants to the grantee named above (“Grantee” and “Grant”) an incentive award opportunity of share-denominated Performance Units (as defined in Section 15.41) with the number of target share units set forth above (“Target Share Units”). The Grant is subject to the corporate performance conditions, employment conditions, and other terms and conditions of this Agreement and to the Plan, to final award determination, and to Grantee’s acceptance of the Grant in accordance with Section 18. Payment of any Final Award (as defined herein) authorized pursuant to the Agreement will generally be made in shares of PNC common stock and, to the extent, if any, that the total Final Award exceeds the Target Share Units number set forth above, in cash share-equivalents.

In general, the Grant is an opportunity for Grantee to receive, at the end of the applicable performance period, an award of shares of PNC common stock and, if applicable, cash share-equivalents, based on the degree to which the corporate performance goals have been achieved, as determined by the Committee (defined in

Section 15.15) and subject to its negative discretion, or otherwise in accordance with the terms of the Agreement, provided that Grantee satisfies the employment conditions specified in the Agreement (or qualifies for a specified exception and is deemed to have satisfied those employment conditions) and the other conditions of the Agreement are met.

The potential maximum award payout that Grantee will be eligible to receive will be denominated in share units and will be expressed as a percentage of the Adjusted Target Share Units (defined in Section 15.1), which reflect adjustments for phantom dividends on target share units converted to additional target share units. The potential maximum award payout percentage will be determined by the levels of the corporate performance goals that PNC achieves relative to its peers for each of the three years in the overall performance period and by the potential award payout schedules established by the Committee pursuant to Section 3.2, giving equal weight to each of the two corporate performance goals and to each of the three covered years, subject to certain limitations or adjustments if there is an early termination or limitation of the performance measurement period (*e.g.*, if Grantee dies or has a qualifying retirement or if there is a Change in Control, as defined herein, during a performance measurement period).

Absent a Change in Control, the Committee will determine the Final Award, if any, that Grantee receives within this calculated maximum potential payout amount, generally in early 2009 (or early in 2007 or 2008 in the event of Grantee's death prior to that time). The Committee may adjust the Final Award downward, but not upward, from this calculated performance-based amount. This potential award payout amount could be as high as 200% of the Adjusted Target Share Units if PNC outperforms its peers in both corporate performance measure categories for each year of the three-year performance period and if Grantee remains an employee of the Corporation throughout the full three-year performance period, or it could be zero if PNC fails to achieve at least the threshold level of performance specified for an award in the Agreement schedules for each such performance measure and year.

Any Final Award payout authorized pursuant to this Grant will generally be paid in shares of PNC common stock up to the number of shares set forth above as the Target Share Units number, and in cash share-equivalents thereafter. The Grant must still be outstanding at the time Final Award determinations are made for Grantee to be eligible to receive an award, and Final Awards and payment are subject to the terms and conditions set forth in the Agreement and to the Plan.

The Agreement also provides a formula for calculation of the Final Award in the event of a Change in Control of PNC and for the form and timing of payment of any such award.

3. Corporate Performance Conditions. The Grant will be subject to the following corporate performance conditions.

3.1 Performance Measures and Goals. The corporate Performance Measures for this incentive award opportunity are EPS Growth and ROCE performance, as defined

in Section 15.22 and Section 15.50, respectively; and the corporate Performance Goals (the EPS Growth Performance Goal and the ROCE Performance Goal) are the level of PNC's EPS Growth and the level of PNC's ROCE performance, respectively, relative to the levels of EPS Growth and ROCE performance, respectively, of the other Peer Group members.

3.2 Annual Peer Group and Annual Potential Payout Schedules The Committee will establish the Annual Peer Group and the Annual Potential Payout Schedule for each year of the Performance Period as schedules to this Agreement no later than the 90th day of that year, at which time the Schedules for that year will become final. Each Annual Potential Payout Schedule will provide a threshold level of corporate performance below which there will be no eligibility for an award payout with respect to that measure of performance for that year. The 2006 Annual Peer Group and 2006 Annual Potential Payout Schedule are set forth in Schedules I and II.

Once the Annual Peer Group and Annual Potential Payout Schedule for a given year are established and final, the Committee will not change the Schedules with respect to that year other than to reflect Peer name changes or the elimination from the Peer Group of any members that have been eliminated since the beginning of the year due, for example, to consolidations, mergers or other material corporate reorganizations. Peer Group members that have been eliminated during the year will not be replaced for that year or portion of a year where a limited-year calculation applies, but may be replaced when the Committee establishes the Annual Peer Group for the following year.

3.3 Calculation of Annual Potential Payout Percentages After the end of each year of the Performance Period, PNC will: (1) determine the EPS Growth and ROCE performance for the applicable period for PNC and for each other member of the applicable Annual Peer Group remaining at the end of the period in accordance with the definitions set forth in Section 15; and (2) calculate the Annual Potential Payout Percentage, as defined in Section 15.3, achieved by PNC for that year. Such results will be presented to the Committee.

Where the Agreement requires the calculation of an Annual Potential Payout Percentage for a given period that is less than a full year (e.g., upon certain qualifying terminations or Change in Control), PNC will also determine PNC and other Peer EPS Growth and ROCE performance and the Limited-Year Annual Potential Payout Percentage for that limited period as so required by the Agreement.

4. Grantee Service Requirement and Limitation of Potential Award: Early Termination of Grant The Grant will be subject to the following employment conditions.

4.1 Eligibility for an Award: Employment Conditions and Early Termination of Grant Grantee will not be eligible to receive a Final Award unless the Grant remains outstanding on the Committee-determined Award Date (as defined in Section 15.5) or as of the end of the day immediately preceding the day on which a Change in Control occurs, if earlier.

The Grant will automatically terminate on Grantee's Termination Date (as defined in Section 15.56) unless an exception is available as set forth in Section 4.2, Section 4.3, Section 4.4 or Section 4.5. Where one or more of the conditions to an exception are post-employment conditions, the Grant will terminate upon the failure of any of those conditions.

In the event that Grantee's employment is terminated by the Corporation for Cause (as defined in Section 15.8), the Grant will automatically terminate on Grantee's Termination Date whether or not the termination might otherwise have qualified for an exception as a retirement or a disability termination pursuant to Section 4.3 or Section 4.4.

In the limited circumstances where the Grant remains outstanding notwithstanding Grantee's termination of employment with the Corporation, Grantee will be eligible for consideration for an award, subject to limitation as set forth in the applicable section of the Agreement. Said award, if any, will be determined and payable at the same time as the awards of those 2006-2008 Incentive Performance Units grantees who remain Corporation employees, except that in the case of death, the determination and payment of any award may be accelerated if so indicated in accordance with the applicable section of the Agreement.

Any award that the Committee may determine to make after Grantee's death will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

Notwithstanding anything in Section 4 or Section 5 to the contrary, if a Change in Control (as defined in Section 15.10) occurs prior to the time the Committee determines Final Awards pursuant to Section 5.2 (that is, prior to the Committee-determined Award Date), awards will be determined in accordance with Section 6.

4.2 Death While an Employee. If Grantee dies while an employee of the Corporation and prior to the Committee-determined Award Date, the Grant will remain outstanding and Grantee will be eligible for consideration for a prorated award calculated in accordance with Section 5.1(b), with an applicable performance measurement date (as defined in Section 5.1) of the last day of the year in which the death occurred (but no later than December 31, 2008) and with adjustments to Adjusted Target Share Units calculated through that December 31st, payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period (as defined in Section 15.11).

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(b).

4.3 Qualifying Retirement. If Grantee Retires (as defined in Section 15.48) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Grant will remain outstanding post-employment; provided, however, that the Committee may terminate the Grant at any time prior to the Award Date, other than during a CIC Coverage Period, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 15.18). If Grantee is Disabled (as defined in Section 15.19) at the time of Retirement and Section 4.4 is also applicable to Grantee, that subsection will govern rather than this Section 4.3.

Provided that the Grant is still outstanding at that time, Grantee will be eligible for consideration for a prorated award at the time that awards are considered for those 2006-2008 Incentive Performance Unit grantees who remain Corporation employees, calculated in accordance with Section 5.1(c) with a performance measurement date of the last day of the last full quarter completed on or prior to Grantee's Retirement date and with adjustments to Adjusted Target Share Units calculated through that same performance measurement date, payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period.

If Grantee dies after a qualifying Retirement but before the time set forth above for consideration of an award and provided that the Grant is still outstanding at the time of Grantee's death, the Committee will consider an award for Grantee and make an award determination and any such award will be paid during the year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2008, or in 2009 if the death occurs in 2009 but prior to the Award Date.

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(c).

4.4 Qualifying Disability Termination. If Grantee's employment with the Corporation is terminated by reason of Disability (as defined in Section 15.19) prior to the Committee-determined Award Date, and the termination of employment is not also a termination by the Corporation for Cause, the Grant will remain outstanding post-employment; provided, however, that the Committee may terminate the Grant at any time prior to the Award Date, other than during a CIC Coverage Period, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 15.18).

Provided that the Grant is still outstanding at that time, Grantee will be eligible for consideration for a full award at the time that awards are considered for those 2006-2008 Incentive Performance Units grantees who remain Corporation employees, calculated in accordance with Section 5.1(d), payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period. Although Grantee will be eligible for consideration for a full award (Standard Payout Calculation) at the scheduled time, it is anticipated that the Committee will take into account the timing and circumstances of the disability when deciding whether and the extent to which to exercise its negative discretion.

If Grantee dies after a qualifying disability termination but before the time set forth above for consideration of an award and provided that the Grant is still outstanding at the time of Grantee's death, the Committee will consider an award for Grantee and make an award determination and any such award will be paid during the year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2008, or in 2009 if the death occurs in 2009 but prior to the Award Date; provided, however, that the maximum award that may be awarded in these circumstances is the award that could have been authorized had Grantee died while an employee of the Corporation.

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(d).

4.5 Qualifying Termination in Anticipation of a Change in Control. If Grantee's termination of employment satisfies the conditions set forth in Section 15.46 such that it is a Qualifying Termination in Anticipation of a Change in Control, then the Grant will remain outstanding notwithstanding Grantee's termination of employment with the Corporation and the Grant will not be subject to termination by the Committee for Detrimental Conduct.

To the extent that the conditions set forth in Section 15.46 are conditions that must be satisfied during a stated post-employment period, the Grant will remain outstanding during that period until it is determined that such conditions either have or have not been satisfied. If the conditions are not satisfied, the Grant will terminate unless Grantee meets one of the other exceptions set forth in this Section 4.

If all of the conditions set forth in Section 15.46 are satisfied, Grantee will be eligible for consideration for an award pursuant to Section 5.2, calculated in accordance with Section 5.1(e), or will receive an award pursuant to Section 6, calculated as specified in Section 6.1(e), as applicable.

If Grantee dies after a Qualifying Termination in Anticipation of a Change in Control but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change-in-Control-determined Award Date, Grantee will be eligible for an award of the greater of the award Grantee could have received had he or she died while an employee or an award determined as set forth in Section 5.1(e). If a Change in Control occurs prior to a Committee-determined Award date, Grantee will be deemed to receive an award in accordance with Section 6.

5. Certification of Performance Results; Calculation of Maximum Potential Payout Amounts; and Final Award Determinations

5.1 Certification of Attainment of Performance Goals; Calculation of Final Potential Payout Percentages and Calculated Maximum Potential Payout Amounts As soon as practicable after December 31, 2008, or after the earlier relevant date if the applicable performance measurement date and potential award date are earlier under the circumstances, PNC will present information to the Committee concerning the following: (1) the levels of EPS Growth and ROCE performance achieved by PNC and the other members of the applicable Annual Peer Group for each of the applicable full and partial years for which performance is being measured under the circumstances; (2) the Annual Potential Payout Percentages determined in accordance with the applicable Schedules for such full and partial years on the basis of the levels of such EPS Growth and ROCE performance achieved by PNC relative to the other Peers for such periods; and (3) the Final Potential Payout Percentage.

Subsections (a), (b), (c), (d) and (e) below set forth additional criteria for the certifications and calculations to be made pursuant to this Section 5.1 under varying circumstances. The last day of the applicable performance measurement period is sometimes referred to as the “performance measurement date.” The time when the certification, calculation and Final Award determination process takes place is sometimes referred to as the “scheduled award determination period,” and the date when a Final Award, if any, is determined and made by the Committee is referred to as the “Committee-determined Award Date” (as set forth in Section 15.5).

Notwithstanding anything in this Section 5 to the contrary, if a Change in Control has occurred, Section 6 will apply.

(a) Non-Exceptional Circumstances – Standard Payout Calculation. Provided that Grantee remains an employee of the Corporation and the Grant remains outstanding such that Grantee remains eligible for consideration for an award, and that a Change in Control has not occurred, the Performance Period will run through December 31, 2008 and the process of certification of the attainment of Performance Goals, calculation of Final Potential Payout Percentage and Calculated Maximum Potential Payout Amounts, and determination of the Final Award, if any, will occur in early 2009.

Under the circumstances set forth in this subsection (a) above (“non-exceptional circumstances”), PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

- (i) the applicable performance measurement date will be December 31, 2008;

-
- (ii) the applicable Performance Period will consist of the full years 2006, 2007 and 2008;
- (iii) the applicable Final Potential Payout Percentage will be the percentage that is the average of the Annual Potential Payout Percentages for 2006, 2007 and 2008, but in no event greater than 200%;
- (iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to the Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through December 31, 2008; and
- (v) the scheduled award determination period will occur in early 2009.
- (b) Death While an Employee. In the event that Grantee dies while an employee of the Corporation and prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 and the Grant remains outstanding pursuant to Section 4.2, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:
- (i) the applicable performance measurement date will be the earlier of the last day of the year in which the death occurred and December 31, 2008;
- (ii) the applicable Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the one, two or three full years, as the case may be, in that period;
- (iii) the applicable Final Potential Payout Percentage will be the percentage that is the average of the Annual Potential Payout Percentages for the full years in the applicable Performance Period, but in no event greater than 200%;
- (iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to (x) the applicable Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through the December 31st that is the performance measurement date, then (y) prorated (as defined in Section 15.45) based on the number of full years in the applicable Performance Period, including the year of death if prior to 2009; and
- (v) the scheduled award determination period will occur during the year immediately following the year in which Grantee died (*i.e.*, early in 2007, 2008, or 2009, as the case may be) unless Grantee dies after December 31, 2008 but prior to the Award Date, in which case the scheduled award determination period will occur in 2009.
- (c) Retirement. In the event that Grantee Retires prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a qualifying retirement termination set forth in Section 4.3 and the Grant remains outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:
- (i) the applicable performance measurement date will be the last day of the last full quarter completed prior to Grantee's Retirement date or, if the Retirement date is a quarter-end date, that quarter-end date;

(ii) the applicable limited Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the full and partial years in that period;

(iii) the applicable Final Potential Payout Percentage will be a Limited-Period Final Potential Payout Percentage and will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year, if any, in the applicable Performance Period, calculated as set forth in Section 15.33;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to (x) the applicable Limited-Period Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through the applicable performance measurement date (*i.e.*, the last day of the last full quarter completed prior to Grantee's Retirement date), then (y) prorated (as defined in Section 15.45) based on the number of full quarters in the applicable limited Performance Period (*i.e.*, in the period from January 1, 2006 through the applicable performance measurement date); and

(v) the scheduled award determination period will occur in early 2009 as provided in Section 7.1, unless Grantee dies after Retirement but before the beginning of 2008, in which case the scheduled award determination period will occur in early 2007 (if the death occurred in 2006) or early 2008 (if the death occurred in 2007), as the case may be.

In the event that Grantee is Disabled at the time of Retirement and Section 4.4 is also applicable to Grantee, then Section 5.1(d) will govern rather than this Section 5.1(c).

(d) Disability. In the event that Grantee becomes Disabled prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a qualifying disability termination set forth in Section 4.4 and the Grant remains outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the same basis as that set forth in Section 5.1(a), together with such information as the Committee may request concerning the timing and circumstances of the disability.

The scheduled award determination period will occur in early 2009, unless Grantee dies after a qualifying disability termination but before the beginning of 2008, in which case the scheduled award determination period will occur in early 2007 (if the death occurred in 2006) or early 2008 (if the death occurred in 2007), as the case may be, and in any event, the maximum award that may be approved will be the maximum that could have been awarded had Grantee died while an employee of the Corporation.

(e) Termination in Anticipation of a Change in Control. In the event that Grantee ceases to be an employee of the Corporation prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a Qualifying Termination in Anticipation of a Change in Control set forth in Section 4.5 and the Grant remains outstanding, but a Change in Control has not yet occurred, then:

- (1) If a CIC Triggering Event (as defined in Section 15.14) has occurred and has not yet failed (as CIC Failure is defined herein) such that a Change in Control transaction is pending at the regularly scheduled award date, the Grant will remain outstanding and Grantee will be eligible to receive an award pursuant to Section 5.2 on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree and the Committee will have no discretion to reduce the size of such award; and
- (2) If the CIC Triggering Event fails prior to the regularly scheduled award date (as CIC Failure is defined in Section 15.12), the Grant will remain outstanding and the Committee will have discretion to authorize an award, pursuant to Section 5.2, to Grantee up to a maximum permitted award calculated on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree, but the Committee will also have discretion to reduce the award as set forth in Section 5.2(b).

If Grantee dies after a Qualifying Termination in Anticipation of a Change in Control but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change-in-Control-determined Award Date, Grantee will be eligible for an award of the greater of the award Grantee could have received had he or she died while an employee or an award determined as set forth above in this Section 5.1(e).

If a Change in Control occurs prior to a Committee-determined Award date, Grantee will be deemed to receive an award in accordance with Section 6.

5.2 Final Award Determinations by Committee.

(a) Subject to the last sentence in this paragraph, provided that the Grant is still outstanding, that Grantee is either still an employee of the Corporation or qualifies for an exception to the employment condition pursuant to Section 4.2, 4.3, 4.4 or 4.5, and that the Final Potential Payout Percentage is greater than zero, the Committee will have the authority to award to Grantee ("award") as a Final Award such share-denominated amount as may be determined by the Committee. The Final Award may not exceed the applicable Calculated Maximum Potential Payout Amount, as determined in accordance with Section 5.1, and is subject to the exercise of negative discretion by the Committee pursuant to Section 5.2(b), if applicable. The Committee will not have authority to exercise negative discretion if a CIC Coverage Period has commenced and has not yet ended. If there has been a Change in Control, the Committee's authority is subject to Section 6.

The date on which the Committee makes its determination as to whether or not it will authorize an award and, if so, the size of the Final Award, if any, it authorizes within the Calculated Maximum Potential Payout Amount determined pursuant to the Agreement is sometimes referred to in the Agreement as the Committee-determined Award Date.

Payment of the Final Award, if any, will be made in accordance with Section 7. If Grantee dies after a Final Award is determined but before payment is made, payment of the Final Award will be made to Grantee's legal representative in accordance with Section 10.

(b) Except during a CIC Coverage Period or after the occurrence of a Change in Control, the Committee may exercise negative discretion with respect to the Grant and may determine, in light of such Corporation or individual performance or other factors as the Committee may deem appropriate, that notwithstanding the levels of EPS Growth and/or ROCE performance achieved by PNC relative to the other members of the Peer Group, the Committee will not award Grantee the full Calculated Maximum Potential Payout Amount that the Committee is authorized to award pursuant to Section 5.2(a), or any of such amount.

If the Committee so determines to exercise its negative discretion pursuant to this Section 5.2(b), the Final Award, if any, will be reduced accordingly; provided, however, that the Committee may not exercise such negative discretion upon or after the occurrence of a Change in Control (or during the period after the occurrence of a CIC Triggering Event but before such triggering event results in a Change in Control or a CIC Failure of such event occurs).

(c) If a Change in Control occurs prior to the Committee-determined Award Date, the Final Award will be determined in accordance with Section 6 rather than being determined by the Committee under Section 5.2 and will not be subject to the Committee's negative discretion.

6. Change in Control Prior to a Committee-Determined Award Date

6.1 Final Award Calculation.

Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control at any time prior to a Committee-determined Award Date pursuant to Section 5.2, (i) the Performance Period, if not already ended, will be limited and will end, (ii) if Dividend Adjustment Share Units were otherwise still accruing at the time, no further Dividend Adjustment Share Units will accrue and be added to the number of Adjusted Target Share Units, and (iii) Grantee will be deemed to have been awarded a Final Award in an amount determined as set forth in this Section 6, payable to Grantee or Grantee's legal representative at the time and in the manner set forth in

Section 7, provided that the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs and has not already terminated or been terminated in accordance with the terms of Section 4 of the Agreement.

If this Section 6 is applicable and a Final Award is deemed to be awarded pursuant to Section 6, the day the Change in Control occurs will be considered the Award Date for purposes of the Agreement. This date is sometimes referred to in the Agreement as the Change-in-Control-determined Award Date (as set forth in Section 15.5).

(a) Standard CIC Payout Calculation. Provided that Grantee is an employee of the Corporation and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be determined as follows:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to the day the Change in Control occurs, or, if the Change in Control occurs on a quarter-end date, the day the Change in Control occurs;

(ii) the applicable Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the full and partial years in that period;

(iii) the applicable Final Potential Payout Percentage will be the "CIC Payout Percentage", which will be (A) or (B) below, as applicable, (but in no event greater than 200%):

(A) if the Change in Control occurs prior to December 31, 2008, such that the Performance Period is less than three full years, the CIC Payout Percentage will be the higher of (1) 100% and (2) a Limited-Period Final Potential Payout Percentage (calculated as set forth in Section 15.33) of the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year, if any, in the applicable limited Performance Period; and

(B) if the Change in Control occurs on or after December 31, 2008, the CIC Payout Percentage will be the average of the Annual Potential Payout Percentages for the full years 2006, 2007 and 2008;

(iv) the applicable Final Award amount will be the number of share units equal to (x) the CIC Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through the applicable performance measurement date (*i.e.*, through the last day of the last full quarter completed prior to the day the Change in Control occurs, or, if the Change in Control occurs on a quarter-end date, the day the Change in Control occurs), then (y) prorated (as defined in Section 15.45) based on the number of full quarters in the applicable limited Performance Period (*i.e.*, in the period from January 1, 2006 through the applicable performance measurement date), then (z) multiplied by the Transition Factor (as set forth in Section 6.2), if applicable; and

(v) the scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee dies after the Change in Control occurs, Grantee's Final Award determined pursuant to this Section 6.1(a) will be payable to Grantee's legal representative in accordance with Section 10.

(b) Death. In the event the Grantee died while an employee of the Corporation and qualified for consideration for an award pursuant to Section 4.2 but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award (payable to Grantee's legal representative in accordance with Section 10) will be in the amount of the lesser of:

- (1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(b) but with no Committee discretion to reduce the amount of the award; and
- (2) the award that would have been payable, but without regard to the Transition Factor, if any, pursuant to the calculations set forth in Section 6.1(a) had Grantee not died but had been an employee of the Corporation as of the end of day immediately preceding the day the Change in Control occurred.

The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while an employee and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further or different award determination will be made pursuant to this Section 6.1.

(c) Qualifying Retirement. In the event that Grantee Retired prior to the day the Change in Control occurs but Grantee has met the conditions for a qualifying retirement termination set forth in Section 4.3 and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the lesser of:

- (1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(c) but with no Committee discretion to reduce the amount of the award; and
- (2) the award that would have been payable, but without regard to the Transition Factor, if any, pursuant to the calculations set forth in Section 6.1(a) had Grantee not Retired but had been an employee of the Corporation as of the end of the day immediately preceding the day the Change in Control occurred.

The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while a qualified Retiree and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change in Control, Grantee's Final Award determined pursuant to this Section 6.1(c) will be payable to Grantee's legal representative in accordance with Section 10.

(d) Disability. In the event that Grantee became Disabled and Grantee's employment terminated prior to the day the Change in Control occurs but Grantee has met the conditions for a qualifying disability termination set forth in Section 4.4 and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the award that would have been payable, but without regard to the Transition Factor, if any, pursuant to the calculations set forth in Section 6.1(a) had Grantee still been an employee of the Corporation as of the end of the day immediately preceding the day the Change in Control occurred. The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while qualified to receive an award and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change in Control, Grantee's Final Award (payable to Grantee's legal representative in accordance with Section 10) will be the lesser of (i) an award determined in accordance with Section 6.1(a), and (ii) an award determined in accordance with Section 6.1(b), in either case without regard to the Transition Factor, if any.

(e) Qualifying Termination in Anticipation of a Change in Control. In the event that Grantee's termination of employment satisfies all of the conditions set forth in Section 15.46 for a qualifying termination in anticipation of a change in control such that the Grant is outstanding at the time the Change in Control occurs, Grantee will receive a Final Award on the following basis, as applicable:

- (1) If the Change in Control occurs within three (3) months of Grantee's Termination Date, Grantee will receive a Final Award on the same basis as continuing employees, as set forth in Section 6.1(a), including the application of the Transition Factor, if any; and
- (2) If the Change in Control occurs more than three (3) months after Grantee's Termination Date but the Grant is outstanding because Grantee's termination of employment qualifies under Section 15.46 by, among other conditions, having occurred after or within three months prior to a CIC Triggering Event, Grantee will receive a Final Award on the same basis as a qualifying Retiree, as set forth in Section 6.1(c).

6.2 Transition Factor. The “Transition Factor” is included in the calculation of the Final Award amount in portions of Section 6.1 in recognition of the Committee’s change, with the 2006-2008 Incentive Performance Units grants, from its prior practice (granting incentive share award opportunities every three years as part of the long-term compensation component of total compensation for certain PNC officers) to granting incentive share / performance unit award opportunities annually, in smaller amounts, while maintaining a standard three-year performance period.

In the event that a Change in Control occurs prior to the date in the first quarter of 2007 that the Committee grants incentive opportunities similar to the Grant to some or all of PNC’s executive officers (whether or not Grantee receives one of those grants) or before April 1, 2007 if no such grants are made in the first quarter of 2007, the Transition Factor will be 3.

In the event that a Change in Control occurs on or after the date in 2007 that the Committee grants incentive award opportunities similar to the Grant to some or all of PNC’s executive officers (or after March 31, 2007 if no such grants are made in 2007) but prior to the earlier of the date in the first quarter of 2008 that the Committee grants incentive award opportunities similar to the Grant to some or all of PNC’s executive officers (whether or not Grantee receives one of those grants) or March 31, 2008 if no such grants are made in the first quarter of 2008, the Transition Factor will be 1.5.

The Transition Factor will not be applicable in the event that a Change in Control occurs after March 30, 2008.

6.3 No Committee Discretion. The Committee may not exercise any negative discretion pursuant to Section 5.2(b) or otherwise exercise discretion pursuant to the Agreement in any way that would serve to reduce an award deemed to be made to Grantee pursuant to this Section 6.

6.4 CIC Severance Agreement Coordination. Unless otherwise provided by specific reference to this Agreement, in the event that Grantee is entitled to a severance payment from the Corporation pursuant to a change in control severance agreement, this Grant will be considered an incentive share award or grant for purposes of that agreement.

7. Delivery of Final Award; Termination of Grant as to Any Unawarded Units

7.1 Delivery of Final Awards Determined by Committee. Any Final Award determined by the Committee pursuant to Section 5.2 will be settled by delivery of that number of whole shares of PNC common stock equal to the number of share units denominated in the Final Award; provided that if the number of share units so denominated exceeds the number of Target Share Units specified in the Grant (without

regard to any additions for Dividend Adjustment Share Units but after any capital adjustments pursuant to Section 9), then any excess over such number of target share units will be settled in cash (sometimes referred to in the Agreement as “cash share-equivalents”) in an amount equal to such excess number of share units multiplied by the Fair Market Value of a share of PNC common stock on the Award Date or as otherwise provided in Section 9, if applicable, subject to the payment of applicable withholding taxes as set forth in Section 11.

Determination of eligibility for an award, calculation of the maximum permitted award amount, and a decision by the Committee on whether or not to authorize an award and, if so, the size of such Final Award (the “scheduled award determination process”) and then payment of any such Final Award will all generally occur in the first quarter of 2009 or as soon thereafter as practicable after the final Peer data necessary for the Committee to make its award determination is available. In general, it is expected that the Award Date will occur in 2009 and no later than the end of the second quarter of that year, and that payment of a Final Award, if any, will be made as soon as practicable after the Award Date, provided that in no event will payment occur later than March 15, 2010 other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

In the event of Grantee’s death prior to the Award Date where Grantee has satisfied all of the conditions of Section 4.2, 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award determination process will occur at the same time and in the same manner as set forth above for continuing employees, provided that if the death occurs prior to 2008, the scheduled award determination process will occur in the calendar year immediately following Grantee’s death, and (b) payment of a Final Award, if any, will be made during the calendar year immediately following the year in which Grantee died if the death occurs on or prior to December 31, 2008, or in 2009 if Grantee dies in 2009, provided that in no event will payment occur later than December 31st of the calendar year so specified as the year for payment other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

Otherwise, in the event that Grantee is no longer employed by the Corporation but has satisfied all of the conditions of Section 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award determination process will occur at the same time and in the same manner as set forth above for continuing employees, generally in 2009 during the first quarter of that year, and (b) once the Committee has made its award determination, payment of a Final Award, if any, will be made as soon as practicable after the Award Date, provided that in no event will payment be made earlier than January 1, 2009 or later than December 31, 2009 other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

In the event that one or more record dates for dividends on PNC common stock occur after the end of the applicable Performance Period but before the date the Final Award is paid pursuant to this Section 7.1, PNC will make a cash payment to Grantee in an amount equivalent to the amount of the dividends Grantee would have received had the share units denominated in the Final Award been that number of shares of PNC common stock and had such shares been issued and outstanding on January 1, 2009 and remained outstanding on the record date or dates for such dividends. Any such payment will be made at the same time as payment of the Final Award.

If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth above in this Section 7.1, and will settle any remaining portion as soon as practicable after such dispute is finally resolved.

7.2 Delivery of Final Awards Determined by Section 6 If a Final Award is deemed to be made pursuant to Section 6 rather than determined by the Committee pursuant to Section 5.2, the Final Award is fully vested as of the date of the Change in Control and will be settled in the same manner as specified in the first paragraph of Section 7.1, except that payment will be made entirely in cash if so provided in the circumstances pursuant to Section 9.2.

Payment of the Final Award will be made by PNC as soon as practicable after the date the Change in Control occurs and the amount of the Final Award is determinable and determined in accordance with Section 6, but in no event later than the 15th day of the third month of the calendar year following the calendar year in which the Change in Control occurs, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth in this Section 7.2, and will settle any remaining portion as soon as practicable after such dispute is finally resolved.

In the event that one or more record dates for dividends on PNC common stock occur on or after the date of the Change in Control but before the date the Final Award is paid pursuant to this Section 7.2, PNC will make a cash payment to Grantee in an amount equivalent to the amount of the dividends Grantee would have received had the share units denominated in the Final Award been that number of shares of PNC common stock and had such shares been issued and outstanding on the date of the Change in Control and remained outstanding on the record date or dates for such dividends. Any such payment will be made at the same time as payment of the Final Award.

7.3 Final Awards are Fully Vested. The Final Award will be fully vested at the Committee-determined Award Date or as of the date of the Change in Control, as applicable. Any shares issued pursuant to this Section 7 will be fully vested at the time of issuance, and PNC will issue such shares and deliver any cash payable pursuant to this Section 7 to, or at the proper direction of, Grantee or Grantee's legal representative, as determined in good faith by the Committee. No fractional shares will be issued, and if the Final Award includes a fractional interest, such fractional interest will be liquidated on the basis of the then current Fair Market Value of PNC common stock and paid to Grantee or Grantee's legal representative in cash at the time the shares are issued.

In the event that Grantee is deceased, payment will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

7.4 Termination of Grant as to Any Unawarded Units. Once an award determination has been made by the Committee pursuant to Section 5.2 or a Final Award is deemed to have been made by virtue of the application of Section 6, the incentive award opportunity represented by this Grant will terminate as to any portion of the Performance Units not so awarded.

Termination of all or a portion of the Grant pursuant to this Section 7.4, or pursuant to Section 4, if applicable, will in no way affect Grantee's covenants or the other provisions of Sections 16 and 17.

8. No Rights as Shareholder until Final Award and Issuance. Grantee will have no rights as a shareholder by virtue of this Grant unless and until a Final Award, if any, is made and shares are issued and delivered in settlement of all or a portion of such Final Award, if any.

9. Capital Adjustments.

9.1 Except as otherwise provided in Section 9.2, if applicable, in the event that a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")) occurs prior to the time a Final Award, if any, is paid, the Committee will make those adjustments, if any, in the number and class of the Target Share Units that it deems appropriate to reflect the Corporate Transaction(s) such that the rights of Grantee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation (a) measuring the value per share unit of any share-denominated award authorized for payment to Grantee by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction, and (b) authorizing payment of the entire Final Award, if any, in cash at the time otherwise specified in Section 7.

9.2 Upon the occurrence of a Change in Control (or during the period after the occurrence of a CIC Triggering Event and before such triggering event results in a Change in Control or a CIC Failure of such event occurs), (a) the number and class of the Target Share Units will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, (b) the value per share unit of any share-denominated award that is deemed to be awarded to Grantee in accordance with Section 6 will be measured by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction or Transactions, and (c) if the effect of the Corporate Transaction or Transactions on a PNC common shareholder is to convert that shareholder's holdings into consideration that does not consist solely (other than as to a minimal amount) of shares of PNC common stock, then the value of an award to Grantee pursuant to Section 6 will be payable solely in cash at the time otherwise specified by Section 7.

10. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) The Grant may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time any Final Award authorized by this Agreement is to be paid, such payment will be made to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

11. Withholding Taxes; Payment Upon Inclusion Under Section 409A Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection therewith from any Final Award then payable to Grantee. To the extent that any portion of a Final Award is payable in the form of cash, the Corporation will withhold first from such cash portion of the award and, if that is not sufficient or if there is no such cash portion, the Corporation will then retain whole shares of PNC common stock from the portion of any Final Award that is payable in the form of shares, until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligations.

For purposes of this Section 11, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Final

Award after any cash portion of the award has already been withheld for such purpose. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding by payment of cash. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Final Award, no additional withholding may be made.

It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement. In the event that, notwithstanding such intention, the arrangement fails to meet the requirements of Section 409A and the regulations promulgated thereunder, then PNC may at that time permit the acceleration of the time for payment to Grantee under the Agreement notwithstanding any of the other provisions of the Agreement, but any such accelerated payment may not exceed the amount required to be included in Grantee's income as a result of the failure to comply with the requirements of Section 409A and the regulations promulgated thereunder. For purposes of this provision, an amount will be deemed to have been included in Grantee's income if the amount is timely reported on Form W-2 or Form 1099-MISC, as appropriate.

12. Employment. Neither the Grant nor the calculation, determination and payment of any Final Award hereunder nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any Subsidiary (as defined in Section 15.54) to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

13. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or under the authority of the Committee, whether made or issued before or after the Grant Date.

14. Headings: Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

The Agreement constitutes the entire agreement between Grantee and PNC, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

15. Certain Definitions. Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

15.1 “Adjusted Target Share Units” means the number of share units equal to the Target Share Units as adjusted for the addition of all Dividend Adjustment Share Units accrued through the date specified by the Agreement, which will be December 31, 2008 unless an earlier date is specified by the Agreement (e.g., in the case of a qualifying retirement or a Change in Control prior to December 31, 2008).

15.2 “Annual Peer Group” or “Peer Group” means the group of financial institutions, including PNC, designated by the Committee pursuant to Section 3.2 as PNC’s Peer Group for a given year. A member of the Peer Group is sometimes referred to as a “Peer”.

15.3 “Annual Potential Payout Percentage.” The Annual Potential Payout Percentage for a given full covered year within the Performance Period (i.e., for 2006, 2007 or 2008) is the percentage determined by taking the average of the potential payout percentages achieved for that year by PNC with respect to the two Performance Measures (EPS Growth performance and ROCE performance) as determined in accordance with the Annual Potential Payout Schedule applicable for that year, rounded to the nearest one-hundredth percent.

Where the Agreement requires the calculation of an Annual Potential Payout Percentage for a given period that is less than a full year (sometimes referred to as a “partial year” or a “limited year” or “limited period”), then the Annual Potential Payout Percentage for that covered period is sometimes referred to as a “Limited-Year Annual Potential Payout Percentage”.

A “Limited-Year Annual Potential Payout Percentage” will be calculated in the same manner as the Annual Potential Payout Percentage for a full covered year except that it will be based on measurements of EPS Growth and ROCE performance with respect to PNC and the other Peers for, or with respect to, the year-to-date period (using full quarters only) beginning on January 1 of the given partial year and ending on the performance measurement date specified by the Agreement, and will be measured for PNC and for those other Peers that are remaining by the end of that limited period.

15.4 “Annual Potential Payout Schedule” for a given full or partial covered year means the schedule established by the Committee pursuant to Section 3.2 for that year that determines the method by which the Annual Potential Payout Percentage will be calculated for that year, or for the relevant portion of that year if a partial or limited year calculation is required by the Agreement, based on the levels of EPS Growth and ROCE performance achieved by PNC relative to the EPS Growth and ROCE performance of the other Peers remaining by the end of the relevant period.

15.5 “Award Date” means: (1) the date on which the Committee makes its determination as to whether or not it will authorize an award, and if so, as to the size of the Final Award, if any, it authorizes pursuant to Section 5.2 within the permitted Calculated Maximum Potential Payout Amount determined in accordance with the Agreement (sometimes referred to as the “Committee-determined Award Date”); or (2)

if a Change in Control has occurred and Grantee is deemed to have been awarded a Final Award pursuant to Section 6, the Award Date will be the date the Change in Control occurs (sometimes referred to as the “Change-in-Control-determined Award Date”).

15.6 “Board” means the Board of Directors of PNC.

15.7 “Calculated Maximum Potential Payout Amount” means the maximum size of the award, denominated in share units, that the Committee may award to Grantee based on PNC’s level of achievement of the Performance Goals and the applicable Annual Potential Payout Schedules established by the Committee and on Grantee’s level of satisfaction, or deemed satisfaction, of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (e.g., in the case of a qualifying retirement).

15.8 “Cause”.

(a) “Cause” during a CIC Coverage Period. If a termination of Grantee’s employment with the Corporation occurs during a CIC Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(ii) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any Subsidiary.

For purposes of the preceding clauses (i) and (ii), no act or failure to act, on the part of Grantee, will be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO, or Grantee’s superior or based upon the advice of counsel for the Corporation, will be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the

particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Grantee is given an opportunity, together with counsel, to be heard before the Board.

(b) “Cause” other than during a CIC Coverage Period. If a termination of Grantee’s employment with the Corporation occurs other than during a CIC Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee’s duties;

(ii) a material breach by Grantee of (1) any code of conduct of PNC or a Subsidiary or (2) other written policy of PNC or a Subsidiary, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary;

(iv) any conviction (including a plea of guilty or of *nolo contendere*) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any Subsidiary, that relates to or arises out of Grantee’s employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee’s employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee’s employment with the Corporation will be deemed to have been for Cause.

15.9 “CEO” means the chief executive officer of PNC.

15.10 “Change in Control” means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC’s then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a Fundamental Transaction) with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC will not by itself constitute a Change in Control.

15.11 "CIC Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a CIC Coverage Period commences on the date of a CIC Triggering Event, such CIC Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any CIC Coverage Period, another CIC Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

15.12 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section 15.14(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section 15.14(b), the proxy contest fails to replace or remove a majority of the members of the Board.

15.13 "CIC Payout Percentage" has the meaning set forth in Section 6.1(a)(iii).

15.14 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section 15.10; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

15.15 "Committee" means the Personnel and Compensation Committee of the Board, or such person or persons as may be designated by that committee as its delegate.

15.16 "Competitive Activity" means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any Subsidiary (a) engaged in business activities similar to some or all of the business activities of PNC or any Subsidiary as of Grantee's Termination Date or (b) engaged in business activities which Grantee knows PNC or any Subsidiary intends to enter within the first twelve (12) months after Grantee's Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section 15.18(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

15.17 "Corporation" means PNC and its Subsidiaries.

15.18 “Detrimental Conduct” means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary; or

(d) any conviction (including a plea of guilty or of *nolo contendere*) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee’s employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee, if Grantee is an “executive officer” of PNC as defined in SEC Regulation S-K, or the CEO, if Grantee is not a PNC executive officer, determines that Grantee has engaged in conduct described in clauses (a) or (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, determines that Grantee will be *deemed* to have engaged in Detrimental Conduct.

15.19 “Disabled” means, unless the Committee determines otherwise, Grantee’s disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

15.20 “Dividend Adjustment Share Units.” Once the Agreement has become effective in accordance with Section 18, for each PNC common stock cash dividend payment date that occurs during the period from and after the Grant Date through and including December 31, 2008 (or, if earlier and if so required by the Agreement, through the date so specified by the Agreement), there will be added, subject to any applicable Plan limits, as of that dividend payment date to the number of Adjusted Target Share Units a number of share units (including fractional share units computed to six decimal places) equal to (i) the amount of the cash dividends that would have been paid on that dividend payment date on the target number of share units, as adjusted for all previous additions to such target number pursuant to this Section 15.20 up to that date, had each such share unit been an issued and outstanding share of PNC common stock on the record date for such dividend, divided by (ii) the Fair Market Value of a share of PNC common stock on that dividend payment date.

Cumulatively, these additional share units are referred to as the “Dividend Adjustment Share Units”, and the Target Share Units as adjusted for the addition of all accrued Dividend Adjustment Share Units are referred to as the “Adjusted Target Share Units”.

15.21 “EPS” for PNC or another Peer, for purposes of the Agreement, is calculated, for a given full year or shorter 3, 6, or 9 month period, as: (a) the publicly-reported diluted earnings per share of such Peer for that year (or shorter 3, 6, or 9 month period) prepared in accordance with GAAP; then (b) adjusted, as applicable, for extraordinary items, discontinued operations, merger integration costs (where such costs, including with respect to PNC, can be reasonably determined from publicly-disclosed financial information), and the impacts of stock splits (whether in the form of a stock split or a stock dividend), all as determined on the basis of publicly-reported financial information. All of the preceding terms, other than merger integration costs, will have the meanings assigned to such terms in accordance with GAAP. EPS will be rounded to the nearest one cent (*e.g.*, \$0.00, with \$0.005 being rounded upward to \$0.01).

The Committee may, in its discretion, direct management to provide additional information to the Committee on the impact that other specified adjustments, applied on a consistent basis to the EPS of each member of the Peer Group, would have had on relative EPS Growth performance, but no such other adjustments will have the effect of increasing the Calculated Maximum Potential Payout Amount or the Final Award.

15.22 “EPS Growth” means, for purposes of the Agreement for a given full covered year, with respect to each of PNC and each other Annual Peer Group member, the percentage obtained by (1) subtracting the EPS (calculated as set forth in Section 15.21) of such Peer for the year immediately preceding the given year from the EPS of such Peer for the given year, and (2) dividing the resulting number by the EPS of such Peer for such preceding year and rounding to the nearest one cent, then (3) expressing the resulting amount as a percent, rounded to the nearest one-hundredth (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

Where the Agreement requires a measurement of EPS Growth with respect to PNC and the other Peers for a given covered period that is a partial rather than a full year, EPS Growth will be measured in the same manner as set forth above but comparing the EPS of each such Peer for the year-to-date period of the given partial year (using full quarters only) to the EPS of such Peer for the comparable period of the immediately preceding year.

15.23 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

15.24 “Fair Market Value” as it relates to a share of PNC common stock means the average of the reported high and low trading prices of a share of PNC common stock on the New York Stock Exchange (or such successor reporting system as PNC may select) on the relevant date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

15.25 "Final Award" means the amount, if any, (a) awarded to Grantee by the Committee in accordance with Section 5.2, or (b) deemed awarded to Grantee pursuant to Section 6. The Final Award will be denominated in share units and will be payable in accordance with Section 7, generally in shares and cash share-equivalents.

15.26 "Final Potential Payout Percentage." The Final Potential Payout Percentage will have the meaning set forth in (a), (b) or (c) below, whichever is applicable in the circumstances.

(a) Where the Performance Period is limited pursuant to Section 6.1 by reason of the occurrence of a Change in Control prior to December 31, 2008 or if a Change in Control occurs on or after December 31, 2008, then the Final Potential Payout Percentage will be the CIC Payout Percentage, calculated as set forth in Section 6(a)(iii)(A) or (B), as applicable.

(b) Where the Performance Period specified by the Agreement is the full three-year period commencing January 1, 2006 through and including December 31, 2008, then, except as otherwise provided in subparagraph (a) above where a Change in Control occurs on or after December 31, 2008, the Final Potential Payout Percentage will be the percentage that is the average (but in no event greater than 200%) of the Annual Potential Payout Percentages for the three full covered years in the Performance Period (*i.e.*, one-third ($\frac{1}{3}$ rd) of the sum of the annual percentages for the full years 2006, 2007 and 2008). If all of the Annual Potential Payout Percentages are 0%, then the Final Potential Payout Percentage will be 0%.

(c) Where the applicable performance measurement date specified by the Agreement is a quarter-end date other than December 31, 2008, then, except as otherwise provided in subparagraph (a) above where the Performance Period is limited pursuant to Section 6 by reason of the occurrence of a Change in Control, the Final Potential Payout Percentage will be a Limited-Period Final Potential Payout Percentage and will be calculated as set forth in Section 15.33.

15.27 "GAAP" means accounting principles generally accepted in the United States of America.

15.28 "Good Reason" means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

15.29 "Grant" means the grant, pursuant to Section 2, to Grantee of an incentive award opportunity of share-denominated Performance Units with the number of Target Share Units specified in the Agreement, subject to the performance conditions, employment conditions, and other terms and conditions of the Agreement and to the Plan.

15.30 "Grant Date" means the Grant Date set forth on page 1 of the Agreement, and is the date the Committee authorized the Grant.

15.31 "Grantee" means the person identified as Grantee on page 1 of the Agreement.

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

15.33 "Limited-Period Final Potential Payout Percentage": Where the Agreement requires the calculation of a Limited-Period Final Potential Payout Percentage and the applicable performance measurement date specified by the Agreement is a quarter-end date other than December 31st of 2006 or 2007, and thus the applicable

Performance Period consists of one or more full years and/or a partial year, then the Limited-Period Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year in the applicable limited Performance Period calculated as follows:

- (a) the sum of (i) four times the sum of the Annual Potential Payout Percentages for the full years in the period, if any, and
- (ii) the number of full completed quarters in the partial year of the applicable limited Performance Period, if any, times the Limited-Period Annual Potential Payout Percentage for that partial year, if any;

divided by

- (b) the total number of quarters in the applicable limited Performance Period.

Where the Agreement requires the calculation of a Limited-Period Final Potential Payout Percentage and the applicable performance measurement date specified by the Agreement is December 31st of 2006 or 2007 and thus the applicable Performance Period consists of one or more full years (and no partial years), then the Limited-Period Final Potential Payout Percentage will be the percentage that is the average (but in no event greater than 200%) of the Annual Potential Payout Percentages for the covered years in the Performance Period (*e.g.*, one-half ($1/2$) of the sum of the two annual percentages if the applicable Performance Period is limited to the full years 2006 and 2007). If all of the Annual Potential Payout Percentages are 0%, then the Limited-Period Final Potential Payout Percentage will be 0%.

15.34 “Limited-Year Annual Potential Payout Percentage” has the meaning set forth in the last two paragraphs of the definition of Annual Potential Payout Percentage in Section 15.3.

15.35 “Peer”. A member of the Peer Group or Annual Peer Group, including PNC, is sometimes referred to as a “Peer”.

15.36 “Peer Group” or “Annual Peer Group” is defined in Section 15.2.

15.37 “Performance Goal(s).” The Performance Goals (“EPS Growth Performance Goal” and “ROCE Performance Goal”) are the level of PNC’s EPS Growth and the level of PNC’s ROCE performance, respectively, relative to the levels of EPS Growth and ROCE performance, respectively, of the other Peer Group members.

15.38 “Performance measurement date” has the meaning set forth in Section 5.1 and refers to the last day of the relevant performance measurement period.

15.39 “Performance Measure(s).” The Performance Measures are EPS Growth and ROCE performance, as defined in Section 15.22 and Section 15.50, respectively.

15.40 "Performance Period" means the period during which each corporate performance criterion of the Performance Units will be measured against the performance standards established by the Committee pursuant to Section 3.2. The Performance Period will be the period commencing January 1, 2006 through (and including) the applicable performance measurement date specified in the Agreement.

Subject to early termination or limitation where so indicated in the Agreement by specifying an earlier performance measurement date, the performance measurement date will be December 31, 2008 and the Performance Period will be the period commencing January 1, 2006 through (and including) December 31, 2008.

If the Performance Period is terminated early or limited pursuant to the terms of the Agreement, it is sometimes referred to as the "limited performance period". The three full years in the full Performance Period (2006, 2007 and 2008), or, if applicable, the full and partial years in the limited performance period, are sometimes referred to as "covered years".

15.41 "Performance Units" means the performance units granted to Grantee in this Grant in accordance with Article 8 of the Plan and denominated in shares of PNC common stock.

15.42 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

15.43 "Plan" means The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan as amended from time to time.

15.44 "PNC" means The PNC Financial Services Group, Inc.

15.45 "Prorate" or "Prorated" means multiplying by a fraction (not to exceed 1) equal to the following:

If the Agreement specifies "prorating by years": (a) the number of full years in the applicable Performance Period, (b) divided by three, which is the number of years in the full 3-year period from January 1, 2006 through December 31, 2008.

If the Agreement specifies "prorating by quarters": (a) the number of full quarters in the applicable Performance Period, (b) divided by twelve, which is the number of quarters in the full 3-year period from January 1, 2006 through December 31, 2008.

15.46 "Qualifying Termination in Anticipation of a Change in Control" Grantee's termination of employment with the Corporation will be deemed to have been a "Qualifying Termination in Anticipation of a Change in Control" for purposes of the Agreement if Grantee's employment was terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason and the circumstances of such termination fall within one of the following:

- (1) such termination of employment by the Corporation without Cause or by Grantee for Good Reason occurred after the occurrence of a CIC Triggering Event but before such triggering event resulted in a Change in Control or a CIC Failure of such event occurred;

-
- (2) such termination of employment was (a) by the Corporation without Cause, and (b) was either (i) at the request of a third party that had taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in anticipation of a Change in Control, and (c) a CIC Coverage Period commences (by reason of the occurrence of either a CIC Triggering Event or a Change in Control) within three (3) months of Grantee's Termination Date; or
- (3) such termination of employment was (a) by Grantee for Good Reason, and (b) the circumstance or event that constitutes Good Reason either (i) occurred at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in anticipation of a Change in Control, and (c) a CIC Coverage Period commences (by reason of the occurrence of either a CIC Triggering Event or a Change in Control) within three (3) months of Grantee's Termination Date.

If Grantee is relying on clause (2) or clause (3) to meet the condition of this definition, Grantee will have the burden of proving that the requirements of such clause have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of clause (2) and clause (3) of this Section 15.46 only, the definition of Change in Control in Section 15.10 will exclude the proviso in Section 15.10(a).

15.47 "Retiree". Grantee is sometimes referred to as a "Retiree" if Grantee Retires, as defined in Section 15.48.

15.48 "Retires" or "Retirement". Grantee "Retires" if his or her employment with the Corporation terminates (a) at any time on or after the first day of the first month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more Subsidiaries. If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement".

15.49 “ROCE” for PNC or another Peer, for purposes of the Agreement for a given full year period, is calculated, on the basis of publicly-reported financial information, as the percentage obtained by (1) dividing the annualized net income of such Peer by average annualized common shareholders’ equity as adjusted by excluding goodwill, all adjusted as applicable for the cumulative effects of accounting changes, extraordinary items, discontinued operations, and merger integration costs, and (2) expressing the resulting amount as a percent, rounded to the nearest one-hundredth (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

Where the Agreement requires a measurement of ROCE with respect to PNC and the other Peers for a given period that is a partial rather than a full year, ROCE for purposes of the Agreement will be calculated in the same manner as set forth above but using net income for such 3, 6 or 9 month period in place of annualized net income and using average common shareholders’ equity for that year-to-date period, as adjusted by excluding goodwill, in place of average annualized common shareholders’ equity excluding goodwill, all on the basis of publicly-reported financial information and all adjusted as applicable as set forth above for the cumulative effects of accounting changes, extraordinary items, discontinued operations, and merger integration costs, and expressed as a percent, rounded to the nearest one-hundredth (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

All of the preceding terms used in this definition of ROCE, other than merger integration costs, will have the meanings assigned to such terms in accordance with GAAP. ROCE, as used in the Agreement, will include adjustments for merger integration costs only where such costs, including with respect to PNC, can be reasonably determined from publicly-disclosed financial information.

The Committee may, in its discretion, direct management to provide additional information to the Committee on the impact that other specified adjustments, applied on a consistent basis to the ROCE of each member of the Peer Group, would have had on relative ROCE performance, but no such other adjustments will have the effect of increasing the Calculated Maximum Potential Payout Amount or the Final Award.

15.50 “ROCE performance” means, for purposes of the Agreement for a given full year period or shorter 3, 6 or 9 month period, with respect to each of PNC and each other Annual Peer Group member, the ROCE of each such Peer for such period, calculated as set forth in Section 15.49.

15.51 “Schedules” mean the Annual Peer Group and Annual Potential Payout Schedules established by the Committee pursuant to Section 3.2 for 2006, 2007 and 2008.

15.52 “SEC” means the United States Securities and Exchange Commission.

15.53 “Section 409A” means Section 409A of the Internal Revenue Code.

15.54 "Subsidiary" means a corporation, bank, partnership, business trust, limited liability company, or other form of business organization that is a consolidated subsidiary of PNC under GAAP.

15.55 "Target Share Units" means the number of share units specified on page 1 of the Agreement as Target Share Units.

15.56 "Termination Date" means Grantee's last date of employment with the Corporation. If Grantee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Grantee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Agreement, Grantee's employment with the Corporation terminates effective at the time this occurs.

15.57 "Transition Factor" has the meaning set forth in Section 6.2.

16. Grantee Covenants.

16.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 16 and 17 by virtue of receiving this Grant of an award opportunity (regardless of whether a Final Award is ultimately determined and delivered or of the size of such Final Award, if any); that such provisions are reasonable and properly required for the adequate protection of the business of the Corporation; and that enforcement of such provisions will not prevent Grantee from earning a living.

16.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 16.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, solicit, call on, do business with, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any Subsidiary for which PNC or any Subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any Subsidiary for which PNC or any Subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any Subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, employ or offer to employ, call on, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any employee of the Corporation, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a CIC Coverage Period (as defined in Section 15.xx), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 16.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

16.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

16.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any Subsidiary or (b) developed with the use of any time, material, facilities or other resources of PNC or any Subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any Subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 16.4 shall be performed by Grantee without further compensation and will continue beyond Grantee's Termination Date.

17. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

17.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for

the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

17.2 Equitable Remedies. A breach of the provisions of any of Sections 16.2, 16.3 or 16.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

17.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 16.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

17.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

17.5 Severability. The restrictions and obligations imposed by Sections 16.2, 16.3 and 16.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

17.6 Reform. In the event any of Sections 16.2, 16.3 and 16.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

17.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 16.2, 16.3 and 16.4.

17.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required

to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

17.9. Compliance with Internal Revenue Code Section 409A It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

18. Acceptance of Grant; PNC Right to Cancel; Effectiveness of Agreement

If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee's delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: _____
Chairman and Chief Executive Officer

ATTEST:

By: _____
Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

SCHEDULE I

* * *

2006 ANNUAL PEER GROUP

* * *

The Peer Group for 2006 will consist of the following members:

BB&T

Bank of New York Company, Inc.

Fifth Third Bancorp

Key Corp.

National City

PNC

Regions Financial Corporation

Sun Trust Banks, Inc.

U.S. Bancorp

Wachovia

Wells Fargo & Company

SCHEDULE II

* * *

2006 ANNUAL POTENTIAL PAYOUT SCHEDULE

* * *

The Annual Potential Payout Percentage for 2006 ("2006 Annual Potential Payout Percentage") will be the average of the 2006 Potential Payout Percentage for EPS Growth performance and the 2006 Potential Payout Percentage for ROCE performance, rounded to the nearest one-hundredth percent (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

If the 2006 Potential Payout Percentage with respect to one of the Performance Measures is 0% but is a positive number with respect to the other measure, the 2006 Annual Potential Payout Percentage will be the percentage that is one-half ($\frac{1}{2}$) of that positive number. If the 2006 Potential Payout Percentage with respect to both of the Performance Measures is 0%, the 2006 Annual Potential Payout Percentage will be 0%.

The 2006 Potential Payout Percentages for EPS Growth and ROCE performance, respectively, will be determined as follows.

(1) Initial Percentages. The initial 2006 potential payout percentage for each Performance Measure (EPS Growth and ROCE performance) will be the percentage that corresponds to PNC's rank with respect to that measure in the following chart.

Peer Group Position with respect to EPS Growth or ROCE Performance	Initial Potential Payout Percentage
Top Performer	200%
#2	180%
#3	160%
#4	140%
#5	120%
#6	100%
#7	80%
#8	60%
#9	40%
#10	0%
#11	0%

Peer Group positions in the chart will be determined by calculating the EPS Growth or ROCE performance, as the case may be, achieved for 2006 by each then existing member of the 2006 Peer Group and then ranking each such member of the 2006 Peer Group by that performance, with the Peer with the best 2006 performance being ranked the Top Performer, the Peer with the second best 2006 performance being ranked #2, and so on.

The initial potential payout percentages by Peer Group position in the chart will remain unchanged even if the number of Peers in the Peer Group by the end of 2006 has been reduced, due, for example, to consolidations, mergers, or other material corporate reorganizations.

(2) Refinements. If PNC achieves the best 2006 EPS Growth or ROCE performance, as the case may be, of any of the then existing members of the 2006 Peer Group (Top Performer ranking), the 2006 Potential Payout Percentage for that Performance Measure will be 200%, subject to Item (3) below. If PNC's 2006 EPS Growth or ROCE performance compared to the 2006 EPS Growth or ROCE performance, as the case may be, of the other then existing Peers ranks PNC as #10 or lower, the 2006 Potential Payout Percentage for that Performance Measure will be 0%.

Otherwise, subject to Item (3) below, the 2006 Potential Payout Percentage with respect to a given Performance Measure will be equal to the following sum ((i) plus (ii)):

(i) the initial potential payout percentage set forth in the chart for the Peer ranking immediately below PNC ("Peer B"),

plus

(ii) X%, where X is the number calculated as set forth below, but not more than 10%.

"X" is the lower of 10% and the following product ((y) times (z)):

(y) the difference between the initial potential payout percentage set forth in the chart for the Peer ranking immediately above PNC ("Peer A") and the initial potential payout percentage set forth in the chart for Peer B,

times

(z) a fraction equal to (a) the difference between PNC's 2006 EPS Growth or ROCE performance, as the case may be, and Peer B's 2006 EPS Growth or ROCE performance, divided by (b) the difference between Peer A's 2006 EPS Growth or ROCE performance, as the case may be, and Peer B's 2006 EPS Growth or ROCE performance.

If there is no Peer B by the end of 2006, then the 2006 Potential Payout Percentage for EPS Growth or ROCE performance, as the case may be, will be the same as the initial potential payout percentage set forth in the chart for PNC's ranking.

(3) Committee Negative Discretion. Once the initial potential payout percentage for PNC's 2006 performance for each performance measure has been determined by reference to the chart in accordance with Item (1) above and has been refined by those adjustments, if any, specified in Item (2), the Committee may, in its discretion, decide to reduce either or both of those percentages but may not increase them.

2006 Performance Unit Incentive Award Opportunity Grant
Performance Period: January 1, 2006—December 31, 2008 (3 Years)
Performance Goals: Annual Levels of Financial Returns from Investing and Proprietary Trading
Activities Achieved by PNC's A&L Unit Relative to Benchmark
100% Vests on Final Award

THE PNC FINANCIAL SERVICES GROUP, INC.
1997 LONG-TERM INCENTIVE AWARD PLAN

* * *
2006 PERFORMANCE UNIT AGREEMENT
* * *

GRANTEE: _____
GRANT DATE: _____, 2006
TARGET SHARE UNITS: _____ share units

1. Definitions. Certain terms used in this 2006 Performance Unit Agreement ("Agreement") are defined in Section 14 or elsewhere in the Agreement.

2. Performance Unit Grant. Pursuant to Article 8 of the Plan (as defined in Section 14.37), The PNC Financial Services Group, Inc. ("PNC") grants to the grantee named above ("Grantee" and "Grant") an incentive award opportunity of share-denominated Performance Units (as defined in Section 14.35) with the number of target share units set forth above ("Target Share Units"). The Grant is subject to the corporate performance conditions, employment conditions, and other terms and conditions of this Agreement and to the Plan, to final award determination, and to Grantee's acceptance of the Grant in accordance with Section 17. Payment of any Final Award (as defined herein) authorized pursuant to the Agreement will be made in cash in an amount equal to the number of share units denominated in the Final Award multiplied by the per share price of PNC common stock on the award date (sometimes referred to in the Agreement as payment in "cash share-equivalents").

In general, the Grant is an opportunity for Grantee to receive, at the end of the applicable performance period, an award in cash share-equivalents based on the degree to which the corporate performance goals specified in the Agreement for PNC's Asset & Liability Unit ("A&L Unit") have been achieved, as determined by the Committee (defined in Section 14.15) and subject to its negative discretion, or otherwise in accordance with the terms of the Agreement, provided that Grantee satisfies the employment conditions specified in the Agreement (or qualifies for a specified exception and is deemed to have satisfied those employment conditions) and the other conditions of the Agreement are met.

The potential maximum award payout that Grantee will be eligible to receive will be denominated in share units and will be expressed as a percentage of the Target Share Units set forth on page 1 of the Agreement. The potential maximum award payout percentage will be determined by the level of financial returns from investing and proprietary trading activities that the A&L Unit achieves relative to benchmark performance (in basis points) for each of the three years in the overall performance period and by the potential award payout schedule established by the Committee, giving equal weight to each of the three covered years, subject to certain limitations or adjustments if there is an early termination or limitation of the performance measurement period (e.g., if Grantee dies or has a qualifying retirement or if there is a Change in Control, as defined herein, during a performance measurement period).

Absent a Change in Control, the Committee will determine the Final Award, if any, that Grantee receives within this calculated maximum potential payout amount, generally in early 2009 (or early in 2007 or 2008 in the event of Grantee's death prior to that time). The Committee may adjust the Final Award downward, but not upward, from this calculated performance-based amount. This potential award payout amount could be as high as 200% of the Target Share Units for A&L Unit performance significantly above the applicable benchmark index as specified by the Agreement for each year of the three-year performance period and if Grantee remains an employee of the Corporation throughout the full three-year performance period, or it could be zero if the A&L Unit fails to achieve a level of performance above the threshold level specified in the Agreement for at least one of the covered years.

Any Final Award payout authorized pursuant to this Grant will be paid in cash share-equivalents. The Grant must still be outstanding at the time Final Award determinations are made for Grantee to be eligible to receive an award, and Final Awards and payment are subject to the terms and conditions set forth in the Agreement and to the Plan.

The Agreement also provides a formula for calculation of the Final Award in the event of a Change in Control of PNC and for the form and timing of payment of any such award.

3. Corporate Performance Conditions. The Grant will be subject to the following corporate performance conditions.

3.1 Performance Goals. The corporate Performance Goals are the levels of financial returns from investing and proprietary trading activities achieved by the A&L Unit relative to the applicable Benchmark Performance Index, as defined in Section 14.5. This performance is measured annually for each year (or shorter partial-year period where required by the Agreement) in the Performance Period.

3.2 Annual Benchmark Performance Index and Annual Potential Payout Schedule: The Committee has determined that the Benchmark Performance Index for each year (or shorter partial-year period where required by the Agreement) in the Performance Period will be the same benchmark performance index that PNC uses internally to evaluate the investment performance of the A&L Unit as in effect as of March 30 of that year, so that, for example, 2006 performance will be compared to PNC's internal performance benchmark index for the A&L Unit in effect on March 30, 2006, 2007 performance will be compared to the performance benchmark index for the A&L Unit in effect on March 30, 2007, *etc.*

The Annual Potential Payout Schedule as established by the Committee is set forth in Schedule I of this Agreement and will apply to each year and/or shorter partial-year period where required by the Agreement in the Performance Period.

3.3 Calculation of Applicable Annual Potential Payout Percentages: After the end of each year of the Performance Period, PNC will: (1) determine the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit for the applicable period and the comparison in basis points of such performance to the applicable Benchmark Performance Index; and (2) calculate the Annual Potential Payout Percentage, as defined in Section 14.2, achieved by the A&L Unit for that year in accordance with the Annual Potential Payout Schedule set forth in Schedule I. Such results will be presented to the Committee.

Where the Agreement requires the calculation of an Annual Potential Payout Percentage for a given period that is less than a full year (e.g., upon certain qualifying terminations or Change in Control), PNC will determine the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit relative to benchmark for that limited period and the Limited-Year Annual Potential Payout Percentage for that limited period as so required by the Agreement.

4. Grantee Service Requirement and Limitation of Potential Award: Early Termination of Grant: The Grant will be subject to the following employment conditions.

4.1 Eligibility for an Award: Employment Conditions and Early Termination of Grant: Grantee will not be eligible to receive a Final Award unless the Grant remains outstanding on the Committee-determined Award Date (as defined in Section 14.4) or as of the end of the day immediately preceding the day on which a Change in Control occurs, if earlier.

The Grant will automatically terminate on Grantee's Termination Date (as defined in Section 14.47) unless an exception is available as set forth in Section 4.2, Section 4.3, Section 4.4 or Section 4.5. Where one or more of the conditions to an exception are post-employment conditions, the Grant will terminate upon the failure of any of those conditions.

In the event that Grantee's employment is terminated by the Corporation for Cause (as defined in Section 14.8), the Grant will automatically terminate on Grantee's Termination Date whether or not the termination might otherwise have qualified for an exception as a retirement or a disability termination pursuant to Section 4.3 or Section 4.4.

In the limited circumstances where the Grant remains outstanding notwithstanding Grantee's termination of employment with the Corporation, Grantee will be eligible for consideration for an award, subject to limitation as set forth in the applicable section of the Agreement. Said award, if any, will be determined and payable at the same time that such an award would have been determined and payable had Grantee remained a Corporation employee, except that in the case of death, the determination and payment of any award may be accelerated if so indicated in accordance with the applicable section of the Agreement.

Any award that the Committee may determine to make after Grantee's death will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

Notwithstanding anything in Section 4 or Section 5 to the contrary, if a Change in Control (as defined in Section 14.10) occurs prior to the time the Committee determines Final Awards pursuant to Section 5.2 (that is, prior to the Committee-determined Award Date), awards will be determined in accordance with Section 6.

4.2 Death While an Employee. If Grantee dies while an employee of the Corporation and prior to the Committee-determined Award Date, the Grant will remain outstanding and Grantee will be eligible for consideration for a prorated award calculated in accordance with Section 5.1(b), with an applicable performance measurement date (as defined in Section 5.1) of the earlier of the last day of the year in which the death occurred and December 31, 2008, payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period (as defined in Section 14.11).

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(b).

4.3 Qualifying Retirement. If Grantee Retires (as defined in Section 14.42) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Grant will remain outstanding post-employment; provided, however, that the Committee may terminate the Grant at any time prior to the Award Date, other than during a CIC Coverage Period, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 14.18). If Grantee is Disabled (as defined in Section 14.19) at the time of Retirement and Section 4.4 is also applicable to Grantee, that subsection will govern rather than this Section 4.3.

Provided that the Grant is still outstanding at that time, Grantee will be eligible for consideration for a prorated award at the time that such an award would have been determined and payable had Grantee remained a Corporation employee, calculated in accordance with Section 5.1(c) with a performance measurement date of the last day of the last full quarter completed on or prior to Grantee's Retirement date, payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period.

If Grantee dies after a qualifying Retirement but before the time set forth above for consideration of an award and provided that the Grant is still outstanding at the time of Grantee's death, the Committee will consider an award for Grantee and make an award determination and any such award will be paid during the year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2008, or in 2009 if the death occurs in 2009 but prior to the Award Date.

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(c).

4.4 Qualifying Disability Termination. If Grantee's employment with the Corporation is terminated by reason of Disability (as defined in Section 14.19) prior to the Committee-determined Award Date, and the termination of employment is not also a termination by the Corporation for Cause, the Grant will remain outstanding post-employment; provided, however, that the Committee may terminate the Grant at any time prior to the Award Date, other than during a CIC Coverage Period, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 14.18).

Provided that the Grant is still outstanding at that time, Grantee will be eligible for consideration for a full award at the time that such an award would have been determined and payable had Grantee remained a Corporation employee, calculated in accordance with Section 5.1(d), payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced by the Committee in the exercise of its negative discretion unless such determination occurs during a CIC Coverage Period. Although Grantee will be eligible for consideration for a full award (Standard Payout Calculation) at the scheduled time, it is anticipated that the Committee will take into account the timing and circumstances of the disability when deciding whether and the extent to which to exercise its negative discretion.

If Grantee dies after a qualifying disability termination but before the time set forth above for consideration of an award and provided that the Grant is still outstanding at the time of Grantee's death, the Committee will consider an award for Grantee and make an award determination and any such award will be paid during the year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2008, or in 2009 if the death occurs in 2009 but prior to the Award Date; provided, however, that the maximum award that may be awarded in these circumstances is the award that could have been authorized had Grantee died while an employee of the Corporation.

In the event that a Change in Control occurs prior to a Committee-determined Award Date, an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(d).

4.5 Qualifying Termination in Anticipation of a Change in Control If Grantee's termination of employment satisfies the conditions set forth in Section 14.40 such that it is a Qualifying Termination in Anticipation of a Change in Control, then the Grant will remain outstanding notwithstanding Grantee's termination of employment with the Corporation and the Grant will not be subject to termination by the Committee for Detrimental Conduct.

To the extent that the conditions set forth in Section 14.40 are conditions that must be satisfied during a stated post-employment period, the Grant will remain outstanding during that period until it is determined that such conditions either have or have not been satisfied. If the conditions are not satisfied, the Grant will terminate unless Grantee meets one of the other exceptions set forth in this Section 4.

If all of the conditions set forth in Section 14.40 are satisfied, Grantee will be eligible for consideration for an award pursuant to Section 5.2, calculated in accordance with Section 5.1(e), or will receive an award pursuant to Section 6, calculated as specified in Section 6.1(e), as applicable.

If Grantee dies after a Qualifying Termination in Anticipation of a Change in Control but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change-in-Control-determined Award Date, Grantee will be eligible for Committee consideration of an award of the greater of the award Grantee could have received had he or she died while an employee of the Corporation or an award determined as set forth in Section 5.1(e). If a Change in Control occurs prior to a Committee-determined Award date, Grantee will be deemed to receive an award in accordance with Section 6.

5. Certification of Performance Results; Calculation of Maximum Potential Payout Amount; and Final Award Determination

5.1 Certification of Attainment of Performance Goals; Calculation of Final Potential Payout Percentage and Calculated Maximum Potential Payout Amount As soon as practicable after December 31, 2008, or after the earlier relevant date if the applicable performance measurement date and potential award date are earlier under the circumstances, PNC will present information to the Committee concerning the following: (1) the levels of financial returns from investing and proprietary trading activities achieved by the A&L Unit for each of the applicable full and partial years for which performance is being measured under the circumstances, and the comparison, in basis points, of such performance to applicable Benchmark Performance Index for each such period; (2) the Annual Potential Payout Percentages determined in accordance with Schedule I for such full and partial years on the basis of the performance achieved by the A&L Unit compared to applicable benchmark for such periods; and (3) the Final Potential Payout Percentage.

Subsections (a), (b), (c), (d) and (e) below set forth additional criteria for the certifications and calculations to be made pursuant to this Section 5.1 under varying circumstances. The last day of the applicable performance measurement period is sometimes referred to as the “performance measurement date.” The time when the certification, calculation and Final Award determination process takes place is sometimes referred to as the “scheduled award determination period,” and the date when a Final Award, if any, is determined and made by the Committee is referred to as the “Committee-determined Award Date” (as set forth in Section 14.4).

Notwithstanding anything in this Section 5 to the contrary, if a Change in Control has occurred, Section 6 will apply.

(a) Non-Exceptional Circumstances – Standard Payout Calculation. Provided that Grantee remains an employee of the Corporation and the Grant remains outstanding such that Grantee remains eligible for consideration for an award, and that a Change in Control has not occurred, the Performance Period will run through December 31, 2008 and the process of certification of the attainment of Performance Goals, calculation of Final Potential Payout Percentage and Calculated Maximum Potential Payout Amount, and determination of the Final Award, if any, will occur in early 2009.

Under the circumstances set forth in this subsection (a) above (“non-exceptional circumstances”), PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

- (i) the applicable performance measurement date will be December 31, 2008;
- (ii) the applicable Performance Period will consist of the full years 2006, 2007 and 2008;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the average of the Annual Potential Payout Percentages for 2006, 2007 and 2008, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to the Final Potential Payout Percentage of the Target Share Units; and

(v) the scheduled award determination period will occur in early 2009.

(b) Death While an Employee. In the event that Grantee dies while an employee of the Corporation and prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 and the Grant remains outstanding pursuant to Section 4.2, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the earlier of the last day of the year in which the death occurred and December 31, 2008;

(ii) the applicable Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the one, two or three full years, as the case may be, in that period;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the average of the Annual Potential Payout Percentages for the full years in the applicable Performance Period, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to (x) the applicable Final Potential Payout Percentage of the Target Share Units, then (y) prorated (as defined in Section 14.39) based on the number of full years in the applicable Performance Period, including the year of death if prior to 2009; and

(v) the scheduled award determination period will occur during the year immediately following the year in which Grantee died (*i.e.*, early in 2007, 2008, or 2009, as the case may be) unless Grantee dies after December 31, 2008 but prior to the Award Date, in which case the scheduled award determination period will occur in 2009.

(c) Retirement. In the event that Grantee Retires prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a qualifying retirement termination set forth in Section 4.3 and the Grant has not been terminated by the Committee prior to the Award Date pursuant to Section 4.3 for Detrimental Conduct and remains outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to Grantee's Retirement date or, if the Retirement date is a quarter-end date, that quarter-end date, but in no event later than December 31, 2008;

(ii) the applicable limited Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the full and partial years in that period;

(iii) the applicable Final Potential Payout Percentage will be a Limited-Period Final Potential Payout Percentage and will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year, if any, in the applicable Performance Period, calculated as set forth in Section 14.30;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of share units equal to (x) the applicable Limited-Period Final Potential Payout Percentage of the Target Share Units, then (y) prorated (as defined in Section 14.39) based on the number of full quarters in the applicable limited Performance Period (*i.e.*, in the period from January 1, 2006 through the applicable performance measurement date); and

(v) the scheduled award determination period will occur in early 2009 as provided in Section 7.1, unless Grantee dies after Retirement but before the beginning of 2008, in which case the scheduled award determination period will occur in early 2007 (if the death occurred in 2006) or early 2008 (if the death occurred in 2007), as the case may be.

In the event that Grantee is Disabled at the time of Retirement and Section 4.4 is also applicable to Grantee, then Section 5.1(d) will govern rather than this Section 5.1(c).

(d) Disability. In the event that Grantee becomes Disabled prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a qualifying disability termination set forth in Section 4.4 and the Grant has not been terminated by the Committee prior to the Award Date pursuant to Section 4.4 for Detrimental Conduct and remains outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the same basis as that set forth in Section 5.1(a), together with such information as the Committee may request concerning the timing and circumstances of the disability.

The scheduled award determination period will occur in early 2009, unless Grantee dies after a qualifying disability termination but before the beginning of 2008, in which case the scheduled award determination period will occur in early 2007 (if the death occurred in 2006) or early 2008 (if the death occurred in 2007), as the case may be, and in any event, the maximum award that may be approved will be the maximum that could have been awarded had Grantee died while an employee of the Corporation.

(e) Termination in Anticipation of a Change in Control. In the event that Grantee ceases to be an employee of the Corporation prior to the regularly scheduled award date for non-exceptional circumstances in early 2009 but Grantee has met the conditions for a Qualifying Termination in Anticipation of a Change in Control set forth in Section 4.5 and the Grant remains outstanding, but a Change in Control has not yet occurred, then:

(1) If a CIC Triggering Event (as defined in Section 14.14) has occurred and has not yet failed (as CIC Failure is defined herein) such that a Change in Control transaction is pending at the regularly scheduled award date, the Grant will remain outstanding and Grantee will be eligible to receive an award pursuant to Section 5.2 on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree and the Committee will have no discretion to reduce the size of such award; and

(2) If the CIC Triggering Event fails prior to the regularly scheduled award date (as CIC Failure is defined in Section 14.12), the Grant will remain outstanding and the Committee will have discretion to authorize an award, pursuant to Section 5.2, to Grantee up to a maximum permitted award calculated on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree, but the Committee will also have discretion to reduce the award as set forth in Section 5.2(b).

If Grantee dies after a Qualifying Termination in Anticipation of a Change in Control but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change-in-Control-determined Award Date, Grantee will be eligible for an award of the greater of the award Grantee could have received had he or she died while an employee of the Corporation or an award determined as set forth above in this Section 5.1(e).

If a Change in Control occurs prior to a Committee-determined Award Date, Grantee will be deemed to receive an award in accordance with Section 6.

5.2 Final Award Determinations by Committee.

(a) Subject to the last sentence in this paragraph, provided that the Grant is still outstanding, that Grantee is either still an employee of the Corporation or qualifies for an exception to the employment condition pursuant to Section 4.2, 4.3, 4.4 or 4.5, and that the Final Potential Payout Percentage is greater than zero, the Committee will have the authority to award to Grantee (“award”) as a Final Award such share-denominated amount as may be determined by the Committee. The Final Award may not exceed the applicable Calculated Maximum Potential Payout Amount, as determined in accordance with Section 5.1, and is subject to the exercise of negative discretion by the Committee pursuant to Section 5.2(b), if applicable. The Committee will not have authority to exercise negative discretion if a CIC Coverage Period has commenced and has not yet ended. If there has been a Change in Control, the Committee’s authority is subject to Section 6.

The date on which the Committee makes its determination as to whether or not it will authorize an award and, if so, the size of the Final Award, if any, it authorizes within the Calculated Maximum Potential Payout Amount determined pursuant to the Agreement is sometimes referred to in the Agreement as the Committee-determined Award Date.

Payment of the Final Award, if any, will be made in cash in accordance with Section 7. If Grantee dies after a Final Award is determined but before payment is made, payment of the Final Award will be made to Grantee's legal representative in accordance with Section 9.

(b) Except during a CIC Coverage Period or after the occurrence of a Change in Control, the Committee may exercise negative discretion with respect to the Grant and may determine, in light of such Corporation or individual performance or other factors as the Committee may deem appropriate, that notwithstanding the levels of financial returns from investing and proprietary trading activities achieved by the A&L Unit relative to benchmark, the Committee will not award Grantee the full Calculated Maximum Potential Payout Amount that the Committee is authorized to award pursuant to Section 5.2(a), or any of such amount.

It is anticipated that the Committee will take into account such factors as absolute A&L Unit financial performance, absolute proprietary trading results, adherence to risk parameters, and Grantee's contributions to the success of other PNC businesses when deciding whether and the extent to which to exercise its negative discretion.

If the Committee so determines to exercise its negative discretion pursuant to this Section 5.2(b), the Final Award, if any, will be reduced accordingly; provided, however, that the Committee may not exercise such negative discretion upon or after the occurrence of a Change in Control (or during the period after the occurrence of a CIC Triggering Event but before such triggering event results in a Change in Control or a CIC Failure of such event occurs).

(c) If a Change in Control occurs prior to the Committee-determined Award Date, the Final Award will be determined in accordance with Section 6 rather than being determined by the Committee under Section 5.2 and will not be subject to the Committee's negative discretion.

6. Change in Control Prior to a Committee-Determined Award Date

6.1 Final Award Calculation

Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control at any time prior to a Committee-determined Award Date pursuant to Section 5.2, (i) the Performance Period, if not already ended, will be limited and will end and (ii) Grantee will be deemed to have been awarded a Final Award in an amount determined as set forth in this Section 6, payable to Grantee or Grantee's legal representative at the time and in the manner set forth in Section 7, provided that the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs and has not already terminated or been terminated in accordance with the terms of Section 4 of the Agreement.

If this Section 6 is applicable and a Final Award is deemed to be awarded pursuant to Section 6, the day the Change in Control occurs will be considered the Award Date for purposes of the Agreement. This date is sometimes referred to in the Agreement as the Change-in-Control-determined Award Date (as set forth in Section 14.4).

(a) Standard CIC Payout Calculation. Provided that Grantee is an employee of the Corporation and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be determined as follows:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to the day the Change in Control occurs, or, if the Change in Control occurs on a quarter-end date, the day the Change in Control occurs, but in no event later than December 31, 2008;

(ii) the applicable Performance Period will be the period commencing on January 1, 2006 and ending on the applicable performance measurement date, and will consist of the full and partial years in that period;

(iii) the applicable Final Potential Payout Percentage will be the 'CIC Payout Percentage', which will be (A) or (B) below, as applicable, (but in no event greater than 200%):

(A) if the Change in Control occurs prior to December 31, 2008, such that the Performance Period is less than three full years, the CIC Payout Percentage will be the higher of (1) 100% and (2) a Limited-Period Final Potential Payout Percentage (calculated as set forth in Section 14.30) of the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year, if any, in the applicable limited Performance Period; and

(B) if the Change in Control occurs on or after December 31, 2008, the CIC Payout Percentage will be the average of the Annual Potential Payout Percentages for the full years 2006, 2007 and 2008;

(iv) the applicable Final Award amount will be the number of share units equal to (x) the CIC Payout Percentage of the Target Share Units, then (y) prorated (as defined in Section 14.39) based on the number of full quarters in the applicable limited Performance Period (*i.e.*, in the period from January 1, 2006 through the applicable performance measurement date); and

(v) the scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee dies after the Change in Control occurs, Grantee's Final Award determined pursuant to this Section 6.1(a) will be payable to Grantee's legal representative in accordance with Section 9.

(b) Death. In the event the Grantee died while an employee of the Corporation and qualified for consideration for an award pursuant to Section 4.2 but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award (payable to Grantee's legal representative in accordance with Section 9) will be in the amount of the lesser of:

- (1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(b) but with no Committee discretion to reduce the amount of the award; and
- (2) the award that would have been payable pursuant to the calculations set forth in Section 6.1(a) had Grantee not died but had been an employee of the Corporation as of the end of day immediately preceding the day the Change in Control occurred.

The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while an employee of the Corporation and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further or different award determination will be made pursuant to this Section 6.1.

(c) Qualifying Retirement. In the event that Grantee Retired prior to the day the Change in Control occurs but Grantee has met the conditions for a qualifying retirement termination set forth in Section 4.3 and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the lesser of:

- (1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(c) but with no Committee discretion to reduce the amount of the award; and
- (2) the award that would have been payable pursuant to the calculations set forth in Section 6.1(a) had Grantee not Retired but had been an employee of the Corporation as of the end of the day immediately preceding the day the Change in Control occurred.

The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while a qualified Retiree and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further

or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change in Control, Grantee's Final Award determined pursuant to this Section 6.1(c) will be payable to Grantee's legal representative in accordance with Section 9.

(d) Disability. In the event that Grantee became Disabled and Grantee's employment terminated prior to the day the Change in Control occurs but Grantee has met the conditions for a qualifying disability termination set forth in Section 4.4 and the Grant is outstanding as of the end of the day immediately preceding the day on which the Change in Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the award that would have been payable pursuant to the calculations set forth in Section 6.1(a) had Grantee still been an employee of the Corporation as of the end of the day immediately preceding the day the Change in Control occurred. The scheduled award determination period will occur as soon as practicable after the occurrence of the Change in Control.

If Grantee died while qualified to receive an award and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change in Control, Grantee's Final Award (payable to Grantee's legal representative in accordance with Section 9) will be the lesser of (i) an award determined in accordance with Section 6.1(a) as if Grantee had been an employee of the Corporation as of the end of the day immediately preceding the day the change in control occurred, and (ii) an award determined in accordance with Section 6.1(b) as if Grantee had died while an employee of the Corporation.

(e) Qualifying Termination in Anticipation of a Change in Control. In the event that Grantee's termination of employment satisfies all of the conditions set forth in Section 4.5 and Section 14.40 for a qualifying termination in anticipation of a change in control such that the Grant is outstanding at the time the Change in Control occurs and Grantee remains eligible for an award, Grantee will receive a Final Award on the following basis, as applicable:

- (1) If the Change in Control occurs within three (3) months of Grantee's Termination Date, Grantee will receive a Final Award on the same basis as a continuing employee of the Corporation as set forth in Section 6.1(a); and
- (2) If the Change in Control occurs more than three (3) months after Grantee's Termination Date but the Grant is outstanding because Grantee's termination of employment qualifies under Section 4.5 and Section 14.40 by, among other conditions, having occurred after or within three months prior to a CIC Triggering Event, Grantee will receive a Final Award on the same basis as a qualifying Retiree, as set forth in Section 6.1(c).

If Grantee died while qualified to receive an award and a Final Award determination was made by the Committee pursuant to Section 5.2 prior to the Change in

Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change in Control, Grantee's Final Award (payable to Grantee's legal representative in accordance with Section 9) will be in the same amount as the Final Award that would have been paid to Grantee pursuant to this Section 6.1(e) had Grantee still been alive on the Change-in-Control-determined Award Date.

6.2 No Committee Discretion. The Committee may not exercise any negative discretion pursuant to Section 5.2(b) or otherwise exercise discretion pursuant to the Agreement in any way that would serve to reduce an award deemed to be made to Grantee pursuant to this Section 6.

6.3 CIC Severance Agreement Coordination. Unless otherwise provided by specific reference to this Agreement, in the event that Grantee is entitled to a severance payment from the Corporation pursuant to a change in control severance agreement, this Grant will not be considered an incentive share award or grant for purposes of that agreement.

7. Payment of Final Award; Termination of Grant as to Any Unawarded Share Units

7.1 Payment of Final Awards Determined by Committee Payment of any Final Award determined by the Committee pursuant to Section 5.2 will be made in cash in an amount equal to the number of share units denominated in the Final Award multiplied by the Fair Market Value (as defined in Section 14.21) of a share of PNC common stock on the Award Date or as otherwise provided in Section 8, if applicable, subject to the payment of applicable withholding taxes as set forth in Section 10.

Determination of eligibility for an award, calculation of the maximum permitted award amount, and a decision by the Committee on whether or not to authorize an award and, if so, the size of such Final Award (the "scheduled award determination process") and then payment of any such Final Award will all generally occur in the first quarter of 2009 or as soon thereafter as practicable after the final data necessary for the Committee to make its award determination is available. In general, it is expected that the Award Date will occur in 2009 and no later than the end of the second quarter of that year, and that payment of a Final Award, if any, will be made as soon as practicable after the Award Date, provided that in no event will payment occur later than March 15, 2010 other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

In the event of Grantee's death prior to the Award Date where Grantee has satisfied all of the conditions of Section 4.2, 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award determination process will occur at the same time and in the same manner that such process would have occurred had Grantee remained an employee of the Corporation, provided that if the death occurs prior to 2008, the

scheduled award determination process will occur in the calendar year immediately following Grantee's death, and (b) payment of a Final Award, if any, will be made during the calendar year immediately following the year in which Grantee died if the death occurs on or prior to December 31, 2008, or in 2009 if Grantee dies in 2009, provided that in no event will payment occur later than December 31st of the calendar year so specified as the year for payment other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

Otherwise, in the event that Grantee is no longer employed by the Corporation but has satisfied all of the conditions of Section 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award determination process will occur at the same time and in the same manner that such process would have occurred had Grantee remained an employee of the Corporation, generally in 2009 during the first quarter of that year, and (b) once the Committee has made its award determination, payment of a Final Award, if any, will be made as soon as practicable after the Award Date, provided that in no event will payment be made earlier than January 1, 2009 or later than December 31, 2009 other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth above in this Section 7.1, and will settle any remaining portion as soon as practicable after such dispute is finally resolved.

7.2 Payment of Final Awards Determined by Section 6 If a Final Award is deemed to be made pursuant to Section 6 rather than determined by the Committee pursuant to Section 5.2, the Final Award is fully vested as of the date of the Change in Control and will be paid in cash in the same manner as specified in the first paragraph of Section 7.1.

Payment of the Final Award will be made by PNC as soon as practicable after the date the Change in Control occurs and the amount of the Final Award is determinable and determined in accordance with Section 6, but in no event later than the 15th day of the third month of the calendar year following the calendar year in which the Change in Control occurs, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth in this Section 7.2, and will settle any remaining portion as soon as practicable after such dispute is finally resolved.

7.3 Final Awards are Fully Vested. The Final Award will be fully vested at the Committee-determined Award Date or as of the date of the Change in Control, as applicable. PNC will deliver any cash payable pursuant to this Section 7 to, or at the proper direction of, Grantee or Grantee's legal representative, as determined in good faith by the Committee.

In the event that Grantee is deceased, payment will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

7.4 Termination of Grant as to Any Unawarded Share Units. Once an award determination has been made by the Committee pursuant to Section 5.2 or a Final Award is deemed to have been made by virtue of the application of Section 6, the incentive award opportunity represented by this Grant will terminate as to any portion of the Performance Units not so awarded.

Termination of all or a portion of the Grant pursuant to this Section 7.4, or pursuant to Section 4, if applicable, will in no way affect Grantee's covenants or the other provisions of Sections 15 and 16.

8. Capital Adjustments.

8.1 Except as otherwise provided in Section 8.2, if applicable, in the event that a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")) occurs prior to the time a Final Award, if any, is paid, the Committee will make those adjustments, if any, in the number and class of the Target Share Units that it deems appropriate to reflect the Corporate Transaction(s) such that the rights of Grantee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation measuring the value per share unit of any share-denominated award authorized for payment to Grantee by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction.

8.2 Upon the occurrence of a Change in Control (or during the period after the occurrence of a CIC Triggering Event and before such triggering event results in a Change in Control or a CIC Failure of such event occurs), (a) the number and class of the Target Share Units will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally and (b) the value per share unit of any share-denominated award that is deemed to be awarded to Grantee in accordance with Section 6 will be measured by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction or Transactions.

9. Prohibitions Against Sale, Assignment, etc.: Payment to Legal Representative

(a) The Grant may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time any Final Award authorized by this Agreement is to be paid, such payment will be made to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Withholding Taxes; Payment Upon Inclusion Under Section 409A. Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection therewith from any Final Award then payable to Grantee.

If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding by payment of cash. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Final Award, no additional withholding may be made.

It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement. In the event that, notwithstanding such intention, the arrangement fails to meet the requirements of Section 409A and the regulations promulgated thereunder, then PNC may at that time permit the acceleration of the time for payment to Grantee under the Agreement notwithstanding any of the other provisions of the Agreement, but any such accelerated payment may not exceed the amount required to be included in Grantee's income as a result of the failure to comply with the requirements of Section 409A and the regulations promulgated thereunder. For purposes of this provision, an amount will be deemed to have been included in Grantee's income if the amount is timely reported on Form W-2 or Form 1099-MISC, as appropriate.

11. Employment. Neither the Grant nor the calculation, determination and payment of any Final Award hereunder nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any Subsidiary (as defined in Section 14.45) to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings: Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

The Agreement constitutes the entire agreement between Grantee and PNC, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties, with respect to the subject matter hereof.

14. Certain Definitions. Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

14.1 "A&L Unit" means the Asset & Liability unit of PNC.

14.2 "Annual Potential Payout Percentage." The Annual Potential Payout Percentage for a given full covered year within the Performance Period (i.e., for 2006, 2007 or 2008) is the percentage determined in accordance with the Annual Potential Payout Schedule set forth in Schedule I of the Agreement on the basis of the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit compared to applicable Benchmark Performance Index for that year, rounded to the nearest one-hundredth percent.

Where the Agreement requires the calculation of an Annual Potential Payout Percentage for a given period that is less than a full year (sometimes referred to as a "partial year" or a "limited year" or "limited period"), then the Annual Potential Payout Percentage for that covered period is sometimes referred to as a "Limited-Year Annual Potential Payout Percentage".

A "Limited-Year Annual Potential Payout Percentage" will be calculated in the same manner as the Annual Potential Payout Percentage for a full covered year except that it will be based on the level of financial returns from investing and proprietary trading activities performance achieved by the A&L Unit compared to applicable Benchmark Performance Index for the year-to-date period (using full quarters only) beginning on January 1 of the given partial year and ending on the performance measurement date specified by the Agreement.

14.3 "Annual Potential Payout Schedule" for a given full or partial covered year means the schedule established by the Committee and set forth in Schedule I of the

Agreement, which sets forth the method by which (1) the Annual Potential Payout Percentage will be calculated for a given full covered year on the basis of the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit compared to applicable Benchmark Performance Index for that year and (2) the Limited-Year Annual Potential Payout Percentage will be calculated for a given partial covered year, if a partial or limited year calculation is required by the Agreement, on the basis of the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit compared to applicable Benchmark Performance Index for the year-to-date period (using full quarters only) beginning on January 1 of the given partial year and ending on the performance measurement date specified by the Agreement.

14.4 “Award Date” means: (1) the date on which the Committee makes its determination as to whether or not it will authorize an award, and if so, as to the size of the Final Award, if any, it authorizes pursuant to Section 5.2 within the permitted Calculated Maximum Potential Payout Amount determined in accordance with the Agreement (sometimes referred to as the “Committee-determined Award Date”); or (2) if a Change in Control has occurred and Grantee is deemed to have been awarded a Final Award pursuant to Section 6, the Award Date will be the date the Change in Control occurs (sometimes referred to as the “Change-in-Control-determined Award Date”).

14.5 “Benchmark Performance Index”. The Benchmark Performance Index for each year in the Performance Period will be the same benchmark performance index that PNC uses internally to evaluate the investment performance of the A&L Unit as in effect as of March 30 of that year, so that, for example, 2006 performance will be compared to PNC’s internal performance benchmark index for the A&L Unit in effect on March 30, 2006, 2007 performance will be compared to the performance benchmark index for the A&L Unit in effect on March 30, 2007, *etc.*

Where the Agreement requires the measurement of performance for a given period that is less than a full year, then the applicable Benchmark Performance Index for that limited period will be the benchmark performance index that PNC uses internally to evaluate the investment performance of the A&L Unit as in effect as of March 30 of the calendar year in which the limited period occurs.

14.6 “Board” means the Board of Directors of PNC.

14.7 “Calculated Maximum Potential Payout Amount” means the maximum size of the award, denominated in share units, that the Committee may award to Grantee based on the degree to which the Performance Goals have been achieved by the A&L Unit and the Annual Potential Payout Schedule established by the Committee and on Grantee’s level of satisfaction, or deemed satisfaction, of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (*e.g.*, in the case of a qualifying retirement).

14.8 “Cause”.

(a) “Cause” during a CIC Coverage Period. If a termination of Grantee’s employment with the Corporation occurs during a CIC Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(ii) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any Subsidiary.

For purposes of the preceding clauses (i) and (ii), no act or failure to act, on the part of Grantee, will be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO, or Grantee’s superior or based upon the advice of counsel for the Corporation, will be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Grantee is given an opportunity, together with counsel, to be heard before the Board.

(b) “Cause” other than during a CIC Coverage Period. If a termination of Grantee’s employment with the Corporation occurs other than during a CIC Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee’s duties;

(ii) a material breach by Grantee of (1) any code of conduct of PNC or a Subsidiary or (2) other written policy of PNC or a Subsidiary, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary;

(iv) any conviction (including a plea of guilty or of *nolo contendere*) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any Subsidiary, that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

The cessation of employment of Grantee will be deemed to have been a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

14.9 "CEO" means the chief executive officer of PNC.

14.10 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a Fundamental Transaction) with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC will not by itself constitute a Change in Control.

14.11 "CIC Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a CIC Coverage Period commences on the date of a CIC Triggering Event, such CIC Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any CIC Coverage Period, another CIC Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

14.12 “CIC Failure” means the following:

(a) with respect to a CIC Triggering Event described in Section 14.14(a), PNC’s shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section 14.14(b), the proxy contest fails to replace or remove a majority of the members of the Board.

14.13 “CIC Payout Percentage” has the meaning set forth in Section 6.1(a)(iii).

14.14 “CIC Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section 14.10; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

14.15 “Committee” means the Personnel and Compensation Committee of the Board, or such person or persons as may be designated by that committee as its delegate.

14.16 “Competitive Activity” means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any Subsidiary (a) engaged in business activities similar to some or all of the business activities of PNC or any Subsidiary as of Grantee’s Termination Date or (b) engaged in business activities which Grantee knows PNC or any Subsidiary intends to enter within the first twelve (12) months after Grantee’s Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section 14.18(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

14.17 “Corporation” means PNC and its Subsidiaries.

14.18 “Detrimental Conduct” means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary; or

(d) any conviction (including a plea of guilty or of *nolo contendere*) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee, if Grantee is an "executive officer" of PNC as defined in SEC Regulation S-K, or the CEO, if Grantee is not a PNC executive officer, determines that Grantee has engaged in conduct described in clauses (a) or (b) above or that an event described in clause (c) above has occurred with respect to Grantee and, if so, determines that Grantee will be *deemed* to have engaged in Detrimental Conduct.

14.19 "Disabled" means, unless the Committee determines otherwise, Grantee's disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

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

14.21 "Fair Market Value" as it relates to a share of PNC common stock means the average of the reported high and low trading prices of a share of PNC common stock on the New York Stock Exchange (or such successor reporting system as PNC may select) on the relevant date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

14.22 "Final Award" means the amount, if any, (a) awarded to Grantee by the Committee in accordance with Section 5.2, or (b) deemed awarded to Grantee pursuant to Section 6. The Final Award will be denominated in share units and will be payable in cash in accordance with Section 7.

14.23 "Final Potential Payout Percentage." The Final Potential Payout Percentage will have the meaning set forth in (a), (b) or (c) below, whichever is applicable in the circumstances.

(a) Where the Performance Period is limited pursuant to Section 6 by reason of the occurrence of a Change in Control prior to December 31, 2008 or if a Change in Control occurs on or after December 31, 2008, then the Final Potential Payout Percentage will be the CIC Payout Percentage, calculated as set forth in Section 6.1(a)(iii)(A) or (B), as applicable.

(b) Where the Performance Period specified by the Agreement is the full three-year period commencing January 1, 2006 through and including December 31, 2008, then, except as otherwise provided in subparagraph (a) above where a Change in Control occurs on or after December 31, 2008, the Final Potential Payout Percentage will be the percentage that is the average (but in no event greater than 200%) of the Annual Potential Payout Percentages for the three full covered years in the Performance Period (*i.e.*, one-third ($\frac{1}{3}$ rd) of the sum of the annual percentages for the full years 2006, 2007 and 2008). If all of the Annual Potential Payout Percentages are 0%, then the Final Potential Payout Percentage will be 0%.

(c) Where the applicable performance measurement date specified by the Agreement is a quarter-end date other than December 31, 2008, then, except as otherwise provided in subparagraph (a) above where the Performance Period is limited pursuant to Section 6 by reason of the occurrence of a Change in Control, the Final Potential Payout Percentage will be a Limited-Period Final Potential Payout Percentage and will be calculated as set forth in Section 14.30.

14.24 “GAAP” means accounting principles generally accepted in the United States of America.

14.25 “Good Reason” means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee’s annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation’s requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee’s office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee’s total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee’s participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee’s participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

14.26 "Grant" means the grant, pursuant to Section 2, to Grantee of an incentive award opportunity of share-denominated Performance Units with the number of Target Share Units specified in the Agreement, subject to the corporate performance conditions, employment conditions, and other terms and conditions of the Agreement and to the Plan.

14.27 "Grant Date" means the Grant Date set forth on page 1 of the Agreement, and is the date the Committee authorized the Grant.

14.28 "Grantee" means the person identified as Grantee on page 1 of the Agreement.

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

14.30 "Limited-Period Final Potential Payout Percentage". Where the Agreement requires the calculation of a Limited-Period Final Potential Payout Percentage and the applicable performance measurement date specified by the Agreement is a quarter-end date other than December 31st of 2006 or 2007, and thus the applicable Performance Period consists of one or more full years and/or a partial year, then the Limited-Period Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the full years, if any, and the Limited-Year Annual Potential Payout Percentage for the partial year in the applicable limited Performance Period calculated as follows:

(a) the sum of (i) four times the sum of the Annual Potential Payout Percentages for the full years in the period, if any, and (ii) the number of full completed quarters in the partial year of the applicable limited Performance Period, if any, times the Limited-Period Annual Potential Payout Percentage for that partial year, if any;

divided by

(b) the total number of quarters in the applicable limited Performance Period.

Where the Agreement requires the calculation of a Limited-Period Final Potential Payout Percentage and the applicable performance measurement date specified by the

Agreement is December 31st of 2006 or 2007 and thus the applicable Performance Period consists of one or more full years (and no partial years), then the Limited-Period Final Potential Payout Percentage will be the percentage that is the average (but in no event greater than 200%) of the Annual Potential Payout Percentages for the covered years in the Performance Period (e.g., one-half ($\frac{1}{2}$) of the sum of the two annual percentages if the applicable Performance Period is limited to the full years 2006 and 2007). If all of the Annual Potential Payout Percentages are 0%, then the Limited-Period Final Potential Payout Percentage will be 0%.

14.31 "Limited-Year Annual Potential Payout Percentage" has the meaning set forth in the last two paragraphs of the definition of Annual Potential Payout Percentage in Section 14.2.

14.32 "Performance Goal(s)." The corporate performance goals are the levels of financial returns from investing and proprietary trading activities achieved by the A&L Unit relative to the applicable Benchmark Performance Index, as defined in Section 14.5. This performance is measured annually for each year (or shorter partial-year period where required by the Agreement) in the Performance Period. Such performance with respect to any given year or partial-year period in the Performance Period is referred to as the Performance Goal for that year or partial-year period. Performance Goals, collectively, refers to the levels of such performance with respect to the entire Performance Period.

14.33 "Performance measurement date" has the meaning set forth in Section 5.1 and refers to the last day of the relevant performance measurement period.

14.34 "Performance Period" means the period during which each corporate performance criterion of the Performance Units will be measured against the performance standards established by the Committee and set forth in the Agreement. The Performance Period will be the period commencing January 1, 2006 through (and including) the applicable performance measurement date specified in the Agreement.

Subject to early termination or limitation where so indicated in the Agreement by specifying an earlier performance measurement date, the performance measurement date will be December 31, 2008 and the Performance Period will be the period commencing January 1, 2006 through (and including) December 31, 2008.

If the Performance Period is terminated early or limited pursuant to the terms of the Agreement, it is sometimes referred to as the "limited performance period". The three full years in the full Performance Period (2006, 2007 and 2008), or, if applicable, the full and partial years in the limited performance period, are sometimes referred to as "covered years".

14.35 "Performance Units" means the performance units granted to Grantee in this Grant in accordance with Article 8 of the Plan and denominated in shares of PNC common stock.

14.36 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

14.37 "Plan" means The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan as amended from time to time.

14.38 "PNC" means The PNC Financial Services Group, Inc.

14.39 "Prorate" or "Prorated" means multiplying by a fraction (not to exceed 1) equal to the following:

If the Agreement specifies "prorating by years": (a) the number of full years in the applicable Performance Period, (b) divided by three, which is the number of years in the full 3-year period from January 1, 2006 through December 31, 2008.

If the Agreement specifies "prorating by quarters": (a) the number of full quarters in the applicable Performance Period, (b) divided by twelve, which is the number of quarters in the full 3-year period from January 1, 2006 through December 31, 2008.

14.40 "Qualifying Termination in Anticipation of a Change in Control." Grantee's termination of employment with the Corporation will be deemed to have been a "Qualifying Termination in Anticipation of a Change in Control" for purposes of the Agreement if Grantee's employment was terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason and the circumstances of such termination fall within one of the following:

- (1) such termination of employment by the Corporation without Cause or by Grantee for Good Reason occurred after the occurrence of a CIC Triggering Event but before such triggering event resulted in a Change in Control or a CIC Failure of such event occurred;
- (2) such termination of employment was (a) by the Corporation without Cause, and (b) was either (i) at the request of a third party that had taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in anticipation of a Change in Control, and (c) a CIC Coverage Period commences (by reason of the occurrence of either a CIC Triggering Event or a Change in Control) within three (3) months of Grantee's Termination Date; or
- (3) such termination of employment was (a) by Grantee for Good Reason, and (b) the circumstance or event that constitutes Good Reason either (i) occurred at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in anticipation of a Change in Control, and (c) a CIC Coverage Period commences (by reason of the occurrence of either a CIC Triggering Event or a Change in Control) within three (3) months of Grantee's Termination Date.

If Grantee is relying on clause (2) or clause (3) to meet the condition of this definition, Grantee will have the burden of proving that the requirements of such clause have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of clause (2) and clause (3) of this Section 14.40 only, the definition of Change in Control in Section 14.10 will exclude the proviso in Section 14.10(a).

14.41 "Retiree". Grantee is sometimes referred to as a "Retiree" if Grantee Retires, as defined in Section 14.42.

14.42 "Retires" or "Retirement". Grantee "Retires" if his or her employment with the Corporation terminates (a) at any time on or after the first day of the first month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more Subsidiaries. If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement".

14.43 "SEC" means the United States Securities and Exchange Commission.

14.44 "Section 409A" means Section 409A of the Internal Revenue Code.

14.45 "Subsidiary" means a corporation, bank, partnership, business trust, limited liability company, or other form of business organization that is a consolidated subsidiary of PNC under GAAP.

14.46 "Target Share Units" means the number of share units specified on page 1 of the Agreement as Target Share Units.

14.47 "Termination Date" means Grantee's last date of employment with the Corporation. If Grantee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Grantee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Agreement, Grantee's employment with the Corporation terminates effective at the time this occurs.

15. Grantee Covenants.

15.1 General. Grantee and PNC acknowledge and agree that Grantee has

received adequate consideration with respect to enforcement of the provisions of Sections 15 and 16 by virtue of receiving this Grant of an award opportunity (regardless of whether a Final Award is ultimately determined and delivered or of the size of such Final Award, if any); that such provisions are reasonable and properly required for the adequate protection of the business of the Corporation; and that enforcement of such provisions will not prevent Grantee from earning a living.

15.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 15.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, solicit, call on, do business with, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any Subsidiary for which PNC or any Subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any Subsidiary for which PNC or any Subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any Subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, employ or offer to employ, call on, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any employee of the Corporation, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a CIC Coverage Period (as defined in Section 14.11), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 15.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

15.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee,

other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

15.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any Subsidiary or (b) developed with the use of any time, material, facilities or other resources of PNC or any Subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any Subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 15.4 shall be performed by Grantee without further compensation and will continue beyond Grantee's Termination Date.

16. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

16.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

16.2 Equitable Remedies. A breach of the provisions of any of Sections 15.2, 15.3 or 15.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

16.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 15.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

16.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

16.5 Severability. The restrictions and obligations imposed by Sections 15.2, 15.3 and 15.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

16.6 Reform. In the event any of Sections 15.2, 15.3 and 15.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

16.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 15.2, 15.3 and 15.4.

16.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

16.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

17. Acceptance of Grant; PNC Right to Cancel; Effectiveness of Agreement.

If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee's delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee, the Agreement is effective.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: _____
Chairman and Chief Executive Officer

ATTEST:

By: _____
Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

SCHEDULE I

* * *

ANNUAL POTENTIAL PAYOUT SCHEDULE

* * *

Final Award determination pursuant to Section 5 of the Agreement or Final Award calculation pursuant to Section 6 of the Agreement, as applicable, requires the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, each as defined in the Agreement, for awards determined pursuant to Section 5, or, for awards determined pursuant to Section 6, the CIC Payout Percentage and calculated final award, as applicable. Those calculations, in turn, take into account the degree to which the corporate Performance Goals have been achieved by the A&L Unit, as measured annually and expressed as the Annual Potential Payout Percentages for each of the three years and/or shorter partial-year period where required by the Agreement (*e.g.*, in the case of certain qualifying terminations of employment or change in control) in the overall Performance Period.

This Schedule I will be applied in order to determine the Annual Potential Payout Percentage for each year or partial-year period in the Performance Period, including the Limited-Year Annual Potential Payout Percentage for a partial year where there is a limitation of the overall performance period required by the Agreement and such limited performance period includes a partial year.

This Schedule I assigns an Annual Potential Payout Percentage (ranging from 0% up through 200%) to levels of annual performance relative to benchmark as set forth in the following table, with interpolated percentages for performance between the indicated points on the table rounded to the nearest one-hundredth percent (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%) so that the payout schedule operates on a sliding scale; provided, however, that in no event will an Annual Potential Payout Percentage be greater than 200% or less than 0%.

Annual Performance Relative to Benchmark	Annual Potential Payout Percentage
40 basis points or higher	200%
20 basis points	150%
0 basis points (at Benchmark)	100%
-10 basis points	40%
-15 basis points or below	0%

The annual performance referred to in the table above is the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit for the given year as compared to the applicable Benchmark Performance Index as defined by the Agreement for that year. This annual performance is expressed as the number of basis points by which the specified A&L Unit performance exceeds or falls short of benchmark performance, with 0 basis points indicating performance at the benchmark level.

Where a Limited-Year Annual Potential Payout Percentage is required by the Agreement, the “annual performance” referred to in the table above is the level of financial returns from investing and proprietary trading activities achieved by the A&L Unit as compared to the Benchmark Performance Index applicable in accordance with the Agreement for the year-to-date period (using full quarters only) beginning on January 1 of the given partial year and ending on the performance measurement date specified by the Agreement.

Committee Negative Discretion. Once the annual potential payout percentage for A&L Unit performance achieved for the relevant year or partial-year period has been determined by reference to the table above, including interpolation where required, the Committee may (other than during a CIC Coverage Period) decide, in its discretion, to reduce that percentage but may not increase it.

CHANGE IN CONTROL SEVERANCE AGREEMENT

THIS CHANGE IN CONTROL SEVERANCE AGREEMENT dated as of _____, 2006 (the "Agreement") is made by and between The PNC Financial Services Group, Inc., a Pennsylvania corporation, and _____ ("Executive").

WHEREAS, the Board of Directors of the Company has determined that it is in the best interests of the Company and its shareholders to enter into agreements with the Company's senior executives regarding change in control severance benefits, and Executive is a Company senior executive;

WHEREAS, the Company and Executive have previously entered into a severance agreement dated _____, and the Company has determined, upon Executive's promotion to the Corporate Executive Group level, that it would be appropriate to supercede and replace that agreement with this Agreement;

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

1. Defined Terms. The definitions of capitalized terms used in the Agreement are provided in Section 8 and elsewhere in the Agreement.

2. Term of Agreement. The Agreement shall commence on the date hereof and shall remain in effect until Executive attains age sixty-five (65); provided, however, that (a) the Company may terminate the Agreement, at any time other than during a Coverage Period, if the Company gives Executive at least one (1) year advance written notice of termination (which notice shall have no effect if the proposed date of termination falls within a Coverage Period) and the Company terminates the Agreement simultaneously with all similar agreements with other Company executives and (b) unless the Committee determines otherwise, the Agreement shall terminate if at any time after the date hereof, other than during a Coverage Period, Executive is classified below Corporate Executive Group level or equivalent successor classification. Notwithstanding the foregoing, any outstanding obligations of the Company and Executive hereunder arising from a termination of Executive's employment shall survive the termination of the Agreement until such obligations have been fulfilled.

3. Company's Covenants Summarized. In order to induce Executive to remain in the employ of the Company and in consideration of Executive's covenants set forth in Section 4, the Company agrees, under the terms and conditions set forth herein, that, in the event Executive's employment with the Company is terminated during a Coverage Period, the Company will provide Executive the benefits and pay Executive the amounts specified in Section 5.

4. Executive's Covenants.

4.1 No-Raid. Executive agrees that, in the event Executive's employment with the Company is terminated for any reason whatsoever, and as a result of such termination Executive is entitled to receive the Severance Benefits, Executive will not, for a period of one (1) year after the Date of Termination, employ or offer to employ, solicit, actively interfere with the Company's or any Company affiliate's relationship with, or attempt to divert or entice away, any officer of the Company or any Company affiliate.

4.2 Nondisclosure. During Executive's employment with the Company and thereafter, Executive shall not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, other than (i) information that is generally known in the Company's industry or acquired from public sources, (ii) as required in the course of such employment, (iii) as required by any court, supervisory authority, administrative agency or applicable law, or (iv) with the prior written consent of the Company.

5. Benefits and Rights upon Termination of Employment

5.1 General Termination Rights and Benefits. If Executive's employment by the Company is terminated for any reason (whether by the Company or Executive) during a Coverage Period, the Company shall pay to Executive the payments described in Subsections (a) and (b) below.

(a) Pre-Termination Benefits. The Company shall pay Executive's base salary to Executive through the Date of Termination in accordance with the Company's normal payment practices at the highest rate in effect during the sixty (60) day period preceding the date the Notice of Termination is given, together with all other compensation and benefits payable to Executive through the Date of Termination under the terms of any compensation or benefit plan, program or arrangement maintained by the Company during such period.

(b) Post-Termination Benefits. The Company shall pay Executive's normal post-termination compensation and benefits to Executive as such payments become due. Such post-termination compensation and benefits shall be determined under, and paid in accordance with, the Company's retirement, insurance, pension, welfare and other compensation or benefit plans, programs and arrangements.

5.2 Severance Benefits. In addition to the payments provided for by Section 5.1, but subject to Section 7.16, the Company shall pay to Executive the payments described in Subsections (a) through (f) below (the "Severance Benefits") upon termination of Executive's employment with the Company during a Coverage Period, unless such termination is (i) by the Company for Cause, (ii) by reason of Executive's death, (iii) after Executive attains age sixty-five (65) or (iv) by Executive without Good Reason.

(a) Lump-Sum Severance Payment. In lieu of any further salary payments to Executive for periods subsequent to the Date of Termination, the Company will pay to Executive a lump sum severance payment, in cash, equal to: (i) the Classification Factor (or, if less, the Retirement Factor) times the sum of (x) Executive's Annual Base Salary and (y) Executive's Annual Bonus; plus (ii) the Matching Amount, if any; plus (iii) the Incentive Shares Amount, if any.

(b) Bonus.

(i) Termination Year Bonus. The Company shall pay to Executive a lump sum cash payment at a minimum equal to the product of (x) Executive's highest annual base salary in effect during the one (1) year period preceding Executive's Date of Termination and (y) Executive's highest Target Percentage in effect during the fiscal year preceding the Termination Year.

(ii) Preceding Fiscal Year Bonus. To the extent that as of the Date of Termination the Company has not yet determined and paid to Executive any incentive award to which Executive is entitled under any Company incentive plan or program with respect to the fiscal year preceding the Termination Year, the Company shall also pay to Executive a lump sum cash payment at a minimum equal to the product of (x) Executive's highest annual base salary in effect during such fiscal year and (y) Executive's highest Target Percentage in effect during such fiscal year.

(iii) General. Any payment made to Executive under Section 5.2(b) shall be deemed to be a payment made in fulfillment of the Company's then existing or future annual bonus obligations (whether payable in cash or in Company stock), if any, to Executive under any Company annual incentive compensation plan or program with respect to such fiscal years, including any portion of such bonus payable in the form of Company stock.

(c) Continued Welfare Benefits.

(i) Commencing on the Date of Termination and continuing thereafter for the number of months equal to the product of twelve (12) and the Classification Factor (or, if less, the Retirement Factor) (such period is referred to herein as the "Benefits Period"), the Company shall provide Executive with life insurance (including group term and supplemental executive life insurance), health insurance and long-term disability insurance benefits ("Welfare Benefits") substantially similar in all respects to those which Executive was receiving immediately prior to the Notice of Termination. The receipt of such Welfare Benefits shall be conditioned upon Executive continuing to pay the premiums for such Welfare Benefits that Executive paid immediately prior to the Notice of Termination.

(ii) Benefits otherwise receivable by Executive pursuant to Section 5.2(c) (and the corresponding premium payments made by Executive therefor)

shall be reduced to the extent substantially similar benefits are actually received by or made available to Executive by any other employer during the Benefits Period at a cost to Executive that is commensurate with the cost incurred by Executive immediately prior to the Notice of Termination; provided, however, that if Executive becomes employed by a new employer that maintains a medical plan that either (i) does not cover Executive or a family member or dependent with respect to a preexisting condition that was covered under the applicable Company medical plan, or (ii) does not cover Executive or a family member or dependent for a designated waiting period, Executive's coverage under the applicable Company medical plan shall continue (but shall be limited in the event of noncoverage due to a preexisting condition, to such preexisting condition) until the earlier of (x) the end of the applicable period of noncoverage under the new employer's plan and (y) the end of the Benefits Period. Executive agrees to report to the Company any coverage and benefits actually received by or made available to Executive from such other employer(s).

(iii) During the Benefits Period, Executive shall be entitled to elect to change Executive's level of coverage and/or choice of coverage options (such as Executive only or family medical coverage) with respect to the Welfare Benefits to be provided by the Company to Executive to the same extent that actively employed senior executives of the Company are permitted to make such changes; provided, however, that in the event of any such changes the premiums paid by Executive for such Welfare Benefits shall reflect any cost increase or decrease that would actually be paid or received by an actively employed senior executive of the Company who made the same changes.

(iv) For purposes of Section 5.2(c), any measurement of Welfare Benefits, premium payments, or costs that is based on the Welfare Benefits, premium payments or costs that Executive was receiving, paying or incurring immediately prior to the Notice of Termination shall be determined without giving effect to any change thereto during the Coverage Period which constituted Good Reason pursuant to Section 8.19(e).

(v) To the extent that the Company is unable to provide Executive with any of the Welfare Benefits required by Section 5.2(c) under the Company's benefit plans, the Company shall either (i) purchase such Welfare Benefits for Executive or (ii) to the extent that Executive is able to purchase such Welfare Benefits, pay to Executive a cash payment equal, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, to the cost thereof, in either case reduced by an amount equal to the premiums that Executive would have paid for such Welfare Benefits under the applicable Company benefit plans immediately prior to the Notice of Termination, as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable.

(vi) To the extent that the Welfare Benefits required to be provided to Executive pursuant to Section 5.2(c) are group health benefits within the meaning of Section 4980B of the Code, the Company may, in its discretion, unless Executive has elected or is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits

Executive was receiving immediately prior to the Notice of Termination, provide such benefits (hereafter referred to as “COBRA Welfare Benefits”) to Executive during any portion of the Benefits Period that Executive is entitled to elect and receive continuation coverage (within the meaning of Section 4980B of the Code) with respect to such COBRA Welfare Benefits by (i) requiring Executive to elect continuation coverage with respect to such COBRA Welfare Benefits as the Company may designate and (ii) reimbursing Executive in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, so that the net cost to Executive of receiving such COBRA Welfare Benefits is not in excess of the cost to Executive provided for by Section 5.2(c)(i), as adjusted pursuant to Sections 5.2(c)(iii) and/or (iv) if applicable.

(vii) If, as of the Date of Termination, Executive is eligible to elect coverage under a Company-sponsored retiree medical plan or plans that provide medical benefits substantially similar to the medical benefits Executive was receiving immediately prior to the Notice of Termination, the Company may, in its discretion, provide medical benefits to Executive pursuant to Section 5.2(c) by (i) requiring Executive to elect coverage under the Company’s retiree medical plan or plans, and (ii), to the extent, if any, that Executive’s retiree medical premiums exceed the premiums for Company medical benefits that Executive paid immediately prior to the Notice of Termination (as adjusted pursuant to section 5.2(c)(iv) if applicable), paying Executive in cash an amount equal to such difference, such payment to be made on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive.

(viii) If Executive elects retiree medical coverage on or prior to the Date of Termination and has a post-retirement medical account (“PRMA”) under a Company-sponsored post-retirement medical account plan (“PRMA Plan”) as of the Date of Termination, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of Section 5.2(c)(viii): (A) “Adjusted PRMA Amount” means the amount that would have been Executive’s PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected not to have retiree medical premiums deducted from Executive’s PRMA during the Benefits Period, and (iii) Executive’s PRMA was credited with interest at each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) “Date of Termination PRMA Amount” means the amount of Executive’s PRMA balance as of the Date of Termination.

For purposes of Section 5.2(c)(viii), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately

prior to the Date of Termination or, if the PRMA Plan has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(ix) If a PRMA would have been established for Executive under the PRMA Plan had Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, or if Executive would have had a PRMA as of the Date of Termination had the PRMA Plan not been terminated or amended during the Coverage Period in which the Date of Termination occurs, then the Company shall pay to Executive a lump sum amount in cash, on an after-tax basis taking into account any deductibility by Executive of premium payments made by Executive, equal to the difference between (1) the Adjusted PRMA Amount and (2) the Date of Termination PRMA Amount. For purposes of Section 5.2(c)(ix): (A) "Adjusted PRMA Amount" means the amount that would have been Executive's PRMA balance as of the last day of the Benefits Period assuming that (i) Executive remained employed as a full-time employee after the Date of Termination through the last day of the Benefits Period, (ii) Executive elected retiree medical coverage on or prior to the Date of Termination but elected not to have retiree medical premiums deducted from Executive's PRMA during the Benefits Period, and (iii) Executive's PRMA was credited with interest at each year end during the Benefits Period at the same rate as for the year end immediately preceding the Date of Termination or the year end immediately preceding the commencement of the Coverage Period in which the Date of Termination occurs, whichever rate is higher; and (B) "Date of Termination PRMA Amount" means the amount of Executive's PRMA balance as of the Date of Termination.

For purposes of Section 5.2(c)(ix), all determinations and calculations will be made on the basis of the terms and conditions of the PRMA Plan as in effect immediately prior to the Date of Termination or, if the PRMA Plan is no longer in effect on the Date of Termination or has been amended during the Coverage Period in which the Date of Termination occurs so as to adversely affect in any manner the amount of Executive's PRMA thereunder, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

(x) All group health benefits provided to Executive pursuant to Section 5.2(c) shall constitute continuation coverage for purposes of Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended, and Section 4980B of the Code to the maximum extent permitted thereby.

(d) Other Benefits. The Company shall pay to Executive a lump sum cash payment equal to the product of (i) the Classification Factor (or, if less, the Retirement Factor) and (ii) the greater of (x) the Perquisites Allowance paid or payable by the Company to Executive for the Termination Year and (y) the Perquisites Allowance paid or payable by the Company to Executive for the fiscal year immediately preceding the commencement of the Coverage Period.

Any club membership bond or certificate held by the Company on behalf of Executive shall be transferred to Executive as appropriate to enable Executive to retain such club membership.

In addition, during the Benefits Period, the Company shall continue to pay for and provide Executive with access to personal financial consulting services that are substantially similar to that which the Company provided Executive with during the fiscal year immediately preceding the Termination Year.

(e) Pension Benefits.

(i) Pension Plan Benefits.

(1) The pension benefits accrued by Executive under the Pension Plan, the Excess Plan, and the SERP (the "Company Pension Plans") shall be paid to Executive in accordance with the terms of such plans.

(2) In the event that any amendments are made to the Company Pension Plans during the Coverage Period that adversely affect in any manner the amount of pension benefits payable to Executive under the Company Pension Plans, then the Company shall also pay to Executive a lump sum amount, in cash, equal to the difference between (A) the amount that would have been payable on a lump sum basis as of the Date of Termination without giving effect to such amendments and (B) the amount actually paid or payable on a lump sum basis as of the Date of Termination.

(ii) Benefits Period and Other Pension Accruals. In addition to amounts payable to Executive pursuant to the Company Pension Plans, the Company shall pay to Executive a lump sum amount, in cash, equal to the discounted present value of the difference between (1) the Adjusted Lump Sum Amount and (2) the Date of Termination Lump Sum Amount. Such discounted present value shall be calculated using an interest rate equal to the Applicable Interest Rate in effect under the Pension Plan as of the Date of Termination. For purposes of Section 5.2(e): "Adjusted Lump Sum Amount" means the total amount that would be distributed to Executive in the form of lump sum payments under the Company Pension Plans assuming that: (A) Executive (I) remained employed (after the Date of Termination) for the Benefits Period, (II) was compensated during the Benefits Period at Executive's Annual Base Salary and Annual Bonus, (III) received no prior distributions under the Company Pension Plans at the Date of Termination, (IV) was fully vested under the Company Pension Plans, and (V) elected to receive Executive's accrued benefits under the Company Pension Plans in the form of lump sum distributions payable as of the last day of the Benefits Period; (B) the Applicable Interest Rate for purposes of determining the lump sum amounts to be distributed under the Company Pension Plans as of the last day of the Benefits Period is the Applicable Interest Rate in effect for purposes of the Company Pension Plans as of the Date of Termination; and (C) the Interest Credits in effect for each calendar quarter during the Benefits Period are determined based on the Applicable Interest Rate for purposes of the Company Pension Plans as of the Date of Termination. For purposes of

Section 5.2(e), "Date of Termination Lump Sum Amount" means the total amount, not taking into account any amounts that were not vested at the Date of Termination, that would be distributed to Executive in the form of lump sum payments from the Company Pension Plans assuming that Executive elected to receive the distribution of Executive's accrued benefits under the Company Pension Plans in the form of lump sum distributions payable as of the Date of Termination.

(iii) Increased Pension Benefits. If Executive has attained the age of 49 but has not yet attained the age of 59 on the Date of Termination, all benefits payable to Executive under Section 5.2(e)(i) and Section 5.2(e)(ii) shall be increased by a percentage factor (the "Pension Increase Factor") determined by reference to the age Executive will have attained on the last day of the Benefits Period (determined assuming Executive survives to such date) as set forth in Annex A to the Agreement. The Company shall pay such increased benefits in a lump sum, in cash, at the time set forth in Section 5.4.

(iv) No Adverse Effect. The determinations and calculations made pursuant to Sections 5.2(e)(ii) and (iii) shall be made without giving effect to any amendments made to the Company Pension Plans during the Coverage Period that adversely affect in any manner the amount of pension benefits payable to Executive under the Company Pension Plans.

(f) Disability Benefit Offset. If, as of the Date of Termination, Executive is eligible to receive disability benefits under one or more of the Company's or one of its affiliates' long-term disability plans that cover Executive (collectively, the "LTD Plan") because of a determination that Executive is totally or partially disabled, then:

(i) the aggregate lump-sum cash payment to be paid to Executive pursuant to Section 5.2(a) shall be reduced (but not to less than zero) by the product of (x) the gross annualized cash disability benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the Classification Factor (or, if less, the Retirement Factor);

(ii) notwithstanding Section 5.2(f)(i), if Executive ceases to receive disability benefits under the LTD Plan prior to the expiration of a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor), then the Company shall promptly pay to Executive an additional lump-sum cash payment equal to the difference between (x) the amount by which the aggregate lump-sum cash payment made to Executive pursuant to Section 5.2(a) was reduced by reason of Section 5.2(f)(i) and (y) the total gross amount of the cash disability benefits paid to Executive pursuant to the LTD Plan during the period from the Date of Termination until the date disability benefit payments to Executive pursuant to the LTD Plan ceased; and

(iii) for purposes of Benefits Period pension and SERP accruals pursuant to Section 5.2(e)(ii), Executive's Annual Base Salary and Annual Bonus together shall not be less than the greater of (x) the gross annualized cash disability

benefit that is payable to Executive pursuant to the LTD Plan as of the Date of Termination and (y) the amount of compensation taken into account for purposes of Executive's earnings credits under the relevant Company Pension Plans immediately prior to the Date of Termination annualized.

5.3 Gross-Up Payment; Certain Limitations on Payments and Benefits.

(a) In the event that (i) Executive becomes entitled to the Severance Benefits or any other benefits or payments in connection with a Change in Control or the termination of Executive's employment, whether pursuant to the terms of the Agreement or otherwise (collectively, the "Total Benefits"), and (ii) any of the Total Benefits will be subject to the Excise Tax, the Company shall pay to Executive an additional amount (the "Gross-Up Payment") such that the net amount retained by Executive from the Gross-Up Payment, after deduction of any federal, state and local income taxes, Excise Tax, and FICA and Medicare withholding taxes upon the Gross-Up Payment, shall be equal to the Excise Tax on the Total Benefits. For purposes of determining the amount of such Excise Tax, the amount of the Total Benefits that shall be treated as subject to the Excise Tax shall be equal to (i) the Total Benefits, minus (ii) the amount of such Total Benefits that, in the opinion of tax counsel selected by the Company and reasonably acceptable to Executive ("Tax Counsel"), are not excess parachute payments (within the meaning of Section 280G(b)(1) of the Code).

(b) For purposes of Section 5.3, Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Excise Tax is (or would be) payable and state and local income taxes at the highest marginal rate of taxation in the state and locality of Executive's residence on the Date of Termination, net of the reduction in federal income taxes which could be obtained from deduction of such state and local taxes (calculated by assuming that any reduction under Section 68 of the Code in the amount of itemized deductions allowable to Executive applies first to reduce the amount of such state and local income taxes that would otherwise be deductible by Executive). Except as otherwise provided herein, all determinations required to be made under Section 5.3 shall be made by Tax Counsel, which determinations shall be conclusive and binding on Executive and the Company absent manifest error.

(c) In the event that the Excise Tax on the Total Benefits is subsequently determined to be less than the amount taken into account hereunder at the time of termination of Executive's employment, Executive shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the Gross-Up Payment attributable to such reduction (plus that portion of the Gross-Up Payment attributable to the Excise Tax, federal, state and local income taxes and FICA and Medicare withholding taxes imposed on the Gross-Up Payment being repaid by Executive to the extent that such repayment results in a reduction in any such taxes and/or a federal, state or local income tax deduction) plus Interest on the amount of such repayment for the period that the applicable portion of the Gross-Up Payment being repaid was held by Executive. In the event that the Excise Tax on the Total Benefits is

determined to exceed the amount taken into account hereunder at the time of the termination of Executive's employment (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-Up Payment), the Company shall make an additional Gross-Up Payment (which shall be calculated by Tax Counsel in the same manner and using the same assumptions as set forth in Sections 5.3(a) and 5.3(b)) to Executive in respect of such excess (plus any interest, penalties or additions payable by Executive with respect to such excess to the Internal Revenue Service or any other federal, state, local or foreign taxing authority) at the time that the amount of such excess is finally determined.

5.4 Timing of Payments. The payments provided for in Sections 5.1 through 5.3 (other than Section 5.1(b), Sections 5.2(c)(i) through (vii), Section 5.2(e)(i)(1), Section 5.2(f)(ii), and the last paragraph of Section 5.2(d)) shall be made on the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to Executive on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments. The Company shall pay the remainder of such payments (together with Interest from the Date of Termination to the payment of such remainder) as soon as the amount thereof can be determined, but in no event later than the thirtieth (30th) day after the Date of Termination. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to Executive, payable on the fifth (5th) business day after written demand by the Company to Executive (together with Interest from the Date of Termination to the repayment of such excess).

5.5 Reimbursement of Legal Costs. The Company shall pay to Executive all reasonable legal fees and expenses incurred by Executive as a result of a bona fide dispute regarding the application of any provision of the Agreement including all such fees and expenses, if any, incurred (i) in disputing any Notice of Termination under Section 6.2, (ii) in seeking to obtain or enforce any right or benefit provided by the Agreement or (iii) in connection with any tax audit or proceeding to the extent attributable to the application of Section 4999 of the Code to any of the Total Benefits. Such payments shall be made within five (5) business days after delivery of Executive's respective written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

6. Termination Procedures.

6.1 Notice of Termination. During a Coverage Period or pursuant to Section 7.2 or Section 7.3, any termination of Executive's employment (other than by reason of death), whether or not Executive's employment status was classified as active at the time of termination, must be preceded by a written Notice of Termination from one party hereto to the other party hereto in accordance with Section 7.6. For purposes of the Agreement, a "Notice of Termination" shall mean a notice that shall (i) specify Executive's date of termination (the "Date of Termination") which shall not be more than sixty (60) days from the date such Notice of Termination is given, (ii) indicate the

notifying party's opinion regarding the specific provisions of the Agreement that will apply upon such termination and (iii) set forth in reasonable detail the facts and circumstances claimed to provide a basis for the application of the provisions indicated. Termination of Executive's employment shall occur on the specified Date of Termination even if there is a dispute between the parties pursuant to Section 6.2 relating to the provisions of the Agreement applicable to such termination.

6.2 Dispute Concerning Applicable Termination Provisions. If within thirty (30) days of receiving the Notice of Termination the party receiving such notice notifies the other party that a dispute exists concerning the provisions of the Agreement that apply to such termination, the dispute shall be resolved either (i) by mutual written agreement of the parties or (ii) by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected). The parties shall pursue the resolution of such dispute with reasonable diligence. Within five (5) business days of such a resolution, any party owing any payments pursuant to the provisions of the Agreement shall make all such payments together with Interest accrued thereon.

7. Miscellaneous.

7.1 No Mitigation. Executive is not required to seek other employment or to attempt in any way to reduce any amounts payable to Executive by the Company pursuant to the Agreement. The amount of any payment or benefit provided for under the Agreement (other than to the extent provided in Section 5.2(c), Section 5.2(f) and Section 7.16) shall not be reduced by any compensation earned by Executive as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by Executive to the Company, or otherwise.

7.2 Successors. In addition to any obligations imposed by law upon any successor to the Company, the Company shall be obligated to require any successor (whether direct or indirect and whether by purchase, merger, consolidation, operation of law, or otherwise) to all or substantially all of the business, property and/or assets of the Company to expressly assume and agree to perform the Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; in the event of such a succession, references to the "Company" herein shall thereafter be deemed to include such successor. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of the Agreement. Such breach shall entitle Executive to terminate Executive's employment at any time within six (6) months of such succession and thereafter to receive compensation and benefits from the Company in the same amount and on the same terms as Executive would be entitled to hereunder if Executive were to terminate Executive's employment for Good Reason during a Coverage Period. Failure of Executive to exercise any right to terminate Executive's employment pursuant to Section 7.2 shall not affect any other right of Executive under the Agreement.

7.3 Terminations in Anticipation of Change in Control. Executive's employment shall be deemed to have been terminated by the Company without Cause during a Coverage Period if Executive's employment is terminated by the Company without Cause not during a Coverage Period and such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control, or (b) otherwise arose in anticipation of a Change in Control.

Executive's employment shall be deemed to have been terminated by Executive for Good Reason during a Coverage Period if Executive terminates Executive's employment with Good Reason not during a Coverage Period and the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control.

In the event of a termination of employment described in Section 7.3, Executive shall be entitled to all payments and other benefits to which Executive would have been entitled had such termination occurred during a Coverage Period, provided that Executive shall only be entitled to salary and other compensation and benefits pursuant to Section 5.1(a) until Executive's actual date of termination.

Notwithstanding the preceding paragraphs of Section 7.3 or any other provision of the Agreement, Executive shall not be entitled to receive, and the Company shall have no obligation to pay or provide to Executive, any Severance Benefits as a result of a termination of Executive's employment described in Section 7.3, unless and until a Coverage Period commences within three (3) months of such termination.

Notwithstanding the provisions of Section 7.15, for purposes of Section 7.3 only, the burden of proving that the requirements of clauses (a) and (b) of the first and second paragraphs of Section 7.3 have been met shall be on Executive and the standard of proof to be met by Executive shall be clear and convincing evidence.

For purposes of Section 7.3 only, the definition of Change in Control shall exclude the proviso in Section 8.7(a).

7.4 Incompetency. Any benefit payable to or for the benefit of Executive, if legally incompetent, or incapable of giving a receipt therefor, shall be deemed paid when paid to Executive's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Company.

7.5 Death. The Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive shall die while any amount would still be payable to Executive hereunder if Executive had continued to live (other than amounts which, by their terms, terminate upon the death of Executive), such amount, unless otherwise provided herein, shall be paid in accordance with the terms of the Agreement to the executors, personal representatives or administrators of Executive's estate.

7.6 Notices. In any case where any notice or other communication is required or permitted to be given hereunder, such notice or communication shall be in writing and shall be deemed to have been duly given and delivered (a) if delivered in person, on the date of such delivery or (b) if sent by a recognized overnight courier service or registered U.S. mail (with postage prepaid and return receipt requested), on the date of receipt of such mail, and shall be sent or delivered to the following address (or such other address as a party may designate from time to time in a written notice to the other party hereto):

To the Company:
The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222

To the attention of the chief human resources executive of the
Company

With a copy (which shall not be
deemed notice) to:

The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222

To the attention of the general counsel of the Company

To Executive:

7.7 Modification; Waiver. Except as otherwise provided in Section 9, no provision of the Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer as may be authorized by the Board or the Committee. No waiver by either party hereto at any time of any breach of, or failure to comply with, any condition or provision of the Agreement that is to be satisfied or performed by the other party hereto shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. Any modification or waiver of any provision of the Agreement

that would cause the Agreement to fail to satisfy Section 409A of the Code shall have no force or effect unless and until amended to comply with Code Section 409A (which amendment may be retroactive to the extent permitted by Code Section 409A and may be made by the Company without the consent of Executive).

7.8 Entire Agreement. This Agreement supercedes and replaces the prior agreement between the Company and Executive referenced in the second Whereas clause on the first page of the Agreement. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in the Agreement.

7.9 Governing Law and Venue. The validity, interpretation, construction and performance of the Agreement shall be governed by the laws of the Commonwealth of Pennsylvania applicable to agreements made and entirely to be performed within such jurisdiction. The party bringing any action under the Agreement shall only be entitled to choose the federal or state courts in the Commonwealth of Pennsylvania as the venue for such action, and each party consents to the jurisdiction of the court chosen in such manner for such action.

7.10 Changes to Statutes, Employee Benefit Plans or Programs and Employee Classification Systems. All references to sections of, or regulations promulgated under, the Exchange Act, the Code or other statutes shall be deemed also to refer to such sections or regulations as amended from time to time and to any successor provisions to such sections or regulations. All references to employee benefit plans or programs and employee classification systems of the Company shall be deemed also to refer to such plans, programs and classification systems as amended from time to time and to any successor plans, programs or classification systems thereto.

7.11 Withholding. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law and any additional withholding to which Executive has agreed.

7.12 Validity. The invalidity or unenforceability of any provision of the Agreement shall not affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

7.13 No Right to Continued Employment. Nothing in the Agreement shall be deemed to give Executive the right to be retained in the employ of the Company, or to interfere with the right of the Company to discharge Executive at any time, subject in all cases to the terms of the Agreement.

7.14 No Assignment of Benefits. Except as otherwise provided herein or by law, no right or interest of Executive under the Agreement shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment or pledge; no attempted assignment or transfer thereof shall be effective.

7.15 Burden and Standard of Proof. Except as otherwise expressly provided in Section 7.3, in any proceeding (regardless of who initiates such proceeding) in which the payment of Severance Benefits or other benefits under the Agreement is at issue, the burden of proof as to whether any termination of Executive's employment has been for Cause or without Good Reason for purposes of the Agreement shall be upon the Company or its successor, and the standard of proof to be met with respect thereto shall be clear and convincing evidence.

7.16 Reduction of Agreement Benefits by Other Required Benefits. Notwithstanding any other provision of the Agreement to the contrary, if in connection with the termination of Executive's employment for any reason the Company is obligated by law or by contract (including any employment or severance agreement other than the Agreement) or by Company plan or policy to (i) pay Executive with respect to any notice period prior to termination, (ii) pay Executive severance pay (including any payments based upon unpaid or contingent awards pursuant to any incentive compensation plan or based upon added years of service credit or any other credit or addition under any pension or savings plan), a termination indemnity, notice pay, or the like, or (iii) provide Executive with life, disability, accident or health insurance or other welfare benefits after Executive's termination (or a cash payment in lieu thereof), then, to the extent required to avoid duplication of the same or similar benefits, any Severance Benefits hereunder shall be reduced by the amount of any payments and similar benefits described in clauses (i), (ii) and (iii), as applicable. Nothing in Section 7.16 shall be construed so as to reduce any Severance Benefits hereunder by the amount or value of any payments or benefits provided to Executive with respect to any awards under the Company's 1997 Long-Term Incentive Award Plan or 2006 Incentive Award Plan, each as amended from time to time, or any successor plan or plans.

7.17 Headings. The headings herein are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

8. Definitions.

8.1 "Annual Base Salary" means the greater of (a) Executive's highest annual base salary in effect during the one (1) year period preceding the commencement of the applicable Coverage Period and (b) Executive's highest annual base salary in effect during the one (1) year period preceding Executive's Date of Termination.

For purposes of this definition, at any time when Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), Executive's annual base salary will be deemed to be the same as Executive's annual base salary immediately prior to the time such disability benefits commenced.

8.2 "Annual Bonus" means the product of (a) the greater of (i) Executive's average Bonus Percent for the three fiscal years (or such shorter period during which

Executive has been employed by the Company) immediately preceding the fiscal year during which the applicable Coverage Period commences and (ii) Executive's average Bonus Percent for the three fiscal years (or such shorter period during which Executive has been employed by the Company) immediately preceding the Termination Year, and (b) the Annual Base Salary.

8.3 "Benefits Period" has the meaning assigned to such term in Section 5.2(c).

8.4 "Board" means the Board of Directors of the Company.

8.5 "Bonus Percent" means the cash value of the bonus amount paid or payable to Executive pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan or program with respect to a particular fiscal year (including the cash value of any portion of the bonus amount paid in stock and of any additional stock or restricted stock awarded to Executive with respect to the portion of the base bonus amount paid in stock) divided by the aggregate base salary paid or payable to Executive for such fiscal year; provided, however, that with respect to the fiscal year preceding the Termination Year, the Bonus Percent will not be less than Executive's highest Target Percentage that was in effect during such fiscal year.

For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded.

Also, for purposes of this definition, if Executive is receiving disability benefits under the LTD Plan (as defined in Section 5.2(f)), base salary paid or payable to Executive during the period in which Executive is receiving such disability benefits will be deemed to be the amount Executive would have received if Executive had been receiving base salary during such period at the same annual base salary rate that was in effect immediately prior to the time such disability benefits commenced.

8.6 "Cause" means:

(a) the willful and continued failure of Executive to substantially perform Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that Executive has not substantially performed Executive's duties; or

(b) the willful engaging by Executive in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Executive, shall be considered willful unless it is done, or omitted to be done, by Executive in bad faith and without reasonable belief that Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon the instructions or prior approval of the Board, the Chief Executive Officer of the Company or Executive's superior or based upon the advice of counsel for the Company, shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. The cessation of employment of Executive shall not be deemed to be for Cause unless and until there shall have been delivered to Executive, as part of the Notice of Termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding that, in the good faith opinion of the Board, Executive is guilty of the conduct described in clause (a) or (b) above and specifying the particulars thereof in detail. Such resolution shall be adopted only after reasonable notice of such Board meeting is provided to Executive and Executive is given an opportunity, together with counsel, to be heard before the Board.

8.7 A "Change in Control" means a change of control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Company and its Subsidiaries, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of securities of the Company representing twenty percent (20%) or more of the combined voting power of the Company's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) the Company consummates a merger, consolidation, share exchange, division or other reorganization or transaction of the Company (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) the Company's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of the Company approve a plan of complete liquidation or winding-up of the Company or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of the Company's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Company's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a Subsidiary or division of the Company shall not by itself constitute a Change in Control.

8.8 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section 8.9(a), the Company's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section 8.9(b), the proxy contest fails to replace or remove a majority of the members of the Board.

8.9 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or the Company's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section 8.7; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

8.10 "Classification Factor" means three (3).

8.11 “Code” means the Internal Revenue Code of 1986, as amended, including any regulations promulgated thereunder.

8.12 “Committee” means the Personnel and Compensation Committee of the Board.

8.13 “Company” means The PNC Financial Services Group, Inc., a Pennsylvania corporation. References herein to employment with the Company shall include employment with a Subsidiary. In addition, if Executive becomes employed by a Subsidiary, references to payments, benefits, privileges or other rights provided or to be provided by the Company shall be deemed to include such payments, benefits, privileges or other rights provided or to be provided by such Subsidiary.

8.14 “Coverage Period” means a period commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control, and ending on the date that is the Classification Factor years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period shall terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is the Classification Factor years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, the Agreement shall continue in effect and another Coverage Period shall commence upon the earlier to occur of clauses (i) and (ii) in the preceding sentence.

8.15 “Date of Termination” has the meaning assigned to such term in Section 6.1.

8.16 “Excess Plan” means The PNC Financial Services Group, Inc. ERISA Excess Pension Plan.

8.17 “Exchange Act” means the Securities Exchange Act of 1934, as amended, including any regulations promulgated thereunder.

8.18 “Excise Tax” means any excise tax imposed under Section 4999 of the Code.

8.19 “Good Reason” means:

(a) the assignment to Executive of any duties inconsistent in any respect with Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Company which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after receipt of notice thereof given by Executive;

(b) a reduction by the Company in Executive's annual base salary as in effect on the date hereof, as the same may be increased from time to time;

(c) the Company's requiring Executive to be based at any office or location that is more than fifty (50) miles from Executive's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Company (i) to continue in effect any bonus, stock option, or other cash or equity-based incentive plan or program in which Executive participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Executive's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Executive's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Executive's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Company to continue to provide Executive with benefits substantially similar to those received by Executive under any of the Company's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Executive was participating, at costs substantially similar to those paid by Executive, immediately prior to the CIC Triggering Event or the Change in Control.

8.20 "Incentive Shares Amount" means the cash amount equal to (i) the aggregate number of target incentive shares granted to Executive during the 3-year period immediately preceding the Change in Control, multiplied by (ii) the fair market value of a share of PNC common stock on the date the Change in Control occurs.

For purposes of this definition, incentive shares will mean incentive share / unit award opportunities granted to Executive by the Committee under the Company's 1997 Long-Term Incentive Award Plan or 2006 Incentive Award Plan, each as amended from time to time, or any successor plan or plans, where the amount that may be awarded to Executive pursuant to the opportunity is based at least in part on the performance of the Corporation with respect to a performance goal or goals established by the Committee.

For purposes of this definition, fair market value of a share of PNC common stock on a given date will mean the reported closing trading price of a share of PNC common stock on that date on the principal stock exchange on which the stock is traded, or if PNC's common stock no longer trades on an exchange at that date, the value of the per share consideration payable to a PNC common shareholder in connection with the Change in Control transaction.

If no Change in Control has occurred by the time the payment to Executive provided for in Section 5.2(a) is due, the 3-year period referenced in the first paragraph of this definition will be the 3-year period immediately preceding the CIC Triggering Event, and the fair market value of a share of PNC common stock referenced in that paragraph will be measured on the date the CIC Triggering Event occurred or on the Date of Termination, if higher.

8.21 “Interest” means interest at the Federal short-term rate, the Federal mid-term rate, or the Federal long-term, as applicable, compounded semiannually, under Section 1274(b)(2)(B) of the Code based on the period over which interest is being accrued.

8.22 “Matching Amount” means the maximum amount that Executive would have been eligible to have credited to Executive’s plan accounts under The PNC Financial Services Group, Inc. Incentive Savings Plan and the Supplemental Savings Plan (or similar plan or plans sponsored by a Subsidiary, if applicable to Executive) (the plans applicable to Executive being hereafter referred to as the “Savings Plans”) by Executive’s employer as a matching contribution or credit assuming: (a) Executive had remained an employee of the Company after the Date of Termination for a number of years after the Date of Termination equal to the Classification Factor (or, if less, the Retirement Factor); (b) Executive received (i) a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus with respect to, and paid in, each year during such period (or, if the Retirement Factor is applicable and includes a fraction, a base salary and annual bonus equal to the Annual Base Salary and Annual Bonus for any full year during such period and a base salary and annual bonus equal to such fraction times the Annual Base Salary and Annual Bonus during the fraction of a year in such period) plus (ii) a bonus with respect to the Termination Year equal to the amount payable to Executive pursuant to Section 5.2(b)(i), paid in the year after the Termination Year, and a bonus with respect to the fiscal year preceding the Termination Year equal to the amount, if any, payable to Executive pursuant to Section 5.2(b)(ii), paid in the Termination Year; (c) Executive had elected to participate in the Savings Plans and to defer the maximum percentage of such base salary and/or bonuses under the Savings Plans; (d) Executive’s employer had made the maximum matching contribution or credit with respect to such amounts under the Savings Plans; and (e) all such matching contributions or credits were fully vested.

In calculating the Matching Amount, all determinations and calculations will be made on the basis of the terms and conditions of the Savings Plans as in effect immediately prior to the Date of Termination or, if it would result in a larger Matching Amount, as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs.

Notwithstanding the foregoing, unless, immediately prior to the Date of Termination, Executive was eligible to participate in and receive employer matching contributions or credits under the Savings Plans, or would have been so eligible had the Savings Plans remained as in effect immediately prior to the commencement of the Coverage Period in which the Date of Termination occurs, the Matching Amount will be deemed to be zero.

8.23 “Notice of Termination” has the meaning assigned to such term in Section 6.1.

8.24 “Pension Plan” means The PNC Financial Services Group, Inc. Pension Plan.

8.25 “Perquisites Allowance” means the amount Executive received or was eligible to receive as a perquisites allowance for any fiscal year. If Executive was not eligible to receive and did not receive a perquisites allowance for any fiscal year, then for that fiscal year, Perquisites Allowance means the value of any perquisites provided to or paid on behalf of Executive during such fiscal year that would have been reportable as Other Annual Compensation for Executive for such fiscal year pursuant to Item 402(b)(2)(iii) (C)(1) of Regulation S-K (or any similar item) promulgated under the Exchange Act, without regard to any exclusion in said item for amounts that are less than a specified amount or aggregate amount, if Company had been subject to such reporting requirement with respect to Executive for such fiscal year.

8.26 “Person” has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

8.27 “Retirement Factor” means the number of years, including fractions, from the Date of Termination until Executive will reach age sixty-five (65).

8.28 “SERP” means The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan.

8.29 “Severance Benefits” has the meaning assigned to such term in Section 5.2.

8.30 “Subsidiary” means any corporation, limited liability company, or other entity controlled by the Company, directly or indirectly.

8.31 “Supplemental Savings Plan” means The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan provided, however, that no amendment or termination of such plan, during a Coverage Period or after the Date of Termination, that adversely affects the administration or payment of Executive’s benefits thereunder shall be given effect for purposes of the Agreement without the written consent of Executive.

8.32 “Target Percentage” means the percentage of Executive’s annual base salary on which Executive’s target cash incentive award pursuant to the 1996 Plan or any other Company incentive compensation or bonus plan then in effect is based for a particular fiscal year. Such percentage is established annually by the Committee in

administering the applicable plan. In the event that the Committee established that Executive's incentive award for such fiscal year would be increased by awarding Executive additional shares of stock or restricted stock with respect to any portion of the award to be paid in stock, the Target Percentage will be increased to take into account the cash value of such additional shares.

For purposes of this definition, shares of stock or restricted stock will be valued without regard to any vesting, transfer or other restrictions applicable to such stock and will be deemed to have a per share cash value equal to the closing price of the stock, as of the date the shares were awarded, on the principal stock exchange on which the stock is traded.

8.33 "Termination Year" means the Company's fiscal year during which Executive's Date of Termination occurs.

8.34 "Total Benefits" has the meaning assigned to such term in Section 5.3(a)(i).

8.35 "1996 Plan" means The PNC Financial Services Group, Inc. 1996 Executive Incentive Award Plan.

9. Compliance with Code Section 409A. It is the intention of the parties that the Agreement comply with the provisions of Section 409A of the Code, to the extent that such provisions are applicable to the Agreement, and the Agreement will be administered by the Company in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute noncomforming deferred compensation subject to taxation under the provisions of Code Section 409A, Executive agrees that the Company may, without the consent of Executive, modify the Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Code Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Code Section 409A such that they will not be taxable thereunder.

IN WITNESS WHEREOF, the Company has caused this agreement to be executed by its officer, thereunto duly authorized, and Executive has executed this agreement, all as of _____, 2006.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: _____

EXECUTIVE

Annex A

The following table sets forth the Pension Increase Factors referred to in Section 5.2(e)(iii) for increasing pension benefits when Executive's attained age at the end of the Benefits Period falls between 52 and 62. For purposes of this Annex A and Section 5.2(e)(iii), the Pension Increase Factor is interpolated to reflect Executive's age on the last day of the Benefits Period rounded to the nearest month.

Age at end of Benefits Period	Pension Increase Factor
62	0%
61	5%
60	10%
59	15%
58	20%
57	25%
56	20%
55	15%
54	10%
53	5%
52	0%

2007 FORMS OF EMPLOYEE STOCK OPTION
AND RESTRICTED STOCK AGREEMENTS

FORM OF STANDARD EMPLOYEE STOCK OPTION AGREEMENT

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

NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE: «First_Name_MI» «Last_Name»
GRANT DATE: _____, 200_
OPTION PRICE: \$_____ per share
COVERED SHARES: «Shares»

1. Definitions: Grant of Option. Certain terms used in this Nonstatutory Stock Option Agreement (the “Agreement”) are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the “Plan”) and subject to the terms of the Agreement, PNC hereby grants to Optionee an Option to purchase from PNC that number of shares of PNC common stock specified above as the “Covered Shares,” exercisable at the Option Price.

In the Agreement, “PNC” means The PNC Financial Services Group, Inc. and “Corporation” means PNC and its Consolidated Subsidiaries. Headings used in the Agreement are for convenience only and are not part of the Agreement.

2. Terms of the Option.

2.1 Type of Option. The Option is intended to be a Nonstatutory Stock Option.

2.2 Option Period. Except as otherwise set forth in Section 2.3, the Option is exercisable in whole or in part as to any Covered Shares as to which it is outstanding and has become exercisable (“vested”) at any time and from time to time through the Expiration Date as defined in Section A.18 of Annex A hereto, including the early termination provisions set forth in said definition.

To the extent that the Option or relevant portion thereof is outstanding, the Option will vest as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Option has become fully vested pursuant to Section 2.2(b), 2.2(c), 2.2(d) or 2.2(e), the Option will become exercisable (“vest”):

(i) as to one-third ($\frac{1}{3}$ rd) of the Covered Shares (rounded down to the nearest whole Share), commencing on the first (1st) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the six (6) month anniversary date of the Grant Date;

(ii) as to one-half (1/2) of the remaining Covered Shares (rounded down to the nearest whole Share), commencing on the second (2^d) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the first (1st) anniversary date of the Grant Date; and

(iii) as to the remaining Covered Shares, commencing on the third (3^d) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the first (1st) anniversary date of the Grant Date.

(b) If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability and not for Cause, the Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(c) If Optionee's employment with the Corporation is terminated by reason of Optionee's death, the Option will immediately vest as to all outstanding Covered Shares as to which it has not otherwise vested, and the Option may be exercised by Optionee's properly designated beneficiary, by the person or persons entitled to do so under Optionee's will, or by the person or persons entitled to do so under the applicable laws of descent and distribution.

(d) If, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event, Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(e) Notwithstanding any other provision of this Section 2.2, to the extent that the Option is outstanding but not yet fully vested at the time a Change in Control occurs, the Option will vest as to all then outstanding Covered Shares as to which it has not otherwise vested, effective as of the day immediately prior to the occurrence of the Change in Control, provided that, at the time the Change in Control occurs, Optionee is either (i) an employee of the Corporation or (ii) a former employee of the Corporation whose unvested Option, or portion thereof, is then outstanding and continues to qualify for vesting pursuant to the terms of Section 2.2(a)(i), (ii) and/or (iii).

If Optionee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Optionee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

2.3 Formal Allegations of Detrimental Conduct. If any criminal charges are brought against Optionee alleging the commission of a felony that relates to or arises out of Optionee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the exercisability of the Option, to the extent that the Option is then outstanding and exercisable, or to require the escrow of the proceeds of any exercise of the Option. Any such suspension or escrow is subject to the following restrictions:

(a) It may last only until the earliest to occur of the following:

(i) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(ii) resolution of the criminal proceeding in one of the following ways: (A) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (B) Optionee has been acquitted of such alleged felony, or (C) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(iii) termination of the suspension or escrow in the discretion of the Committee; and

(b) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Option to Optionee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (a)(ii) or (iii) above.

2.4 Nontransferability; Designation of Beneficiary; Payment to Legal Representative

(a) The Option is not transferable or assignable by Optionee.

(b) During Optionee's lifetime, the Option may be exercised only by Optionee or, in the event of Optionee's legal incapacity, by his or her legal representative, as determined in good faith by PNC.

(c) During Optionee's lifetime, Optionee may file with PNC, at such address and in such manner as PNC may from time to time direct, on a form to be provided by PNC on request, a designation of a beneficiary or beneficiaries (a "properly designated beneficiary") to hold and exercise Optionee's stock options, to the extent outstanding and exercisable, in accordance with their respective stock option agreements and the Plan in the event of Optionee's death.

(d) If Optionee dies prior to the full exercise or expiration of the Option and has not filed a designation of beneficiary form as specified above, the Option will be held and may be exercised by the person or persons entitled to do so under Optionee's will or under the applicable laws of descent and distribution, as to which PNC will be entitled to rely in good faith on instructions from Optionee's executor, administrator, or other legal representative.

(e) Any delivery of shares or other payment made or action taken hereunder by PNC in good faith to or on the instructions of Optionee's executor, administrator, or other legal representative shall extinguish all right to payment hereunder.

3. Capital Adjustments. Upon the occurrence of a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")), the Committee shall make those adjustments, if any, in the number, class or kind of Covered Shares as to which the Option is outstanding and has not yet been exercised and in the Option Price that it deems appropriate in its discretion to reflect the Corporate Transaction(s) such that the rights of Optionee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation cancellation of the Option immediately prior to the effective time of the Corporate Transaction and payment, in cash, in consideration therefor, of an amount equal to the product of (a) the excess, if any, of the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction over the Option Price and (b) the total number of Covered Shares subject to the Option that were outstanding and unexercised immediately prior to the effective time of the Corporate Transaction.

All determinations hereunder shall be made by the Committee in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation the holder of the Option.

No fractional shares will be issued on exercise of the Option. PNC shall determine the manner in which any fractional shares will be treated.

4. Exercise of Option.

4.1 Notice and Effective Date. The Option may be exercised, in whole or in part, by delivering to PNC written notice of such exercise, in such form as PNC may from time to time prescribe, and by paying in full the aggregate Option Price with respect to that portion of the Option being exercised and satisfying any amounts required to be withheld pursuant to applicable tax laws in connection with such exercise.

In addition, notwithstanding Sections 4.2 and 4.3, Optionee may elect to complete his or her Option exercise through a brokerage service/margin account pursuant to the broker-assisted cashless option exercise procedure under Regulation T of the Board of Governors of the Federal Reserve System and in such manner as may be permitted by PNC from time to time consistent with said Regulation T.

The effective date of such exercise will be the Exercise Date. Until PNC notifies Optionee to the contrary, the form attached to the Agreement as Annex B shall be used to exercise the Option and the form attached to the Agreement as Annex C shall be used to make tax payment elections.

In the event that the Option is exercised, pursuant to Section 2.4, by any person or persons other than Optionee, such notice of exercise must be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

4.2 Payment of Option Price. Upon exercise of the Option, in whole or in part, Optionee may pay the aggregate Option Price (a) in cash or (b) if and to the extent then permitted by PNC, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) having an aggregate Fair Market Value on the Exercise Date not exceeding that portion of the aggregate Option Price being paid using such shares, or through a combination of cash and shares of PNC common stock; provided, however, that shares of PNC common stock used to pay all or any portion of the aggregate Option Price may not be subject to any contractual restriction, pledge or other encumbrance and must be shares that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

4.3 Payment of Taxes. Optionee may elect to satisfy any or all applicable federal, state, or local tax liabilities incurred in connection with exercise of the Option (a) by payment of cash, (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, through the retention by PNC of sufficient whole shares of PNC common stock otherwise issuable upon such exercise to satisfy the minimum amount of taxes required to be withheld in connection with such exercise, or (c) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

For purposes of this Section 4.3, shares of PNC common stock that are used to satisfy applicable taxes will be valued at their Fair Market Value on the date the tax withholding obligation arises. In no event will the Fair Market Value of the shares of PNC common stock otherwise issuable upon exercise of the Option but retained pursuant to Section 4.3(b) exceed the minimum amount of taxes required to be withheld in connection with the Option exercise.

4.4 Effect. The exercise, in whole or in part, of the Option will cause a reduction in the number of unexercised Covered Shares as to which the Option is outstanding equal to the number of shares of PNC common stock with respect to which the Option is exercised.

5. Restrictions on Exercise and on Shares Issued on Exercise. Notwithstanding any other provision of the Agreement, the Option may not be exercised at any time that PNC does not have in effect a registration statement under the Securities Act of 1933 as amended relating to the offer of shares of PNC common stock under the Plan unless PNC agrees to permit such exercise. Upon the issuance of any shares of PNC common stock pursuant to exercise of the Option at a time when such a registration statement is not in effect, Optionee will, upon the request of PNC, agree in writing that Optionee is acquiring such shares for investment only and not with a view to resale and that Optionee will not sell, pledge, or otherwise dispose of such shares unless and until (a) PNC is furnished with an opinion of counsel to the effect that registration of such shares pursuant to the Securities Act of 1933 as amended is not required by that Act or by rules and

regulations promulgated thereunder, (b) the staff of the SEC has issued a no-action letter with respect to such disposition, or (c) such registration or notification as is, in the opinion of counsel for PNC, required for the lawful disposition of such shares has been filed and has become effective; provided, however, that PNC is not obligated hereby to file any such registration or notification. PNC may place a legend embodying such restrictions on the certificate(s) evidencing such shares.

6. Rights as Shareholder. Optionee will have no rights as a shareholder with respect to any Covered Shares until the Exercise Date and then only with respect to those shares of PNC common stock issued upon such exercise of the Option and not retained as provided in Section 4.3.

7. Employment. Neither the granting of the Option evidenced by the Agreement nor any term or provision of the Agreement will constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Optionee for any period.

8. Subject to the Plan. The Option evidenced by the Agreement and the exercise thereof are subject to the terms and conditions of the Plan, which is incorporated by reference herein and made a part hereof, but the terms of the Plan will not be considered an enlargement of any benefits under the Agreement. In addition, the Option is subject to any rules and regulations promulgated by or under the authority of the Committee.

9. Optionee Covenants.

9.1 General. Optionee and PNC acknowledge and agree that Optionee has received adequate consideration with respect to enforcement of the provisions of Sections 9 and 10 hereof by virtue of receiving this Option, which gives Optionee an opportunity potentially to benefit from an increase in the future value of PNC common stock (regardless of whether any such benefit is ultimately realized); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Optionee from earning a living.

9.2 Non-Solicitation; No-Hire. Optionee agrees to comply with the provisions of subsections (a) and (b) of this Section 9.2 while employed by the Corporation and for a period of twelve (12) months after Optionee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Optionee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Optionee assist any other Person in such activities.

Notwithstanding the above, if Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.13 of Annex A or, if Optionee was a party to a CIC Severance Agreement that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 9.2 shall no longer apply and shall be replaced with the following subsection (c):

(c) No-Hire. Optionee agrees that Optionee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

9.3 Confidentiality. During Optionee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Optionee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Optionee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

9.4 Ownership of Inventions. Optionee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Optionee during the term of Optionee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Optionee agrees to assign and hereby does assign to PNC or its designee all of Optionee's right, title and interest, including copyrights and patent rights, in and to all Developments. Optionee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 9.4 shall be performed by Optionee without further compensation and shall continue beyond the Termination Date.

10. Enforcement Provisions. Optionee understands and agrees to the following provisions regarding enforcement of the Agreement.

10.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Optionee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

10.2 Equitable Remedies. A breach of the provisions of any of Sections 9.2, 9.3 or 9.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Optionee, and each and every person and entity acting in concert or participating with Optionee, from initiation and/or continuation of such breach.

10.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 9.2 by legal proceedings, the period during which Optionee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

10.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

10.5 Severability. The restrictions and obligations imposed by Sections 9.2, 9.3 and 9.4 are separate and severable, and it is the intent of Optionee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations shall remain valid and binding upon Optionee.

10.6 Reform. In the event any of Sections 9.2, 9.3 and 9.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Optionee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

10.7 Waiver of Jury Trial. Each of Optionee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 9.2, 9.3 and 9.4.

10.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Optionee, Optionee agrees to reimburse PNC for any amounts Optionee may be required to reimburse the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Optionee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

10.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Option and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Optionee agrees that PNC may, without the consent of Optionee, modify the Agreement and the Option to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

11. Amendment of Pre-2007 Options and Reloads. For purposes of all PNC stock options held by Optionee that were granted prior to January 1, 2007 and outstanding on February 13, 2007 (or, in the case of reload stock options, that were outstanding on February 13, 2007 or will be granted after February 13, 2007 in connection with the exercise of original stock options granted prior to January 1, 2007), whether such stock options were granted under the Plan or under an earlier PNC plan, the terms of each such stock option are amended to include, or shall include, as the case may be, the capital adjustment provisions set forth in Section 3 of this Option, and such provisions shall supercede and replace any other provisions of such stock option relating to capital adjustments.

12. Effective Date. If Optionee does not accept the grant of the Option by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms of the Agreement in any way, within thirty (30) days of receipt by Optionee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Option and the Agreement at any time prior to Optionee's delivery to PNC of a copy of the Agreement executed by Optionee.

Otherwise, upon execution and delivery of the Agreement by both PNC and Optionee and, in the event that Optionee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Option and the Agreement are effective as of the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf effective as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

Accepted and agreed to as of the Grant Date

Optionee

Annex A—Certain Definitions

Annex B—Notice of Exercise

Annex C—Tax Payment Election Form

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 “Agreement” means the Nonstatutory Stock Option Agreement between PNC and Optionee evidencing the grant of the Option to Optionee pursuant to the Plan.

A.2 “Board” means the Board of Directors of PNC.

A.3 “Cause.”

(a) “Cause” during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs during a Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Optionee has not substantially performed Optionee’s duties; or

(ii) the willful engaging by Optionee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (i) and (ii), no act or failure to act, on the part of Optionee, shall be considered willful unless it is done, or omitted to be done, by Optionee in bad faith and without reasonable belief that Optionee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Optionee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Optionee in good faith and in the best interests of the Corporation.

The cessation of employment of Optionee will be deemed to be a termination of Optionee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Optionee, as part of the notice of Optionee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Optionee, together with written notice that PNC believes that Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Optionee is given an opportunity, together with counsel, to be heard before the Board.

(b) “Cause” other than during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs other than during a Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by PNC that specifically identifies the manner in which it is believed that Optionee has not substantially performed Optionee’s duties;

(ii) a material breach by Optionee of (1) any code of conduct of PNC or one of its subsidiaries or (2) other written policy of PNC or a subsidiary, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Optionee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(iv) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or entry by Optionee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Optionee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Optionee's employment or other service relationship with the Corporation.

The cessation of employment of Optionee will be deemed to have been a termination of Optionee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Optionee is the CEO, the Board) determines that Optionee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Optionee and, if so, determines that the termination of Optionee's employment with the Corporation will be deemed to have been for Cause.

A.4 "CEO" means the chief executive officer of PNC.

A.5 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rd) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries shall not by itself constitute a Change in Control.

A.6 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.7 "CIC Severance Agreement" means the written agreement, if any, between Optionee and PNC providing, among other things, for certain change in control severance benefits.

A.8 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.5; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 "Competitive Activity" means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Optionee's Termination Date or (2) engaged in business activities that Optionee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Optionee's Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.15(a), in either case whether Optionee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the Internal Revenue Code.

A.12 "Corporation" means PNC and its Consolidated Subsidiaries.

A.13 "Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is two (2) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is two (2) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clauses (a)(i) and (a)(ii) in the preceding sentence.

A.14 "Covered Shares" means the number of shares of PNC common stock that Optionee has the option to purchase from PNC pursuant to the Option.

A.15 "Detrimental Conduct" means, for purposes of the Agreement:

(a) Optionee has engaged, without the prior written consent of PNC (with consent to be given at PNC's sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Optionee's Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Optionee's Termination Date and, if different, (ii) the first date after Optionee's Termination Date as of which Optionee ceases to be engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Optionee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or any entry by Optionee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Optionee's employment or other service relationship with the Corporation.

Optionee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Optionee was an "executive officer" of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Optionee was not such an executive officer), whichever is applicable, determines that Optionee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Optionee, and, if so, determines that Optionee will be deemed to have engaged in Detrimental Conduct.

A.16 "Exchange Act" means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.17 "Exercise Date" means the date (which must be a business day for PNC Bank, National Association) on which PNC receives written notice, in such form as PNC may from time to time prescribe, of the exercise, in whole or in part, of the Option pursuant to the terms of the Agreement, subject to receipt by PNC of full payment of the aggregate Option Price, calculation by PNC of the applicable withholding taxes, and receipt by PNC of payment for any taxes required to be withheld in connection with such exercise as provided in Sections 4.1, 4.2 and 4.3 of the Agreement.

A.18 "Expiration Date."

(a) Expiration Date. Expiration Date means the date on which the Option expires, which will be the tenth (10th) anniversary of the Grant Date unless the Option expires earlier pursuant to any of the provisions set forth in Sections A.18(b) through A.18(d);

provided, however, if there is a Change in Control, then notwithstanding Sections A.18(c) and A.18(d), to the extent that the Option is outstanding and vested or vests at the time the Change in Control occurs, the Option will not expire at the earliest before the close of business on the ninetieth (90th) day after the occurrence of the Change in Control (or the tenth (10th) anniversary of the Grant Date if earlier), provided that either (1) Optionee is an employee of the Corporation at the time the Change in Control occurs and Optionee's employment with the Corporation is not terminated for Cause or (2) Optionee is a former employee of the Corporation whose Option, or portion thereof, is outstanding at the time the Change in Control occurs by virtue of the application of one or more of the exceptions set forth in Section A.18(c) and at least one of such exceptions is still applicable at the time the Change in Control occurs.

In no event will the Option remain outstanding beyond the tenth (10th) anniversary of the Grant Date.

(b) Termination for Cause. Upon a termination of Optionee's employment with the Corporation for Cause, unless the Committee determines otherwise, the Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested and whether or not Optionee is eligible to Retire or Optionee's employment also terminates for another reason.

(c) Ceasing to be an Employee other than by Termination for Cause. If Optionee ceases to be an employee of the Corporation other than by termination of Optionee's employment for Cause, then unless the Committee determines otherwise, the Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested, except to the extent that the provisions set forth in subsection (1), (2), (3), (4) or (5) of this Section A.18(c) apply to Optionee's circumstances and such applicable subsection specifies a later expiration date for all or a portion of the Option. If more than one of such exceptions is applicable to the Option or a portion thereof, then the Option or such portion of the Option will expire in accordance with the provisions of the subsection that specifies the latest expiration date.

(1) Retirement. If the termination of Optionee's employment with the Corporation meets the definition of Retirement, then the Option will expire on the tenth (10th) anniversary of the Grant Date with respect to any Covered Shares as to which the Option is vested on the Retirement date or thereafter vests pursuant to Section 2.2 of the Agreement.

(2) Death. If Optionee's employment with the Corporation is terminated by reason of Optionee's death, then the Option will expire on the tenth (10th) anniversary of the Grant Date.

(3) Termination during a Coverage Period without Cause or with Good Reason. If Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, then the Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(4) Total and Permanent Disability. If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability, then the Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(5) DEAP or Agreement or Arrangement in lieu of or in addition to DEAP. In the event that (a) Optionee's employment with the Corporation is terminated by the Corporation, and Optionee is offered and has entered into the standard Waiver and Release Agreement with PNC or one of its subsidiaries under an applicable PNC or subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Optionee is offered and has entered into a similar waiver and release agreement between PNC or one of its subsidiaries and Optionee pursuant to the terms of an agreement or arrangement entered into by PNC or a subsidiary and Optionee in lieu of or in addition to the DEAP, and (b) Optionee has not revoked such waiver and release agreement, and (c) the time for revocation of such waiver and release agreement by Optionee has lapsed, then the Option will expire at the close of business on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date) with respect to any Covered Shares as to which the Option has already become vested; provided, however, that if Optionee returns to employment with the Corporation no later than said ninetieth (90th) day, then for purposes of the Agreement, the entire Option, whether vested or unvested, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the vested portion of the Option (or the entire Option if fully vested) will expire on Optionee's Termination Date unless the conditions set forth in this Section A.18(c)(5) are met, then such vested Option or portion thereof will not terminate on the Termination Date, but Optionee will not be able to exercise the Option after such Termination Date unless and until all of the conditions set forth in this Section A.18(c)(5) have been met and the Option will terminate on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(d) Detrimental Conduct. If the Option would otherwise remain outstanding after Optionee's Termination Date with respect to any of the Covered Shares pursuant to one or more of the exceptions set forth in the subsections of Section A.18(c), then notwithstanding the provisions of such exception or exceptions, the Option will expire on the date that PNC determines that Optionee has engaged in Detrimental Conduct, if earlier than the date on which the Option would otherwise expire; provided, however, that:

(1) no determination that Optionee has engaged in Detrimental Conduct may be made on or after the date of Optionee's death, and Detrimental Conduct will not apply to conduct by or activities of beneficiaries or other successors to the Option in the event of Optionee's death;

(2) in the event that Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, whether or not another exception is applicable, no determination that Optionee has engaged in Detrimental Conduct for purposes of the Agreement may be made on or after such Termination Date; and

(3) no determination that Optionee has engaged in Detrimental Conduct may be made after the occurrence of a Change in Control.

A.19 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.20 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.21 "Good Reason" means:

(a) the assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation that results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee;

(b) a reduction by the Corporation in Optionee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Optionee to be based at any office or location that is more than fifty (50) miles from Optionee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan in which Optionee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Optionee's total compensation, unless a substantially

equivalent arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (ii) to continue Optionee's participation in such plan (or in such substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Optionee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Optionee with benefits substantially similar to those received by Optionee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans in which Optionee was participating, at costs substantially similar to those paid by Optionee, immediately prior to the CIC Triggering Event or the Change in Control.

A.22 "Grant Date" means the date set forth as the Grant Date on page 1 of the Agreement and is the date as of which the Option is authorized to be granted by the Committee in accordance with the Plan.

A.23 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.24 "Option" means the option to purchase shares of PNC common stock granted to Optionee under the Plan in Section 1 of the Agreement in accordance with the terms of Article 6 of the Plan.

A.25 "Option Period" means the period during which the Option may be exercised, as set forth in Section 2.2 of the Agreement.

A.26 "Option Price" means the dollar amount per share of PNC common stock at which the Option may be exercised. The Option Price is set forth on page 1 of the Agreement.

A.27 "Optionee" means the person to whom the Option is granted and is identified as Optionee on page 1 of the Agreement.

A.28 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.29 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

A.30 "PNC" means The PNC Financial Services Group, Inc.

A.31 "Retire" or "Retirement" means termination of Optionee's employment with the Corporation (a) at any time on or after the first day of the first month coincident with or next following the date on which Optionee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Optionee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.32 "Retiree" means an Optionee who has Retired.

A.33 "SEC" means the U.S. Securities and Exchange Commission.

A.34 "Share" means a share of authorized but unissued PNC common stock or a reacquired share of PNC common stock, including shares purchased by PNC on the open market for purposes of the Plan or otherwise.

A.35 "Termination Date" means Optionee's last date of employment with the Corporation. If Optionee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Optionee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

A.36 “Total and Permanent Disability” means, unless the Committee determines otherwise, Optionee’s disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

Reload Option Agreement Form for
Original Options Granted During 1999 or 2000

THE PNC FINANCIAL SERVICES GROUP, INC.
1997 LONG-TERM INCENTIVE AWARD PLAN
RELOAD NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE: «EMPLOYEE»
ORIGINAL OPTION GRANT DATE: _____, [1999][2000]
RELOAD OPTION GRANT DATE: _____
RELOAD OPTION PRICE: \$ _____ per share
COVERED SHARES: «STOCK AMT»

Terms defined in The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan as amended from time to time ("Plan") are used in this reload nonstatutory stock option agreement ("Reload Agreement") as defined in the Plan unless otherwise defined in the Reload Agreement or an Annex thereto. In the Reload Agreement, "PNC" means The PNC Financial Services Group, Inc. and "Corporation" means PNC and its Subsidiaries. For certain definitions, see Annex A attached hereto and incorporated herein by reference. Headings used in the Reload Agreement and in the Annexes hereto are for convenience only and are not part of the Reload Agreement and Annexes.

1. Grant of Reload Option. Optionee, having exercised all or a portion of the Option granted to Optionee under the Plan as of _____, [1999][2000] [insert Original Option grant date] (the "Original Option") while employed by the Corporation and in a manner specified in the Addendum to the Original Option stock option agreement, is hereby granted, pursuant to the Plan and subject to the terms of the Reload Agreement, a Reload Option ("Reload Option") to purchase from PNC that number of shares of PNC common stock specified above as the "Covered Shares," exercisable at the Reload Option Price.

2. Terms of the Reload Option.

2.1 Type of Option. The Reload Option is intended to be a Nonstatutory Stock Option without Rights.

2.2 Reload Option Period. The Reload Option is exercisable in whole or in part as to any Covered Shares as to which it is outstanding and has become exercisable ("vested") at any time and from time to time through the Expiration Date.

To the extent that the Reload Option is otherwise outstanding, the Reload Option will vest as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Reload Option has become vested pursuant to Section 2.2(b), 2.2(c), 2.2(d), 2.2(e) or 2.2(f), the Reload Option will become exercisable ("vest") commencing on the first (1st) anniversary date of the Reload Option Grant Date provided that Optionee is still an employee of the Corporation on such vesting date.

(b) If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability and not for Cause, the Reload Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(c) If Optionee's employment with the Corporation is terminated by reason of Optionee's death, the Reload Option will immediately vest as to all outstanding Covered Shares as to which it has not otherwise vested, and the Reload Option may be exercised by Optionee's properly designated beneficiary, by the person or persons entitled to do so under Optionee's will, or by the person or persons entitled to do so under the applicable laws of descent and distribution.

(d) If, (i) on or after the six (6) month anniversary of the Reload Option Grant Date and (ii) after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event, Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Reload Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(e) If Optionee is a Retiree whose Retirement date occurs on or after the six (6) month anniversary of the Reload Option Grant Date, the Reload Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Retirement date.

(f) Notwithstanding any other provision of this Section 2.2, to the extent that the Reload Option is outstanding but not yet fully vested at the time a Change in Control occurs, the Reload Option will vest as to all then outstanding Covered Shares as to which it has not otherwise vested, effective as of the day immediately prior to the occurrence of the Change in Control, provided that, at the time the Change in Control occurs, Optionee is an employee of the Corporation.

If Optionee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Optionee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Reload Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

2.3 Nontransferability; Designation of Beneficiary; Payment to Legal Representative

(a) The Reload Option is not transferable or assignable by Optionee.

(b) During Optionee's lifetime, the Reload Option may be exercised only by Optionee or, in the event of Optionee's legal incapacity, by his or her legal representative, as determined in good faith by PNC.

(c) During Optionee's lifetime, Optionee may file with PNC, at such address and in such manner as PNC may from time to time direct, on a form to be provided by PNC on request, a designation of a beneficiary or beneficiaries (a "properly designated beneficiary") to hold and exercise Optionee's stock options, to the extent outstanding and exercisable, in accordance with their respective stock option agreements and the Plan in the event of Optionee's death.

(d) If Optionee dies prior to the full exercise or expiration of the Reload Option and has not filed a designation of beneficiary form as specified above, the Reload Option will be held and may be exercised by the person or persons entitled to do so under Optionee's will or under the applicable laws of descent and distribution, as to which PNC will be entitled to rely in good faith on instructions from Optionee's executor, administrator, or other legal representative.

(e) Any delivery of shares or other payment made or action taken hereunder by PNC in good faith to or on the instructions of Optionee's executor, administrator, or other legal representative shall extinguish all right to payment hereunder.

3. Capital Adjustments. Upon the occurrence of a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")), the Committee shall make those adjustments, if any, in the number, class or kind of Covered Shares as to which the Reload Option is outstanding and has not yet been exercised and in the Reload Option Price that it deems appropriate in its discretion to reflect the Corporate Transaction(s) such that the rights of Optionee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation cancellation of the Reload Option immediately prior to the effective time of the Corporate Transaction and payment, in cash, in consideration therefor, of an amount equal to the product of (a) the excess, if any, of the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction over the Reload Option Price and (b) the total number of Covered Shares subject to the Reload Option that were outstanding and unexercised immediately prior to the effective time of the Corporate Transaction.

All determinations hereunder shall be made by the Committee in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation the holder of the Reload Option.

No fractional shares will be issued on exercise of the Reload Option. PNC shall determine the manner in which any fractional shares will be treated.

4. Exercise of Reload Option.

4.1 Notice and Effective Date. The Reload Option may be exercised, in whole or in part, by delivering to PNC written notice of such exercise, in such form as PNC may from time to time prescribe, accompanied by full payment of the aggregate Reload Option Price with respect to that portion of the Reload Option being exercised and satisfaction of any amounts required to be withheld pursuant to applicable tax laws in connection with such exercise.

In addition, notwithstanding Sections 4.2 and 4.3, Optionee may elect to complete his or her Reload Option exercise through a brokerage service/margin account pursuant to the broker-assisted cashless option exercise procedure under Regulation T of the Board of Governors of the Federal Reserve System and in such manner as may be permitted by PNC from time to time consistent with said Regulation T.

The effective date of such exercise will be the Exercise Date. Until PNC notifies Optionee to the contrary, the form attached to the Reload Agreement as Annex B shall be used to exercise the Reload Option and the form attached to the Reload Agreement as Annex C shall be used to make tax payment elections.

In the event that the Reload Option is exercised, pursuant to Section 2.3, by any person or persons other than Optionee, such notice of exercise must be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Reload Option.

4.2 Payment of Reload Option Price. Upon exercise of the Reload Option, in whole or in part, Optionee may pay the aggregate Reload Option Price (a) in cash or (b) if and to the extent then permitted by PNC, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) having an aggregate Fair Market Value on the Exercise Date not exceeding that portion of the aggregate Reload Option Price being paid using such shares, or through a combination of cash and shares of PNC common stock; provided, however, that shares of PNC common stock used to pay all or any portion of the aggregate Reload Option Price may not be subject to any contractual restriction, pledge or other encumbrance and must be shares that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

4.3 Payment of Taxes. Optionee may elect to satisfy any or all applicable federal, state, or local tax liabilities incurred in connection with exercise of the Reload Option (a) by payment of cash, (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, through the retention by PNC of sufficient whole shares of PNC common stock otherwise issuable upon such exercise to satisfy the minimum amount of taxes required to be withheld in connection with such exercise, or (c) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

For purposes of this Section 4.3, shares of PNC common stock that are used to satisfy applicable taxes will be valued at their Fair Market Value on the date the tax withholding obligation arises. In no event will the Fair Market Value of the shares of PNC common stock otherwise issuable upon exercise of the Reload Option but retained pursuant to Section 4.3(b) exceed the minimum amount of taxes required to be withheld in connection with the Reload Option exercise.

4.4 Effect. The exercise, in whole or in part, of the Reload Option will cause a reduction in the number of unexercised Covered Shares as to which the Reload Option is outstanding equal to the number of shares of PNC common stock with respect to which the Reload Option is exercised.

5. Restrictions on Exercise and on Shares Issued on Exercise. Notwithstanding any other provision of the Reload Agreement, the Reload Option may not be exercised at any time that PNC does not have in effect a registration statement under the Securities Act of 1933 as amended relating to the offer of shares of PNC common stock under the Plan unless PNC agrees to permit such exercise. Upon the issuance of any shares of PNC common stock pursuant to exercise of the Reload Option at a time when such a registration statement is not in effect, Optionee will, upon the request of PNC, agree in writing that Optionee is acquiring such shares for investment only and not with a view to resale and that Optionee will not sell, pledge, or otherwise dispose of such shares unless and until (a) PNC is furnished with an opinion of counsel to the effect that registration of such shares pursuant to the Securities Act of 1933 as amended is not required by that Act or by rules and regulations promulgated thereunder, (b) the staff of the SEC has issued a no-action letter with respect to such disposition, or (c) such registration or notification as is, in the opinion of counsel for PNC, required for the lawful disposition of such shares has been filed and has become effective; provided, however, that PNC is not obligated hereby to file any such registration or notification. PNC may place a legend embodying such restrictions on the certificate(s) evidencing such shares.

6. Rights as Shareholder. Optionee will have no rights as a shareholder with respect to any Covered Shares until the Exercise Date and then only with respect to those shares of PNC common stock issued upon such exercise of the Reload Option and not retained as provided in Section 4.3.

7. Employment. Neither the granting of the Reload Option evidenced by the Reload Agreement nor any term or provision of the Reload Agreement will constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any Subsidiary to employ Optionee for any period.

8. Subject to the Plan. The Reload Option evidenced by the Reload Agreement and the exercise thereof are subject to the terms and conditions of the Plan, which is incorporated by reference herein and made a part hereof, but the terms of the Plan will not be considered an enlargement of any benefits under the Reload Agreement. In addition, the Reload Option is subject to any rules and regulations promulgated by or under the authority of the Committee.

9. Applicable Law. The Reload Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions.

Notwithstanding anything in the Reload Agreement, PNC will not be required to comply with any term, covenant or condition of the Reload Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Optionee, Optionee agrees to reimburse PNC for any amounts Optionee may be required to reimburse the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Reload Agreement to the extent that doing so would require that Optionee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

10. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Reload Option and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder, ("Section 409A") to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

Optionee understands and agrees that if any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, PNC may, without the consent of Optionee, modify the Agreement and the Reload Option to the extent and in the manner PNC deems

necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

11. No Additional Reload Option. Exercise of the Reload Option will not entitle Optionee to receive an additional reload option, regardless of the manner in which the Reload Option is exercised.

12. Effective Date. If Optionee does not accept the grant of the Reload Option by executing and delivering a copy of the Reload Agreement to PNC, without altering or changing the terms of the Reload Agreement in any way, within thirty (30) days of receipt by Optionee of a copy of the Reload Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Reload Option and the Reload Agreement at any time prior to Optionee’s delivery to PNC of a copy of the Reload Agreement executed by Optionee.

Otherwise, upon execution and delivery of the Reload Agreement by both PNC and Optionee and, in the event that Optionee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Reload Option Grant, the Reload Option and the Reload Agreement are effective as of the Reload Option Grant Date.

IN WITNESS WHEREOF, PNC has caused the Reload Agreement to be signed on its behalf effective as of the Reload Option Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By: _____
Chairman and Chief Executive Officer

ATTEST:

By: _____
Corporate Secretary

Accepted and agreed to as of the Reload Option Grant Date

Optionee

Annex A—Certain Definitions

Annex B—Notice of Exercise

Annex C—Tax Payment Election Form

ANNEX A CERTAIN DEFINITIONS

* * *

Except where the context otherwise indicates, the following definitions apply to the Reload Nonstatutory Stock Option Agreement (“Reload Agreement”) to which this Annex A is attached.

A.1 “Board” means the Board of Directors of PNC.

A.2 “Cause” means:

(a) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Optionee has not substantially performed Optionee’s duties; or

(b) the willful engaging by Optionee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any Subsidiary.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Optionee, shall be considered willful unless it is done, or omitted to be done, by Optionee in bad faith and without reasonable belief that Optionee's action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Optionee's superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Optionee in good faith and in the best interests of the Corporation.

The cessation of employment of Optionee will be deemed to be a termination of Optionee's employment with the Corporation for Cause for purposes of the Reload Agreement only if and when there shall have been delivered to Optionee, as part of the notice of Optionee's termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Optionee is guilty of conduct described in clause (a) or (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Optionee, together with written notice that PNC believes that Optionee is guilty of conduct described in clause (a) or (b) above and, in either case, specifying the particulars thereof in detail, and (2) Optionee is given an opportunity, together with counsel, to be heard before the Board.

A.3 "CEO" means the chief executive officer of PNC.

A.4 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (²/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (²/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its Subsidiaries shall not by itself constitute a Change in Control.

A.5 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.7(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.7(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.6 "CIC Severance Agreement" means the written agreement, if any, between Optionee and PNC providing, among other things, for certain change in control severance benefits.

A.7 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.4; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.8 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated by that committee as its delegate.

A.9 "Competitive Activity" means, for purposes of the Reload Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any Subsidiary (1) engaged in business activities similar to some or all of the business activities of PNC or any Subsidiary as of Optionee's Termination Date or (2) engaged in business activities that Optionee knows PNC or any Subsidiary intends to enter within the first twelve (12) months after Optionee's Termination Date or, if later and if applicable, after the date specified in clause (2) of Section A.12(i), in either case whether Optionee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.10 "Corporation" means PNC and its Subsidiaries.

A.11 "Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is two (2) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier

to occur of (x) the date of a CIC Failure and (y) the date that is two (2) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clauses (a)(i) and (a)(ii) in the preceding sentence.

A.12 “Detrimental Conduct” means, for purposes of the Reload Agreement:

- (i) Optionee has engaged, without the prior written consent of PNC (at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Optionee’s Termination Date and extending through the first (1st) anniversary of the later of (1) Optionee’s Termination Date and, if different, (2) the first date after Optionee’s Termination Date as of which Optionee ceases to be engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;
- (ii) a material breach by Optionee of (1) any code of conduct of PNC or a Subsidiary or (2) other written policy of PNC or a Subsidiary, in either case required by law or established to maintain compliance with applicable law;
- (iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Optionee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary;
- (iv) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or entry by Optionee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Optionee’s employment or other service relationship with the Corporation; or
- (v) entry of any order against Optionee, by any governmental body having regulatory authority with respect to the business of PNC or any Subsidiary, that relates to or arises out of Optionee’s employment or other service relationship with the Corporation.

Optionee will be deemed to have engaged in Detrimental Conduct for purposes of the Reload Agreement only if and when the CEO or his or her designee (or, if Optionee is the CEO, the Board) determines that Optionee has engaged in conduct described in clause (i) above, that Optionee is guilty of conduct described in clause (ii) or (iii) above, or that an event described in clause (iv) or (v) above has occurred with respect to Optionee and, if so, determines that Optionee will be deemed to have engaged in Detrimental Conduct.

A.13 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.14 “Exercise Date” means the date (which must be a business day for PNC Bank, National Association) on which PNC receives written notice, in such form as PNC may from time to time prescribe, of the exercise, in whole or in part, of the Reload Option pursuant to the terms of the Reload Agreement, subject to full payment of the aggregate Reload Option Price and satisfaction of all taxes required to be withheld in connection with such exercise as provided in Sections 4.1, 4.2 and 4.3 of the Reload Agreement.

A.15 “Expiration Date.”

(a) Expiration Date. Expiration Date means the date on which the Reload Option expires, which will be the tenth (10th) anniversary of the Original Option Grant Date unless the Reload Option expires earlier pursuant to any of the provisions set forth in Sections A.15(b) through A.15(d);

provided, however, if there is a Change in Control, then notwithstanding Sections A.15(c) and A.15(d), to the extent that the Reload Option is outstanding and vested or vests at the time the Change in Control occurs, the Reload Option will not expire at the earliest before the close of business on the ninetieth (90th)

day after the occurrence of the Change in Control (or the tenth (10th) anniversary of the Original Option Grant Date if earlier), provided that either (1) Optionee is an employee of the Corporation at the time the Change in Control occurs and Optionee's employment with the Corporation is not terminated for Cause or (2) Optionee is a former employee of the Corporation whose Reload Option, or portion thereof, is outstanding at the time the Change in Control occurs by virtue of the application of one or more of the exceptions set forth in Section A.15(c) and at least one of such exceptions is still applicable at the time the Change in Control occurs.

In no event will the Reload Option remain outstanding beyond the tenth (10th) anniversary of the Original Option Grant Date.

(b) Termination for Cause. Upon a termination of Optionee's employment with the Corporation for Cause, unless the Committee determines otherwise, the Reload Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested and whether or not Optionee is eligible to Retire or Optionee's employment also terminates for another reason.

(c) Ceasing to be an Employee other than by Termination for Cause If Optionee ceases to be an employee of the Corporation other than by termination of Optionee's employment for Cause, then unless the Committee determines otherwise, the Reload Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested, except to the extent that the provisions set forth in subsection (1), (2), (3), (4) or (5) of this Section A.15(c) apply to Optionee's circumstances and such applicable subsection specifies a later expiration date for all or a portion of the Reload Option. If more than one of such exceptions is applicable to the Reload Option or a portion thereof, then the Reload Option or such portion of the Reload Option will expire in accordance with the provisions of the subsection that specifies the latest expiration date.

(1) Retirement. If the termination of Optionee's employment with the Corporation meets the definition of Retirement, then the Reload Option will expire on the third (3rd) anniversary of Optionee's Retirement date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date) with respect to any Covered Shares as to which the Reload Option is vested on Optionee's Retirement date or vests on the Retirement date pursuant to Section 2.2 of the Reload Agreement.

(2) Death. If Optionee's employment with the Corporation is terminated by reason of Optionee's death, then the Reload Option will expire on the first (1st) anniversary of the date of Optionee's death (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(3) Termination during a Coverage Period without Cause or with Good Reason If Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, then the Reload Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date) with respect to any Covered Shares as to which the Reload Option is vested on such date or vests on such Termination Date pursuant to Section 2.2 of the Reload Agreement.

(4) Total and Permanent Disability. If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability, then the Reload Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(5) DEAP or Agreement or Arrangement in lieu of or in addition to DEAP. In the event that (a) Optionee's employment with the Corporation is terminated by the Corporation, and Optionee is offered and has entered into the standard Waiver and Release Agreement with PNC or a Subsidiary under an applicable PNC or Subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Optionee is offered and has entered into a similar waiver and release

agreement between PNC or a Subsidiary and Optionee pursuant to the terms of an agreement or arrangement entered into by PNC or a Subsidiary and Optionee in lieu of or in addition to the DEAP, and (b) Optionee has not revoked such waiver and release agreement, and (c) the time for revocation of such waiver and release agreement by Optionee has lapsed, then the Reload Option will expire at the close of business on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date) with respect to any Covered Shares as to which the Reload Option has already become vested; provided, however, that if Optionee returns to employment with the Corporation no later than said ninetieth (90th) day, then for purposes of the Reload Agreement, the entire Reload Option, whether vested or unvested, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the Reload Option is vested and will expire on Optionee's Termination Date unless the conditions set forth in this Section A.15(c)(5) are met, then such vested Reload Option or portion thereof will not terminate on the Termination Date, but Optionee will not be able to exercise the Reload Option after such Termination Date unless and until all of the conditions set forth in this Section A.15(c)(5) have been met and the Reload Option will terminate on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(d) Detrimental Conduct. If the Reload Option would otherwise remain outstanding after Optionee's Termination Date with respect to any of the Covered Shares pursuant to one or more of the exceptions set forth in the subsections of Section A.15(c), then notwithstanding the provisions of such exception or exceptions, the Reload Option will expire on the date that PNC determines that Optionee has engaged in Detrimental Conduct, if earlier than the date on which the Reload Option would otherwise expire; provided, however, that:

(1) no determination that Optionee has engaged in Detrimental Conduct may be made on or after the date of Optionee's death, and Detrimental Conduct will not apply to conduct by or activities of beneficiaries or other successors to the Reload Option in the event of Optionee's death;

(2) in the event that Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, whether or not another exception is applicable, no determination that Optionee has engaged in Detrimental Conduct for purposes of the Reload Agreement may be made on or after such Termination Date; and

(3) no determination that Optionee has engaged in Detrimental Conduct may be made after the occurrence of a Change in Control.

A.16 "Fair Market Value" as it relates to a share of PNC common stock means the average of the reported high and low trading prices of a share of PNC common stock on the New York Stock Exchange (or such successor reporting system as PNC may select) on the relevant date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.17 "Good Reason" means:

(a) the assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation that results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee;

(b) a reduction by the Corporation in Optionee's annual base salary as in effect on the Original Option Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Optionee to be based at any office or location that is more than fifty (50) miles from Optionee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan in which Optionee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Optionee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (ii) to continue Optionee's participation in such plan (or in such substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Optionee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Optionee with benefits substantially similar to those received by Optionee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans in which Optionee was participating, at costs substantially similar to those paid by Optionee, immediately prior to the CIC Triggering Event or the Change in Control.

A.18 "Optionee" means the person identified as Optionee on page 1 of the Reload Agreement.

A.19 "Original Option" has the meaning set forth in Section 1 of the Reload Agreement.

A.20 "Original Option Grant Date" is the date as of which the Original Option was granted.

A.21 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.22 "PNC" means The PNC Financial Services Group, Inc.

A.23 "Reload Option" means the Nonstatutory Stock Option granted to Optionee in Section 1 of the Reload Agreement pursuant to which Optionee may purchase shares of PNC common stock as provided in the Reload Agreement.

A.24 "Reload Option Grant Date" means the date set forth as the Reload Option Grant Date on page 1 of the Reload Agreement, which is the date the Original Option was exercised in accordance with the terms of the Addendum to the Original Option stock option agreement.

A.25 "Reload Option Price" means the dollar amount per share of PNC common stock set forth as the Reload Option Price on page 1 of the Reload Agreement.

A.26 "Retiree" means an Optionee who has Retired.

A.27 "Retire" or "Retirement" means termination of Optionee's employment with the Corporation (a) at any time on or after the first day of the first month coincident with or next following the date on which Optionee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Optionee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more Subsidiaries.

A.28 "Right(s)" means stock appreciation right(s) in accordance with the terms of Article 7 of the Plan.

A.29 "SEC" means the U.S. Securities and Exchange Commission.

A.30 “Subsidiary” has the meaning set forth in the Plan; provided, however, that in order to be a “Subsidiary” for purposes of the Agreement the entity must also satisfy the definition of “service recipient” under Section 409A of the Internal Revenue Code of 1986 as amended.

A.31 “Termination Date” means Optionee’s last date of employment with the Corporation. If Optionee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Optionee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Reload Agreement, Optionee’s employment with the Corporation terminates effective at the time this occurs.

A.32 “Total and Permanent Disability” means, unless the Committee determines otherwise, Optionee’s disability as determined to be total and permanent by the Corporation for purposes of the Reload Agreement.

Reload Option Agreement Form for
Original Options Granted 2001-2004

THE PNC FINANCIAL SERVICES GROUP, INC.
1997 LONG-TERM INCENTIVE AWARD PLAN
RELOAD NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE: «EMPLOYEE»

ORIGINAL OPTION GRANT DATE:

RELOAD OPTION GRANT DATE:

RELOAD OPTION PRICE: \$ per share

COVERED SHARES:

Terms defined in The PNC Financial Services Group, Inc. 1997 Long-Term Incentive Award Plan as amended from time to time ("Plan") are used in this reload nonstatutory stock option agreement ("Reload Agreement") as defined in the Plan unless otherwise defined in the Reload Agreement or an Annex thereto. In the Reload Agreement, "PNC" means The PNC Financial Services Group, Inc. and "Corporation" means PNC and its Subsidiaries. For certain definitions, see Annex A attached hereto and incorporated herein by reference. Headings used in the Reload Agreement and in the Annexes hereto are for convenience only and are not part of the Reload Agreement and Annexes.

1. Grant of Reload Option. Optionee, having exercised all or a portion of the Option granted to Optionee under the Plan as of _____, 200_ (the "Original Option") while employed by the Corporation and in a manner specified in the Addendum to the Original Option stock option agreement, is hereby granted, pursuant to the Plan and subject to the terms of the Reload Agreement, a Reload Option ("Reload Option") to purchase from PNC that number of shares of PNC common stock specified above as the "Covered Shares," exercisable at the Reload Option Price.

2. Terms of the Reload Option.

2.1 Type of Option. The Reload Option is intended to be a Nonstatutory Stock Option without Rights.

2.2 Reload Option Period. The Reload Option is exercisable in whole or in part as to any Covered Shares as to which it is outstanding and has become exercisable ("vested") at any time and from time to time through the Expiration Date.

To the extent that the Reload Option is otherwise outstanding, the Reload Option will vest as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Reload Option has become vested pursuant to Section 2.2(b), 2.2(c), 2.2(d) or 2.2(e), the Reload Option will become exercisable ("vest") commencing on the first (1st) anniversary date of the Reload Option Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the six (6) month anniversary date of the Reload Option Grant Date.

(b) If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability and not for Cause, the Reload Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(c) If Optionee's employment with the Corporation is terminated by reason of Optionee's death, the Reload Option will immediately vest as to all outstanding Covered Shares as to which it has not otherwise vested, and the Reload

Option may be exercised by Optionee's properly designated beneficiary, by the person or persons entitled to do so under Optionee's will, or by the person or persons entitled to do so under the applicable laws of descent and distribution.

(f) If, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event, Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Reload Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(e) Notwithstanding any other provision of this Section 2.2, to the extent that the Reload Option is outstanding but not yet fully vested at the time a Change in Control occurs, the Reload Option will vest as to all then outstanding Covered Shares as to which it has not otherwise vested, effective as of the day immediately prior to the occurrence of the Change in Control, provided that, at the time the Change in Control occurs, Optionee is either (i) an employee of the Corporation or (ii) a former employee of the Corporation whose unvested Reload Option, or portion thereof, is then outstanding and continues to qualify for vesting pursuant to the terms of Section 2.2(a).

If Optionee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Optionee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Reload Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

2.3 Nontransferability; Designation of Beneficiary; Payment to Legal Representative

(a) The Reload Option is not transferable or assignable by Optionee.

(b) During Optionee's lifetime, the Reload Option may be exercised only by Optionee or, in the event of Optionee's legal incapacity, by his or her legal representative, as determined in good faith by PNC.

(c) During Optionee's lifetime, Optionee may file with PNC, at such address and in such manner as PNC may from time to time direct, on a form to be provided by PNC on request, a designation of a beneficiary or beneficiaries (a "properly designated beneficiary") to hold and exercise Optionee's stock options, to the extent outstanding and exercisable, in accordance with their respective stock option agreements and the Plan in the event of Optionee's death.

(d) If Optionee dies prior to the full exercise or expiration of the Reload Option and has not filed a designation of beneficiary form as specified above, the Reload Option will be held and may be exercised by the person or persons entitled to do so under Optionee's will or under the applicable laws of descent and distribution, as to which PNC will be entitled to rely in good faith on instructions from Optionee's executor, administrator, or other legal representative.

(e) Any delivery of shares or other payment made or action taken hereunder by PNC in good faith to or on the instructions of Optionee's executor, administrator, or other legal representative shall extinguish all right to payment hereunder.

3. Capital Adjustments. Upon the occurrence of a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")), the Committee shall make those adjustments, if any, in the number, class or kind of Covered Shares as to which the Reload Option is outstanding and has not yet been exercised and in the Reload Option Price that it deems appropriate in its discretion to reflect the Corporate Transaction(s) such that the rights of Optionee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation cancellation of the Reload Option immediately prior to the effective time of the Corporate Transaction and payment, in cash, in consideration therefor, of an amount equal to the product of (a) the excess, if any, of the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction over the Reload Option Price and (b) the total number of Covered Shares subject to the Reload Option that were outstanding and unexercised immediately prior to the effective time of the Corporate Transaction.

All determinations hereunder shall be made by the Committee in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation the holder of the Reload Option.

No fractional shares will be issued on exercise of the Reload Option. PNC shall determine the manner in which any fractional shares will be treated.

4. Exercise of Reload Option.

4.1 Notice and Effective Date. The Reload Option may be exercised, in whole or in part, by delivering to PNC written notice of such exercise, in such form as PNC may from time to time prescribe, accompanied by full payment of the aggregate Reload Option Price with respect to that portion of the Reload Option being exercised and satisfaction of any amounts required to be withheld pursuant to applicable tax laws in connection with such exercise.

In addition, notwithstanding Sections 4.2 and 4.3, Optionee may elect to complete his or her Reload Option exercise through a brokerage service/margin account pursuant to the broker-assisted cashless option exercise procedure under Regulation T of the Board of Governors of the Federal Reserve System and in such manner as may be permitted by PNC from time to time consistent with said Regulation T.

The effective date of such exercise will be the Exercise Date. Until PNC notifies Optionee to the contrary, the form attached to the Reload Agreement as Annex B shall be used to exercise the Reload Option and the form attached to the Reload Agreement as Annex C shall be used to make tax payment elections.

In the event that the Reload Option is exercised, pursuant to Section 2.3, by any person or persons other than Optionee, such notice of exercise must be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Reload Option.

4.2 Payment of Reload Option Price. Upon exercise of the Reload Option, in whole or in part, Optionee may pay the aggregate Reload Option Price (a) in cash or (b) if and to the extent then permitted by PNC, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) having an aggregate Fair Market Value on the Exercise Date not exceeding that portion of the aggregate Reload Option Price being paid using such shares, or through a combination of cash and shares of PNC common stock; provided, however, that shares of PNC common stock used to pay all or any portion of the aggregate Reload Option Price may not be subject to any contractual restriction, pledge or other encumbrance and must be shares that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

4.3 Payment of Taxes. Optionee may elect to satisfy any or all applicable federal, state, or local tax liabilities incurred in connection with exercise of the Reload Option (a) by payment of cash, (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, through the retention by PNC of sufficient whole shares of PNC common stock otherwise issuable upon such exercise to satisfy the minimum amount of taxes required to be withheld in connection with such exercise, or (c) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

For purposes of this Section 4.3, shares of PNC common stock that are used to satisfy applicable taxes will be valued at their Fair Market Value on the date the tax withholding obligation arises. In no event will the Fair Market Value of the shares of PNC common stock otherwise issuable upon exercise of the Reload Option but retained pursuant to Section 4.3(b) exceed the minimum amount of taxes required to be withheld in connection with the Reload Option exercise.

4.4 Effect. The exercise, in whole or in part, of the Reload Option will cause a reduction in the number of unexercised Covered Shares as to which the Reload Option is outstanding equal to the number of shares of PNC common stock with respect to which the Reload Option is exercised.

5. Restrictions on Exercise and on Shares Issued on Exercise. Notwithstanding any other provision of the Reload Agreement, the Reload Option may not be exercised at any time that PNC does not have in effect a registration statement under the Securities Act of 1933 as amended relating to the offer of shares of PNC common stock under the Plan unless PNC agrees to permit such exercise. Upon the issuance of any shares of PNC common stock pursuant to exercise of the Reload Option at a time when such a registration statement is not in effect, Optionee will, upon the request of PNC, agree in writing that Optionee is acquiring such shares for investment only and not with a view to resale and that Optionee will not sell, pledge, or otherwise dispose of such shares unless and until (a) PNC is furnished with an opinion of counsel to the effect that registration of such shares pursuant to the Securities Act of 1933 as amended is not required by that Act or by rules and regulations promulgated thereunder, (b) the staff of the SEC has issued a no-action letter with respect to such disposition, or (c) such registration or notification as is, in the opinion of counsel for PNC, required for the lawful disposition of such shares has been filed and has become effective; provided, however, that PNC is not obligated hereby to file any such registration or notification. PNC may place a legend embodying such restrictions on the certificate(s) evidencing such shares.

6. Rights as Shareholder. Optionee will have no rights as a shareholder with respect to any Covered Shares until the Exercise Date and then only with respect to those shares of PNC common stock issued upon such exercise of the Reload Option and not retained as provided in Section 4.3.

7. Employment. Neither the granting of the Reload Option evidenced by the Reload Agreement nor any term or provision of the Reload Agreement will constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any Subsidiary to employ Optionee for any period.

8. Subject to the Plan. The Reload Option evidenced by the Reload Agreement and the exercise thereof are subject to the terms and conditions of the Plan, which is incorporated by reference herein and made a part hereof, but the terms of the Plan will not be considered an enlargement of any benefits under the Reload Agreement. In addition, the Reload Option is subject to any rules and regulations promulgated by or under the authority of the Committee.

9. Optionee Covenants.

9.1 General. Optionee and PNC acknowledge and agree that Optionee has received adequate consideration with respect to enforcement of the provisions of Sections 9 and 10 hereof by virtue of receiving this Reload Option, which gives Optionee an opportunity potentially to benefit from an increase in the future value of PNC common stock (regardless of whether any such benefit is ultimately realized); that such provisions are reasonable and properly required for the adequate protection of the business of the Corporation; and that enforcement of such provisions will not prevent Optionee from earning a living.

9.2 Non-Solicitation; No-Hire. Optionee agrees to comply with the provisions of subsections (a) and (b) of this Section 9.2 while employed by the Corporation and for a period of twelve (12) months after Optionee's Termination Date regardless of the reason for such termination of employment.

(b) Non-Solicitation. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, solicit, call on, do business with, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any Person that Optionee should reasonably know (i) is a customer of PNC or any Subsidiary for which PNC or any Subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any Subsidiary for which PNC or any Subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any Subsidiary to provide any services.

(b) No-Hire. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any Subsidiary, employ or offer to employ, call on, or actively interfere with PNC's or any Subsidiary's relationship with, or attempt to divert or entice away, any employee of the Corporation, nor shall Optionee assist any other Person in such activities.

Notwithstanding the above, if Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.11 of Annex A or, if Optionee was a party to a CIC Severance Agreement that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 9.2 shall no longer apply and shall be replaced with the following subsection (c):

(c) No-Hire. Optionee agrees that Optionee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

9.3 Confidentiality. During Optionee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Optionee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Optionee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

9.4 Ownership of Inventions. Optionee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Optionee during the term of Optionee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any Subsidiary or (b) developed with the use of any time, material, facilities or other resources of PNC or any Subsidiary ("Developments"). Optionee agrees to assign and hereby does assign to PNC or its designee all of Optionee's right, title and interest, including copyrights and patent rights, in and to all Developments. Optionee shall perform all actions and execute all instruments that PNC or any Subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 9.4 shall be performed by Optionee without further compensation and shall continue beyond the Termination Date.

10. Enforcement Provisions. Optionee understands and agrees to the following provisions regarding enforcement of the Reload Agreement.

10.1 Governing Law and Jurisdiction. The Reload Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Reload Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Reload Agreement, Optionee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Reload Agreement.

10.2 Equitable Remedies. A breach of the provisions of any of Sections 9.2, 9.3 or 9.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Optionee, and each and every person and entity acting in concert or participating with Optionee, from initiation and/or continuation of such breach.

10.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 9.2 by legal proceedings, the period during which Optionee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

10.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Reload Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

10.5 Severability. The restrictions and obligations imposed by Sections 9.2, 9.3 and 9.4 are separate and severable, and it is the intent of Optionee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations shall remain valid and binding upon Optionee.

10.6 Reform. In the event any of Sections 9.2, 9.3 and 9.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Optionee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

10.7 Waiver of Jury Trial. Each of Optionee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 9.2, 9.3 and 9.4.

10.8 Applicable Law. Notwithstanding anything in the Reload Agreement, PNC will not be required to comply with any term, covenant or condition of the Reload Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Optionee, Optionee agrees to reimburse PNC for any amounts Optionee may be required to reimburse the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Reload Agreement to the extent that doing so would require that Optionee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

10.9 Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Reload Option and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder, ("Section 409A") to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Optionee agrees that PNC may, without the consent of Optionee, modify the Agreement and the Reload Option to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

12. No Additional Reload Option. Exercise of the Reload Option will not entitle Optionee to receive an additional reload option, regardless of the manner in which the Reload Option is exercised.

13. Effective Date. If Optionee does not accept the grant of the Reload Option by executing and delivering a copy of the Reload Agreement to PNC, without altering or changing the terms of the Reload Agreement in any way, within thirty (30) days of receipt by Optionee of a copy of the Reload Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Reload Option and the Reload Agreement at any time prior to Optionee's delivery to PNC of a copy of the Reload Agreement executed by Optionee.

Otherwise, upon execution and delivery of the Reload Agreement by both PNC and Optionee and, in the event that Optionee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Reload Option Grant, the Reload Option and the Reload Agreement are effective as of the Reload Option Grant Date.

IN WITNESS WHEREOF, PNC has caused the Reload Agreement to be signed on its behalf effective as of the Reload Option Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

Accepted and agreed to as of the Reload Option Grant Date

Optionee

Annex A—Certain Definitions

Annex B—Notice of Exercise

Annex C—Tax Payment Election Form

ANNEX A
CERTAIN DEFINITIONS

* * *

Except where the context otherwise indicates, the following definitions apply to the Reload Nonstatutory Stock Option Agreement (“Reload Agreement”) to which this Annex A is attached.

A.1 “Board” means the Board of Directors of PNC.

A.2 “Cause.”

(a) “Cause” during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs during a Coverage Period, then, for purposes of the Reload Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Optionee has not substantially performed Optionee’s duties; or

(ii) the willful engaging by Optionee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any Subsidiary.

For purposes of the preceding clauses (i) and (ii), no act or failure to act, on the part of Optionee, shall be considered willful unless it is done, or omitted to be done, by Optionee in bad faith and without reasonable belief that Optionee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Optionee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Optionee in good faith and in the best interests of the Corporation.

The cessation of employment of Optionee will be deemed to be a termination of Optionee’s employment with the Corporation for Cause for purposes of the Reload Agreement only if and when there shall have been delivered to Optionee, as part of the notice of Optionee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Optionee, together with written notice that PNC believes that Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Optionee is given an opportunity, together with counsel, to be heard before the Board.

(b) “Cause” other than during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs other than during a Coverage Period, then, for purposes of the Reload Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by PNC that specifically identifies the manner in which it is believed that Optionee has not substantially performed Optionee’s duties;

(ii) a material breach by Optionee of (1) any code of conduct of PNC or a Subsidiary or (2) other written policy of PNC or a Subsidiary, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Optionee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary;

(iv) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or entry by Optionee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Optionee, by any governmental body having regulatory authority with respect to the business of PNC or any Subsidiary, that relates to or arises out of Optionee's employment or other service relationship with the Corporation.

The cessation of employment of Optionee will be deemed to have been a termination of Optionee's employment with the Corporation for Cause for purposes of the Reload Agreement only if and when the CEO or his or her designee (or, if Optionee is the CEO, the Board) determines that Optionee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Optionee and, if so, determines that the termination of Optionee's employment with the Corporation will be deemed to have been for Cause.

A.3 "CEO" means the chief executive officer of PNC.

A.4 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its Subsidiaries shall not by itself constitute a Change in Control.

A.5 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.7(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.7(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.6 "CIC Severance Agreement" means the written agreement, if any, between Optionee and PNC providing, among other things, for certain change in control severance benefits.

A.7 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.4; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.8 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated by that committee as its delegate.

A.9 "Competitive Activity" means, for purposes of the Reload Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any Subsidiary (1) engaged in business activities similar to some or all of the business activities of PNC or any Subsidiary as of Optionee's Termination Date or (2) engaged in business activities that Optionee knows PNC or any Subsidiary intends to enter within the first twelve (12) months after Optionee's Termination Date or, if later and if applicable, after the date specified in clause (2) of Section A.12(i), in either case whether Optionee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.10 "Corporation" means PNC and its Subsidiaries.

A.11 "Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is two (2) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is two (2) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clauses (a)(i) and (a)(ii) in the preceding sentence.

A.12 “Detrimental Conduct” means, for purposes of the Reload Agreement:

- (i) Optionee has engaged, without the prior written consent of PNC (at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Optionee’s Termination Date and extending through the first (1st) anniversary of the later of (1) Optionee’s Termination Date and, if different, (2) the first date after Optionee’s Termination Date as of which Optionee ceases to be engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;
- (ii) a material breach by Optionee of (1) any code of conduct of PNC or a Subsidiary or (2) other written policy of PNC or a Subsidiary, in either case required by law or established to maintain compliance with applicable law;
- (iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Optionee against PNC or a Subsidiary or any client or customer of PNC or a Subsidiary;
- (iv) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or entry by Optionee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Optionee’s employment or other service relationship with the Corporation; or
- (v) entry of any order against Optionee, by any governmental body having regulatory authority with respect to the business of PNC or any Subsidiary, that relates to or arises out of Optionee’s employment or other service relationship with the Corporation.

Optionee will be deemed to have engaged in Detrimental Conduct for purposes of the Reload Agreement only if and when the CEO or his or her designee (or, if Optionee is the CEO, the Board) determines that Optionee has engaged in conduct described in clause (i) above, that Optionee is guilty of conduct described in clause (ii) or (iii) above, or that an event described in clause (iv) or (v) above has occurred with respect to Optionee and, if so, determines that Optionee will be deemed to have engaged in Detrimental Conduct.

A.13 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.14 “Exercise Date” means the date (which must be a business day for PNC Bank, National Association) on which PNC receives written notice, in such form as PNC may from time to time prescribe, of the exercise, in whole or in part, of the Reload Option pursuant to the terms of the Reload Agreement, subject to full payment of the aggregate Reload Option Price and satisfaction of all taxes required to be withheld in connection with such exercise as provided in Sections 4.1, 4.2 and 4.3 of the Reload Agreement.

A.15 “Expiration Date.”

(a) Expiration Date. Expiration Date means the date on which the Reload Option expires, which will be the tenth (10th) anniversary of the Original Option Grant Date unless the Reload Option expires earlier pursuant to any of the provisions set forth in Sections A.15(b) through A.15(d);

provided, however, if there is a Change in Control, then notwithstanding Sections A.15(c) and A.15(d), to the extent that the Reload Option is outstanding and vested or vests at the time the Change in Control occurs, the Reload Option will not expire at the earliest before the close of business on the ninetieth (90th) day after the occurrence of the Change in Control (or the tenth (10th) anniversary of the Original Option Grant Date if earlier), provided that either (1) Optionee is an employee of the Corporation at the time the Change in Control occurs and Optionee’s employment with the Corporation is not terminated for Cause or (2) Optionee is a former employee of the Corporation whose Reload Option, or portion thereof, is outstanding at the time the Change in Control occurs by virtue of the application of one or more of the exceptions set forth in Section A.15(c) and at least one of such exceptions is still applicable at the time the Change in Control occurs.

In no event will the Reload Option remain outstanding beyond the tenth (10th) anniversary of the Original Option Grant Date.

(b) Termination for Cause. Upon a termination of Optionee's employment with the Corporation for Cause, unless the Committee determines otherwise, the Reload Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested and whether or not Optionee is eligible to Retire or Optionee's employment also terminates for another reason.

(c) Ceasing to be an Employee other than by Termination for Cause. If Optionee ceases to be an employee of the Corporation other than by termination of Optionee's employment for Cause, then unless the Committee determines otherwise, the Reload Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested, except to the extent that the provisions set forth in subsection (1), (2), (3), (4) or (5) of this Section A.15(c) apply to Optionee's circumstances and such applicable subsection specifies a later expiration date for all or a portion of the Reload Option. If more than one of such exceptions is applicable to the Reload Option or a portion thereof, then the Reload Option or such portion of the Reload Option will expire in accordance with the provisions of the subsection that specifies the latest expiration date.

(1) Retirement. If the termination of Optionee's employment with the Corporation meets the definition of Retirement, then the Reload Option will expire on the tenth (10th) anniversary of the Original Option Grant Date with respect to any Covered Shares as to which the Reload Option is vested on the Retirement date or thereafter vests pursuant to Section 2.2 of the Reload Agreement.

(2) Death. If Optionee's employment with the Corporation is terminated by reason of Optionee's death, then the Reload Option will expire on the tenth (10th) anniversary of the Original Option Grant Date.

(3) Termination during a Coverage Period without Cause or with Good Reason. If Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, then the Reload Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(4) Total and Permanent Disability. If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability, then the Reload Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(5) DEAP or Agreement or Arrangement in lieu of or in addition to DEAP. In the event that (a) Optionee's employment with the Corporation is terminated by the Corporation, and Optionee is offered and has entered into the standard Waiver and Release Agreement with PNC or a Subsidiary under an applicable PNC or Subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Optionee is offered and has entered into a similar waiver and release agreement between PNC or a Subsidiary and Optionee pursuant to the terms of an agreement or arrangement entered into by PNC or a Subsidiary and Optionee in lieu of or in addition to the DEAP, and (b) Optionee has not revoked such waiver and release agreement, and (c) the time for revocation of such waiver and release agreement by Optionee has lapsed, then the Reload Option will expire at the close of business on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date) with respect to any Covered Shares as to which the Reload Option has already become vested; provided, however, that if Optionee returns to employment with the Corporation no later than said ninetieth (90th) day, then for purposes of the Reload Agreement, the entire Reload Option, whether vested or unvested, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the Reload Option is vested and will expire on Optionee's Termination Date unless the conditions set forth in this Section A.15(c)(5) are met, then such vested Reload Option or portion thereof will not terminate on the Termination Date, but Optionee will not be able to exercise the Reload Option after such Termination Date unless and until all of the conditions set forth in this Section A.15(c)(5) have been met and the Reload Option will terminate on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Original Option Grant Date).

(d) Detrimental Conduct. If the Reload Option would otherwise remain outstanding after Optionee's Termination Date with respect to any of the Covered Shares pursuant to one or more of the exceptions set forth in the subsections of Section A.15(c), then notwithstanding the provisions of such exception or exceptions, the Reload Option will expire on the date that PNC determines that Optionee has engaged in Detrimental Conduct, if earlier than the date on which the Reload Option would otherwise expire; provided, however, that:

(1) no determination that Optionee has engaged in Detrimental Conduct may be made on or after the date of Optionee's death, and Detrimental Conduct will not apply to conduct by or activities of beneficiaries or other successors to the Reload Option in the event of Optionee's death;

(2) in the event that Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, whether or not another exception is applicable, no determination that Optionee has engaged in Detrimental Conduct for purposes of the Reload Agreement may be made on or after such Termination Date; and

(3) no determination that Optionee has engaged in Detrimental Conduct may be made after the occurrence of a Change in Control.

A.16 "Fair Market Value" as it relates to a share of PNC common stock means the average of the reported high and low trading prices of a share of PNC common stock on the New York Stock Exchange (or such successor reporting system as PNC may select) on the relevant date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.17 "Good Reason" means:

(a) the assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation that results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee;

(b) a reduction by the Corporation in Optionee's annual base salary as in effect on the Original Option Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Optionee to be based at any office or location that is more than fifty (50) miles from Optionee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan in which Optionee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Optionee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (ii) to continue Optionee's participation in such plan (or in such substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Optionee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Optionee with benefits substantially similar to those received by Optionee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans in which Optionee was participating, at costs substantially similar to those paid by Optionee, immediately prior to the CIC Triggering Event or the Change in Control.

A.18 "Optionee" means the person identified as Optionee on page 1 of the Reload Agreement.

A.19 "Original Option" has the meaning set forth in Section 1 of the Reload Agreement.

A.20 "Original Option Grant Date" is the date as of which the Original Option was granted.

A.21 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.22 "PNC" means The PNC Financial Services Group, Inc.

A.23 "Reload Option" means the Nonstatutory Stock Option granted to Optionee in Section 1 of the Reload Agreement pursuant to which Optionee may purchase shares of PNC common stock as provided in the Reload Agreement.

A.24 "Reload Option Grant Date" means the date set forth as the Reload Option Grant Date on page 1 of the Reload Agreement, which is the date the Original Option was exercised in accordance with the terms of the Addendum to the Original Option stock option agreement.

A.25 "Reload Option Price" means the dollar amount per share of PNC common stock set forth as the Reload Option Price on page 1 of the Reload Agreement.

A.26 "Retiree" means an Optionee who has Retired.

A.27 "Retire" or "Retirement" means termination of Optionee's employment with the Corporation (a) at any time on or after the first day of the first month coincident with or next following the date on which Optionee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Optionee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more Subsidiaries.

A.28 "Right(s)" means stock appreciation right(s) in accordance with the terms of Article 7 of the Plan.

A.29 "SEC" means the U.S. Securities and Exchange Commission.

A.30 "Subsidiary" has the meaning set forth in the Plan; provided, however, that in order to be a "Subsidiary" for purposes of the Agreement the entity must also satisfy the definition of "service recipient" under Section 409A of the Internal Revenue Code of 1986 as amended.

A.31 "Termination Date" means Optionee's last date of employment with the Corporation. If Optionee is employed by a Subsidiary that ceases to be a Subsidiary of PNC and Optionee does not continue to be employed by PNC or a Subsidiary, then for purposes of the Reload Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

A.32 “Total and Permanent Disability” means, unless the Committee determines otherwise, Optionee’s disability as determined to be total and permanent by the Corporation for purposes of the Reload Agreement.

FORM OF EMPLOYEE STOCK OPTION AGREEMENT — IRELAND

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

NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE: «First_Name_MI» «Last_Name»
GRANT DATE: _____, 200_
OPTION PRICE: \$_____ per share
COVERED SHARES: «Shares»

1. Definitions: Grant of Option. Certain terms used in this Nonstatutory Stock Option Agreement (the “Agreement”) are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the “Plan”) and subject to the terms of the Agreement, PNC hereby grants to Optionee an Option to purchase from PNC that number of shares of PNC common stock specified above as the “Covered Shares,” exercisable at the Option Price.

In the Agreement, “PNC” means The PNC Financial Services Group, Inc. and “Corporation” means PNC and its Consolidated Subsidiaries. Headings used in the Agreement are for convenience only and are not part of the Agreement.

2. Terms of the Option.

2.1 Type of Option. The Option is intended to be a Nonstatutory Stock Option.

2.2 Option Period. Except as otherwise set forth in Section 2.3, the Option is exercisable in whole or in part as to any Covered Shares as to which it is outstanding and has become exercisable (“vested”) at any time and from time to time through the Expiration Date as defined in Section A.18 of Annex A hereto, including the early termination provisions set forth in said definition.

To the extent that the Option or relevant portion thereof is outstanding, the Option will vest as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Option has become fully vested pursuant to Section 2.2(b), 2.2(c), 2.2(d) or 2.2(e), the Option will become exercisable (“vest”):

(i) as to one-third ($\frac{1}{3}$ rd) of the Covered Shares (rounded down to the nearest whole Share), commencing on the first (1st) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the six (6) month anniversary date of the Grant Date;

(ii) as to one-half ($\frac{1}{2}$) of the remaining Covered Shares (rounded down to the nearest whole Share), commencing on the second (2nd) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the first (1st) anniversary date of the Grant Date; and

(iii) as to the remaining Covered Shares, commencing on the third (3rd) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such vesting date or is a Retiree whose Retirement date occurred on or after the first (1st) anniversary date of the Grant Date.

(b) If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability and not for Cause, the Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(c) If Optionee's employment with the Corporation is terminated by reason of Optionee's death, the Option will immediately vest as to all outstanding Covered Shares as to which it has not otherwise vested, and the Option may be exercised by Optionee's properly designated beneficiary, by the person or persons entitled to do so under Optionee's will, or by the person or persons entitled to do so under the applicable laws of descent and distribution.

(d) If, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event, Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Option will vest as to all outstanding Covered Shares as to which it has not otherwise vested commencing on Optionee's Termination Date.

(e) Notwithstanding any other provision of this Section 2.2, to the extent that the Option is outstanding but not yet fully vested at the time a Change in Control occurs, the Option will vest as to all then outstanding Covered Shares as to which it has not otherwise vested, effective as of the day immediately prior to the occurrence of the Change in Control, provided that, at the time the Change in Control occurs, Optionee is either (i) an employee of the Corporation or (ii) a former employee of the Corporation whose unvested Option, or portion thereof, is then outstanding and continues to qualify for vesting pursuant to the terms of Section 2.2(a)(i), (ii) and/or (iii).

If Optionee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under accounting principles generally accepted in the United States of America and Optionee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

(f) For purposes of this Agreement, Optionee's period of employment will not include any period of notice of termination of employment, whether expressed or implied. Optionee's Termination Date will mean the date upon which Optionee ceases active employment following the provision of such notification of termination or resignation from employment and will be determined solely by this Agreement and without reference to any other agreement, written or oral, including Optionee's contract of employment, if any.

2.3 Formal Allegations of Detrimental Conduct. If any criminal charges are brought against Optionee alleging the commission of a felony that relates to or arises out of Optionee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the exercisability of the Option, to the extent that the Option is then outstanding and exercisable, or to require the escrow of the proceeds of any exercise of the Option. Any such suspension or escrow is subject to the following restrictions:

(a) It may last only until the earliest to occur of the following:

(i) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(ii) resolution of the criminal proceeding in one of the following ways: (A) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (B) Optionee has been acquitted of such alleged felony, or (C) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(iii) termination of the suspension or escrow in the discretion of the Committee; and

(b) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Option to Optionee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (a)(ii) or (iii) above.

2.4 Nontransferability; Designation of Beneficiary; Payment to Legal Representative

(a) The Option is not transferable or assignable by Optionee.

(b) During Optionee's lifetime, the Option may be exercised only by Optionee or, in the event of Optionee's legal incapacity, by his or her legal representative, as determined in good faith by PNC.

(c) During Optionee's lifetime, Optionee may, to the extent permitted by local law, file with PNC, at such address and in such manner as PNC may from time to time direct, on a form to be provided by PNC on request, a designation of a beneficiary or beneficiaries (a "properly designated beneficiary") to hold and exercise Optionee's stock options, to the extent outstanding and exercisable, in accordance with their respective stock option agreements and the Plan in the event of Optionee's death.

(d) If Optionee dies prior to the full exercise or expiration of the Option and has not filed a designation of beneficiary form as specified above or if such designation is not effective under local law, the Option will be held and may be exercised by the person or persons entitled to do so under Optionee's will or under the applicable laws of descent and distribution, as to which PNC will be entitled to rely in good faith on instructions from Optionee's executor, administrator, or other legal representative.

(e) Any delivery of shares or other payment made or action taken hereunder by PNC in good faith to or on the instructions of Optionee's executor, administrator, or other legal representative shall extinguish all right to payment hereunder.

3. Capital Adjustments. Upon the occurrence of a corporate transaction or transactions (including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC (each, a "Corporate Transaction")), the Committee shall make those adjustments, if any, in the number, class or kind of Covered Shares as to which the Option is outstanding and has not yet been exercised and in the Option Price that it deems appropriate in its discretion to reflect the Corporate Transaction(s) such that the rights of Optionee are neither enlarged nor diminished as a result of such Corporate Transaction or Transactions, including without limitation cancellation of the Option immediately prior to the effective time of the Corporate Transaction and payment, in cash, in consideration therefor, of an amount equal to the product of (a) the excess, if any, of the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction over the Option Price and (b) the total number of Covered Shares subject to the Option that were outstanding and unexercised immediately prior to the effective time of the Corporate Transaction.

All determinations hereunder shall be made by the Committee in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation the holder of the Option.

No fractional shares will be issued on exercise of the Option. PNC shall determine the manner in which any fractional shares will be treated.

4. Exercise of Option.

4.1 Notice and Effective Date. The Option may be exercised, in whole or in part, by delivering to PNC written notice of such exercise, in such form as PNC may from time to time prescribe, and by paying in full the aggregate Option Price with respect to that portion of the Option being exercised and satisfying any amounts required to be withheld pursuant to applicable tax laws in connection with such exercise.

In addition, notwithstanding Sections 4.2 and 4.3, Optionee may elect to complete his or her Option exercise through a brokerage service/margin account pursuant to the broker-assisted cashless option exercise procedure under Regulation T of the Board of Governors of the Federal Reserve System and in such manner as may be permitted by PNC from time to time consistent with said Regulation T.

The effective date of such exercise will be the Exercise Date. Until PNC notifies Optionee to the contrary, the form attached to the Agreement as Annex B shall be used to exercise the Option and the form attached to the Agreement as Annex C shall be used to make tax payment elections.

In the event that the Option is exercised, pursuant to Section 2.4, by any person or persons other than Optionee, such notice of exercise must be accompanied by appropriate proof of the derivative right of such person or persons to exercise the Option.

4.2 Payment of Option Price. Upon exercise of the Option, in whole or in part, Optionee may pay the aggregate Option Price (a) in cash or (b) if and to the extent then permitted by PNC, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) having an aggregate Fair Market Value on the Exercise Date not exceeding that portion of the aggregate Option Price being paid using such shares, or through a combination of cash and shares of PNC common stock; provided, however, that shares of PNC common stock used to pay all or any portion of the aggregate Option Price may not be subject to any contractual restriction, pledge or other encumbrance and must be shares that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

4.3 Payment of Withholding Taxes. Optionee may elect to satisfy any Withholding Taxes (a) by payment of cash, (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, through the retention by PNC of sufficient whole shares of PNC common stock otherwise issuable upon such exercise to satisfy the minimum amount of Withholding Taxes, or (c) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Optionee for at least six (6) months prior to the Exercise Date and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or, in either case, for such other period as may be specified or permitted by PNC.

For purposes of this Section 4.3, shares of PNC common stock that are used to satisfy applicable taxes will be valued at their Fair Market Value on the date the tax withholding obligation arises. In no event will the Fair Market Value of the shares of PNC common stock otherwise issuable upon exercise of the Option but retained pursuant to Section 4.3(b) exceed the minimum amount of Withholding Taxes required to be withheld in connection with the Option exercise.

4.4 Effect. The exercise, in whole or in part, of the Option will cause a reduction in the number of unexercised Covered Shares as to which the Option is outstanding equal to the number of shares of PNC common stock with respect to which the Option is exercised.

5. Restrictions on Exercise and on Shares Issued on Exercise. Notwithstanding any other provision of the Agreement, the Option may not be exercised at any time that PNC does not have in effect a registration statement under the Securities Act of 1933 as amended relating to the offer of shares of PNC common stock under the Plan unless PNC agrees to permit such exercise. Upon the issuance of any shares of PNC common stock pursuant to exercise of the Option at a time when such a registration statement is not in effect, Optionee will, upon the request of PNC, agree in writing that Optionee is acquiring such shares for investment only and not with a view to resale and that Optionee will not sell, pledge, or otherwise dispose of such shares unless and until (a) PNC is furnished with an opinion of counsel to the effect that registration of such shares pursuant to the Securities Act of 1933 as amended is not required by that Act or by rules and regulations promulgated thereunder, (b) the staff of the SEC has issued a no-action letter with respect to such disposition, or (c) such registration or notification as is, in the opinion of counsel for PNC, required for the lawful disposition of such shares has been filed and has become effective; provided, however, that PNC is not obligated hereby to file any such registration or notification. PNC may place a legend embodying such restrictions on the certificate(s) evidencing such shares.

6. Rights as Shareholder. Optionee will have no rights as a shareholder with respect to any Covered Shares until the Exercise Date and then only with respect to those shares of PNC common stock issued upon such exercise of the Option and not retained as provided in Section 4.3.

7. Employment. Neither the granting of the Option evidenced by the Agreement nor any term or provision of the Agreement will constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Optionee for any period.

8. Subject to the Plan. The Option evidenced by the Agreement and the exercise thereof are subject to the terms and conditions of the Plan, which is incorporated by reference herein and made a part hereof, but the terms of the Plan will not be considered an enlargement of any benefits under the Agreement. In addition, the Option is subject to any rules and regulations promulgated by or under the authority of the Committee.

9. Optionee Covenants.

9.1 General. Optionee and PNC acknowledge and agree that Optionee has received adequate consideration with respect to enforcement of the provisions of Sections 9 and 10 hereof by virtue of receiving this Option, which gives Optionee an opportunity potentially to benefit from an increase in the future value of PNC common stock (regardless of whether any such benefit is ultimately realized); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Optionee from earning a living.

9.2 Non-Solicitation; No-Hire. Optionee agrees to comply with the provisions of subsections (a) and (b) of this Section 9.2 while employed by the Corporation and for a period of twelve (12) months after Optionee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Optionee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Optionee shall not, directly or indirectly, either for Optionee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Optionee assist any other Person in such activities.

Notwithstanding the above, if Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.13 of Annex A or, if Optionee was a party to a CIC Severance Agreement that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 9.2 shall no longer apply and shall be replaced with the following subsection (c):

(c) No-Hire. Optionee agrees that Optionee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

9.3 Confidentiality. During Optionee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Optionee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Optionee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

9.4 Ownership of Inventions. Optionee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Optionee during the term of Optionee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Optionee agrees to assign and hereby does assign to PNC or its designee all of Optionee's right, title and interest, including copyrights and patent rights, in and to all Developments. Optionee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 9.4 shall be performed by Optionee without further compensation and shall continue beyond the Termination Date.

10. Enforcement Provisions. Optionee understands and agrees to the following provisions regarding enforcement of the Agreement.

10.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Optionee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

10.2 Equitable Remedies. A breach of the provisions of any of Sections 9.2, 9.3 or 9.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Optionee, and each and every person and entity acting in concert or participating with Optionee, from initiation and/or continuation of such breach.

10.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 9.2 by legal proceedings, the period during which Optionee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

10.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

10.5 Severability. The restrictions and obligations imposed by Sections 9.2, 9.3 and 9.4 are separate and severable, and it is the intent of Optionee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations shall remain valid and binding upon Optionee.

10.6 Reform. In the event any of Sections 9.2, 9.3 and 9.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Optionee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

10.7 Waiver of Jury Trial. Each of Optionee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 9.2, 9.3 and 9.4.

10.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to

federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Optionee, Optionee agrees to reimburse PNC for any amounts Optionee may be required to reimburse the Corporation pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Optionee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

11. Amendment of Pre-2007 Options. For purposes of all PNC stock options held by Optionee that were granted prior to January 1, 2007 and outstanding on February 13, 2007, whether such stock options were granted under the Plan or under an earlier PNC plan, the terms of each such stock option are amended to include, or shall include, as the case may be, the capital adjustment provisions set forth in Section 3 of this Option, and such provisions shall supercede and replace any other provisions of such stock option relating to capital adjustments.

12. Effective Date. If Optionee does not accept the grant of the Option by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms of the Agreement in any way, within thirty (30) days of receipt by Optionee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Option and the Agreement at any time prior to Optionee's delivery to PNC of a copy of the Agreement executed by Optionee.

Otherwise, upon execution and delivery of the Agreement by both PNC and Optionee and, in the event that Optionee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Option and the Agreement are effective as of the Grant Date.

13. Discretionary Grants, No Entitlement and No Claim for Compensation. In accepting the grant of this Option, Optionee acknowledges the following:

(a) The Plan is established voluntarily by PNC, the grant of options under the Plan is made at the discretion of PNC, and the Plan may be modified, amended, suspended or terminated by PNC at any time.

(b) The grant of this Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past.

(c) This Option is an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Corporation (including, as applicable, Optionee's employer) and which is outside the scope of Optionee's employment contract, if any.

(d) This Option is not to be considered part of Optionee's normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, payment in lieu of notice, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

(e) In the event that Optionee's employer is not PNC, the grant of this Option will not be interpreted to form an employment contract or relationship with PNC and, furthermore, the grant of this Option will not be interpreted to form an employment contract with Optionee's employer or any other Subsidiary of PNC.

(f) Optionee shall have no rights, claim or entitlement to compensation or damages as a result of Optionee's termination of employment for any reason whatsoever, whether or not in breach of contract or local law, insofar as these rights, claim or entitlement arise or may arise from Optionee's ceasing to have rights under or be entitled to exercise this Option as a result of such termination or loss or diminution in value of the Option or any of the Covered Shares purchased through exercise of the Option as a result of such termination, and Optionee irrevocably releases his or her employer and the Corporation, as applicable, from any such rights, entitlement or claim that may arise. If, notwithstanding the foregoing, any such right or claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, Optionee shall be deemed to have irrevocably waived his or her entitlement to pursue such rights or claim.

14. Data Privacy.

(a) Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this Agreement by and among, as applicable, his or her employer and the Corporation for the exclusive purpose of implementing, administering and managing his or her participation in the Plan.

(b) Optionee understands that his or her employer and the Corporation, as applicable, hold certain personal information about him or her regarding Optionee's employment, the nature and amount of Optionee's compensation, and the fact and conditions of Optionee's participation in the Plan, including, but not limited to, his or her name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in his or her favor, for the purpose of implementing, administering and managing the Plan (the "Data"). Optionee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in his or her country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than his or her country. Optionee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting Optionee's local human resources representative. Optionee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Optionee understands that the Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. Optionee understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Optionee understands, however, that refusing or withdrawing Optionee's consent may affect his or her ability to participate in the Plan. For more information on the consequences of Optionee's refusal to consent or withdrawal of consent, Optionee understands that he or she may contact his or her local human resources representative.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf effective as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

Accepted and agreed to as of the Grant Date

Optionee

Annex A—Certain Definitions

Annex B—Notice of Exercise

Annex C—Tax Payment Election Form

ANNEX A
CERTAIN DEFINITIONS

A.1 “Agreement” means the Nonstatutory Stock Option Agreement between PNC and Optionee evidencing the grant of the Option to Optionee pursuant to the Plan.

A.2 “Board” means the Board of Directors of PNC.

A.3 “Cause.”

(a) “Cause” during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs during a Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by the Board or the CEO that specifically identifies the manner in which the Board or the CEO believes that Optionee has not substantially performed Optionee’s duties; or

(ii) the willful engaging by Optionee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (i) and (ii), no act or failure to act, on the part of Optionee, shall be considered willful unless it is done, or omitted to be done, by Optionee in bad faith and without reasonable belief that Optionee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Optionee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Optionee in good faith and in the best interests of the Corporation.

The cessation of employment of Optionee will be deemed to be a termination of Optionee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Optionee, as part of the notice of Optionee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Optionee, together with written notice that PNC believes that Optionee is guilty of conduct described in clause (i) or (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Optionee is given an opportunity, together with counsel, to be heard before the Board.

(b) “Cause” other than during a Coverage Period. If the termination of Optionee’s employment with the Corporation occurs other than during a Coverage Period, then, for purposes of the Agreement, “Cause” means:

(i) the willful and continued failure of Optionee to substantially perform Optionee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Optionee by PNC that specifically identifies the manner in which it is believed that Optionee has not substantially performed Optionee’s duties;

(ii) a material breach by Optionee of (1) any code of conduct of PNC or one of its subsidiaries or (2) other written policy of PNC or a subsidiary, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Optionee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(iv) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or entry by Optionee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Optionee, by any governmental body having regulatory authority with respect to the business of PNC or any of its subsidiaries, that relates to or arises out of Optionee's employment or other service relationship with the Corporation.

The cessation of employment of Optionee will be deemed to have been a termination of Optionee's employment with the Corporation for Cause for purposes of the Agreement only if and when the CEO or his or her designee (or, if Optionee is the CEO, the Board) determines that Optionee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Optionee and, if so, determines that the termination of Optionee's employment with the Corporation will be deemed to have been for Cause.

A.4 "CEO" means the chief executive officer of PNC.

A.5 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any Person, excluding employee benefit plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power shall not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries shall not by itself constitute a Change in Control.

A.6 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.7 "CIC Severance Agreement" means the written agreement, if any, between Optionee and PNC providing, among other things, for certain change in control severance benefits.

A.8 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.5; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 "Competitive Activity" means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (1) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Optionee's Termination Date or (2) engaged in business activities that Optionee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Optionee's Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.15(a), in either case whether Optionee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under accounting principles generally accepted in the United States of America and (2) satisfies the definition of "service recipient" under Section 409A of the Internal Revenue Code.

A.12 "Corporation" means PNC and its Consolidated Subsidiaries.

A.13 "Coverage Period" means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is two (2) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is two (2) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clauses (a)(i) and (a)(ii) in the preceding sentence.

A.14 “Covered Shares” means the number of shares of PNC common stock that Optionee has the option to purchase from PNC pursuant to the Option.

A.15 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Optionee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Optionee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Optionee’s Termination Date and, if different, (ii) the first date after Optionee’s Termination Date as of which Optionee ceases to be engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Optionee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Optionee for, or any entry by Optionee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Optionee’s employment or other service relationship with the Corporation.

Optionee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Optionee was an “executive officer” of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Optionee was not such an executive officer), whichever is applicable, determines that Optionee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Optionee, and, if so, determines that Optionee will be deemed to have engaged in Detrimental Conduct.

A.16 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.17 “Exercise Date” means the date (which must be a business day for PNC Bank, National Association) on which PNC receives written notice, in such form as PNC may from time to time prescribe, of the exercise, in whole or in part, of the Option pursuant to the terms of the Agreement, subject to receipt by PNC of full payment of the aggregate Option Price, calculation by PNC of the applicable Withholding Taxes, and receipt by PNC of payment for any taxes required to be withheld in connection with such exercise as provided in Sections 4.1, 4.2 and 4.3 of the Agreement.

A.18 “Expiration Date.”

(a) Expiration Date. Expiration Date means the date on which the Option expires, which will be the tenth (10th) anniversary of the Grant Date unless the Option expires earlier pursuant to any of the provisions set forth in Sections A.18(b) through A.18(d);

provided, however, if there is a Change in Control, then notwithstanding Sections A.18(c) and A.18(d), to the extent that the Option is outstanding and vested or vests at the time the Change in Control occurs, the Option will not expire at the earliest before the close of business on the ninetieth (90th) day after the occurrence of the Change in Control (or the tenth (10th) anniversary of the Grant Date if earlier), provided that either (1) Optionee is an employee of the Corporation at the time the Change in Control occurs and Optionee’s employment with the Corporation is not terminated for Cause or (2) Optionee is a former employee of the Corporation whose Option, or portion thereof, is outstanding at the time the Change in Control occurs by virtue of the application of one or more of the exceptions set forth in Section A.18(c) and at least one of such exceptions is still applicable at the time the Change in Control occurs.

In no event will the Option remain outstanding beyond the tenth (10th) anniversary of the Grant Date.

(b) Termination for Cause. Upon a termination of Optionee's employment with the Corporation for Cause, unless the Committee determines otherwise, the Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested and whether or not Optionee is eligible to Retire or Optionee's employment also terminates for another reason.

(c) Ceasing to be an Employee other than by Termination for Cause. If Optionee ceases to be an employee of the Corporation other than by termination of Optionee's employment for Cause, then unless the Committee determines otherwise, the Option will expire at the close of business on Optionee's Termination Date with respect to all Covered Shares, whether or not vested, except to the extent that the provisions set forth in subsection (1), (2), (3), (4) or (5) of this Section A.18(c) apply to Optionee's circumstances and such applicable subsection specifies a later expiration date for all or a portion of the Option. If more than one of such exceptions is applicable to the Option or a portion thereof, then the Option or such portion of the Option will expire in accordance with the provisions of the subsection that specifies the latest expiration date.

(1) Retirement. If the termination of Optionee's employment with the Corporation meets the definition of Retirement, then the Option will expire on the tenth (10th) anniversary of the Grant Date with respect to any Covered Shares as to which the Option is vested on the Retirement date or thereafter vests pursuant to Section 2.2 of the Agreement.

(2) Death. If Optionee's employment with the Corporation is terminated by reason of Optionee's death, then the Option will expire on the tenth (10th) anniversary of the Grant Date.

(3) Termination during a Coverage Period without Cause or with Good Reason. If Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, then the Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(4) Total and Permanent Disability. If Optionee's employment is terminated by the Corporation by reason of Total and Permanent Disability, then the Option will expire on the third (3rd) anniversary of such Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(5) DEAP or Agreement or Arrangement in lieu of or in addition to DEAP. In the event that (a) Optionee's employment with the Corporation is terminated by the Corporation, and Optionee is offered and has entered into the standard Waiver and Release Agreement with PNC or one of its subsidiaries under an applicable PNC or subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Optionee is offered and has entered into a similar waiver and release agreement between PNC or one of its subsidiaries and Optionee pursuant to the terms of an agreement or arrangement entered into by PNC or a subsidiary and Optionee in lieu of or in addition to the DEAP, and (b) Optionee has not revoked such waiver and release agreement, and (c) the time for revocation of such waiver and release agreement by Optionee has lapsed, then the Option will expire at the close of business on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date) with respect to any Covered Shares as to which the Option has already become vested; provided, however, that if Optionee returns to employment with the Corporation no later than said ninetieth (90th) day, then for purposes of the Agreement, the entire Option, whether vested or unvested, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the vested portion of the Option (or the entire Option if fully vested) will expire on Optionee's Termination Date unless the conditions set forth in this Section A.18(c)(5) are met, then such vested Option

or portion thereof will not terminate on the Termination Date, but Optionee will not be able to exercise the Option after such Termination Date unless and until all of the conditions set forth in this Section A.18(c)(5) have been met and the Option will terminate on the ninetieth (90th) day after Optionee's Termination Date (but in no event later than on the tenth (10th) anniversary of the Grant Date).

(d) **Detrimental Conduct.** If the Option would otherwise remain outstanding after Optionee's Termination Date with respect to any of the Covered Shares pursuant to one or more of the exceptions set forth in the subsections of Section A.18(c), then notwithstanding the provisions of such exception or exceptions, the Option will expire on the date that PNC determines that Optionee has engaged in Detrimental Conduct, if earlier than the date on which the Option would otherwise expire; provided, however, that:

(1) no determination that Optionee has engaged in Detrimental Conduct may be made on or after the date of Optionee's death, and Detrimental Conduct will not apply to conduct by or activities of beneficiaries or other successors to the Option in the event of Optionee's death;

(2) in the event that Optionee's employment with the Corporation is terminated (other than by reason of Optionee's death) during a Coverage Period by the Corporation without Cause or by Optionee with Good Reason, whether or not another exception is applicable, no determination that Optionee has engaged in Detrimental Conduct for purposes of the Agreement may be made on or after such Termination Date; and

(3) no determination that Optionee has engaged in Detrimental Conduct may be made after the occurrence of a Change in Control.

A.19 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.20 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.21 "Good Reason" means:

(a) the assignment to Optionee of any duties inconsistent in any respect with Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation that results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee;

(b) a reduction by the Corporation in Optionee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Optionee to be based at any office or location that is more than fifty (50) miles from Optionee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan in which Optionee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Optionee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or (ii) to continue Optionee's participation in such plan (or in such substitute or alternative plan) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Optionee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Optionee with benefits substantially similar to those received by Optionee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans in which Optionee was participating, at costs substantially similar to those paid by Optionee, immediately prior to the CIC Triggering Event or the Change in Control.

A.22 "Grant Date" means the date set forth as the Grant Date on page 1 of the Agreement and is the date as of which the Option is authorized to be granted by the Committee in accordance with the Plan.

A.23 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.24 "Option" means the option to purchase shares of PNC common stock granted to Optionee under the Plan in Section 1 of the Agreement in accordance with the terms of Article 6 of the Plan.

A.25 "Option Period" means the period during which the Option may be exercised, as set forth in Section 2.2 of the Agreement.

A.26 "Option Price" means the dollar amount per share of PNC common stock at which the Option may be exercised. The Option Price is set forth on page 1 of the Agreement.

A.27 "Optionee" means the person to whom the Option is granted and is identified as Optionee on page 1 of the Agreement.

A.28 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.29 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

A.30 "PNC" means The PNC Financial Services Group, Inc.

A.31 "Retire" or "Retirement" means termination of Optionee's employment with the Corporation (a) at any time on or after the first day of the first month coincident with or next following the date on which Optionee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Optionee's death or by the Corporation for Cause or, unless the Committee determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.32 "Retiree" means an Optionee who has Retired.

A.33 "SEC" means the United States Securities and Exchange Commission.

A.34 "Share" means a share of authorized but unissued PNC common stock or a reacquired share of PNC common stock, including shares purchased by PNC on the open market for purposes of the Plan or otherwise.

A.35 "Termination Date" means Optionee's last date of employment with the Corporation. If Optionee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under accounting principles generally accepted in the United States of America and Optionee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Optionee's employment with the Corporation terminates effective at the time this occurs.

For purposes of this Agreement, Optionee's period of employment will not include any period of notice of termination of employment, whether expressed or implied. Optionee's Termination Date will mean the

date upon which Optionee ceases active employment following the provision of such notification of termination or resignation from employment and will be determined solely by this Agreement and without reference to any other agreement, written or oral, including Optionee's contract of employment, if any.

A.36 "Total and Permanent Disability" means, unless the Committee determines otherwise, Optionee's disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.37 "Withholding Taxes" means all applicable income and employment taxes, social insurance, payroll taxes, contributions, payment on account obligations or other payments required to be withheld in connection with exercise of the Option.

FORMS OF EMPLOYEE RESTRICTED STOCK AGREEMENTS

200_ Long-Term Incentive Award Program Grant
Continued Employment Performance Goal
Restricted Period: Three Years (100%)

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
200_ LONG-TERM INCENTIVE AWARD PROGRAM
* * *
RESTRICTED STOCK AGREEMENT
* * *

GRANTEE: < name >
GRANT DATE: _____, 200_
SHARES: < number of whole shares>

1. Definitions. Certain terms used in this Restricted Stock Agreement (the "Agreement") are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

In the Agreement, "PNC" means The PNC Financial Services Group, Inc. and "Corporation" means PNC and its Consolidated Subsidiaries.

2. Grant of Restricted Shares. Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the "Plan"), and subject to the terms and conditions of the Agreement, PNC hereby grants to the Grantee named above ("Grantee") a Restricted Shares Award of the number of shares of PNC common stock set forth above, and, upon acceptance of the Grant by Grantee in accordance with Section 16, will cause the issuance of said shares to Grantee subject to the terms and conditions of the Agreement and the Plan.

The shares granted and issued to Grantee hereby as a Restricted Shares Award subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan are hereafter referred to as the "Restricted Shares."

3. Terms of Grant. The Grant is subject to the following terms and conditions.

Restricted Shares will be subject to a Restricted Period as provided in Section A.26 of Annex A. Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee, or credited to a book-entry account, during the term of the Restricted Period unless and until forfeited pursuant to the terms of the Agreement.

Any certificate or certificates representing such Restricted Shares will contain the following legend:

"This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in The PNC Financial Services Group, Inc. 2006 Incentive Award Plan and an Agreement entered into between the registered owner and The PNC Financial Services Group, Inc. Release from such terms and conditions will be made only in accordance with the provisions of such Plan and such Agreement, a copy of each of which is on file in the office of the Corporate Secretary of The PNC Financial Services Group, Inc."

Where a book-entry system is used with respect to the issuance of Restricted Shares, appropriate notation of such forfeiture possibility and transfer restrictions will be made on the system with respect to the account or accounts to which the Restricted Shares are credited.

Restricted Shares deposited with PNC or its designee during the term of the Restricted Period that become Awarded Shares as provided in Section A.2 of Annex A will be released and reissued to, or at the proper direction of, Grantee or Grantee's legal representative pursuant to Section 9.

4. Rights as Shareholder. Except as provided in Section 6 and subject to Section 7.6(c), if applicable, and to Section 16, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares including, but not limited to, the right to vote the Restricted Shares and the right to receive dividends thereon if and when declared by the Board; provided, however, that all such rights and privileges will cease immediately upon any forfeiture of such shares.

5. Capital Adjustments. Restricted Shares awarded hereunder shall, as issued and outstanding shares of PNC common stock, be subject to such adjustment as may be necessary to reflect corporate transactions, including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC; provided, however, that any shares received as distributions on or in exchange for Unvested Shares shall be subject to the terms and conditions of the Agreement as if they were Restricted Shares.

6. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) Unvested Shares may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered, other than as may be required pursuant to Section 10.2, unless and until the Restricted Period terminates and the Awarded Shares are released and reissued by PNC pursuant to Section 9.

(b) If Grantee is deceased at the time Restricted Shares become Awarded Shares, PNC will deliver such shares to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

7. Forfeiture: Death; Qualifying Disability or Retirement Termination; Termination in Anticipation of Change in Control; Other Terminations

7.1 Forfeiture on Termination of Employment. Except as otherwise provided in and subject to the conditions of Section 7.3, Section 7.4(a), Section 7.5(a), Section 7.6(a), Section 7.6(b), Section 7.7, or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the third (3rd) anniversary of the Grant Date, all Restricted Shares that are Unvested Shares on Grantee's Termination Date will be forfeited by Grantee to PNC without payment of any consideration by PNC.

Upon forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2, Section 7.4(b), Section 7.5(b), or Section 7.6(d), neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Shares or any certificate or certificates representing such Unvested Shares.

7.2 Forfeiture for Detrimental Conduct. Unvested Shares that would otherwise remain outstanding after Grantee's Termination Date, if any, will be forfeited by Grantee to PNC without payment of any consideration by PNC in the event that, at any time prior to the date such shares become Awarded Shares, PNC determines that Grantee has engaged in Detrimental Conduct; provided, however, that: (a) this Section 7.2 will not apply to Restricted Shares that remain outstanding after Grantee's Termination Date

pursuant to Section 7.3 or Section 7.6, if any; (b) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (c) Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Shares by will or the laws of descent and distribution in the event of Grantee's death; and (d) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change in Control.

If any criminal charges are brought against Grantee alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the vesting of the Restricted Shares, to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, or to require the escrow of the proceeds of the shares. Any such suspension or escrow is subject to the following restrictions:

(i) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(B) resolution of the criminal proceeding in one of the following ways: (1) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (2) Grantee has been acquitted of such alleged felony, or (3) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(C) termination of the suspension or escrow in the discretion of the Committee; and

(ii) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Restricted Shares to Grantee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (i)(B) or (C) above.

7.3 Death. In the event of Grantee's death while an employee of the Corporation and prior to the third (3rd) anniversary of the Grant Date, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate on the date of Grantee's death.

The Restricted Shares which thereby become Awarded Shares will be released and reissued by PNC to, or at the proper direction of, Grantee's legal representative pursuant to Section 9 as soon as administratively practicable following such date.

7.4 Qualifying Disability Termination.

(a) In the event Grantee's employment with the Corporation is terminated prior to the third (3rd) anniversary of the Grant Date by the Corporation by reason of Grantee's Total and Permanent Disability, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2 and Section 7.4(b), remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.4(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of:

(1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.4(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.5 Qualifying Retirement.

(a) In the event that Grantee Retires on or after the first (1st) anniversary of the Grant Date but prior to the third (3rd) anniversary of the Grant Date, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2 and Section 7.5(b), remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.5(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.5(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.6 Termination in Anticipation of a Change in Control.

(a) Notwithstanding anything in the Agreement to the contrary, if, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event and prior to the third (3rd) anniversary of the Grant Date, Grantee's employment is terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason, or if Grantee's employment is deemed to have been so terminated pursuant to Section 7.6(b), then: (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to any then outstanding Unvested Shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date (or, in the case of a qualifying termination pursuant to Section 7.6(b), the date all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are met); and (ii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

(b) Grantee's employment will also be deemed to have been terminated by the Corporation without Cause after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event for purposes of Section 7.6(a) if: (i) Grantee's employment is terminated by the Corporation without Cause; (ii) such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

Grantee's employment will also be deemed to have been terminated by Grantee for Good Reason after the occurrence of a CIC Triggering Event but prior to a CIC Failure for purposes of Section 7.6(a) if: (i) Grantee terminates Grantee's employment with Good Reason; (ii) the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

For purposes of this Section 7.6(b) only, Grantee will have the burden of proving that the requirements of clause (ii) of the first or second paragraph of this Section 7.6(b), as the case may be, have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of this Section 7.6(b) only, the definition of Change in Control in Section A.6 of Annex A will exclude the proviso in Section A.6(a).

(c) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are met, then in the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the time all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) have been met, such dividend will be held, without interest, pending and subject to satisfaction of all of such conditions. In the event that one or more of the conditions of Section 7.6(b) are not met, any dividend being held pending and subject to satisfaction of such conditions will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(d) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are met, then the Restricted Shares will remain outstanding pending and subject to satisfaction of all of those conditions. Upon the failure of any required condition, all such Unvested Shares will be forfeited by Grantee to PNC on the date such failure occurs without payment of any consideration by PNC.

7.7 Other Terminations. In the event that Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date, the Committee or its delegate may determine, in their sole discretion, with respect to some or all of the Unvested Shares outstanding as of the day prior to Grantee's Termination Date, that (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and (ii) the Restricted Period with respect to such shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date, in which case such shares will become Awarded Shares as provided in Section A.2 of Annex A prior to Grantee's termination of employment and will be released and reissued by PNC pursuant to Section 9.

In the alternative, if Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date and Grantee's Unvested Shares, if any, will be forfeited as of Grantee's Termination Date pursuant to Section 7.1, the Committee or its delegate may, in their sole discretion, determine that Grantee will receive, prior to termination of employment, a grant of a number of Share Units or Restricted Share Units ("Units") equal to all or a portion of the number of Unvested Shares that will be forfeited on Grantee's Termination Date, such Units to be granted upon such terms and conditions as the Committee or its delegate may provide in the written agreement for such grant; provided, however, that any payment to be made by PNC upon satisfaction of the conditions set forth in the agreement for such Units will be made solely in cash.

Upon the determination of the Committee or its delegate in their discretion that Grantee will be entitled to a grant of Units pursuant to this Section 7.7, such grant will automatically become effective as of the day immediately prior to Grantee's Termination Date, subject to execution by both parties of the Share Unit or Restricted Share Unit agreement for such grant, as applicable, and provided that in no event will the number of Units so granted exceed the number of Unvested Shares that are forfeited by Grantee.

This provision for the grant of Share Units or Restricted Share Units upon such determination by the Committee or its delegate is considered a feature of the Grant of the Restricted Shares, and the determination to make such a grant of Units will be considered an exercise of this feature of the Grant.

8. Change in Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change in Control, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period will terminate with respect to all then outstanding Unvested Shares, if any, as of the day immediately preceding the Change in Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change in Control but the Unvested Shares remained outstanding after such termination of employment pursuant to Section 7.4 or Section 7.5 and are still outstanding pending and subject to affirmative approval of the vesting of such shares by the Designated Person specified in Section A.14 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change in Control, such affirmative vesting approval will be deemed to have been given, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period will terminate, all as of the day immediately preceding the Change in Control; and (iii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

9. Termination of Prohibitions; Payment to Legal Representative. Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2, if and to the extent applicable, following termination of the Restricted Period, PNC will release and issue or reissue the then outstanding whole Restricted Shares that have become Awarded Shares without the legend referred to in Section 3.

Upon release and issuance of shares that have become Awarded Shares in accordance with this Section 9, PNC or its designee will deliver such whole shares to, or at the proper direction of, Grantee or Grantee's legal representative.

Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Payment of Taxes

10.1 Internal Revenue Code Section 83(b) Election In the event that Grantee makes an Internal Revenue Code Section 83(b) election with respect to the Restricted Shares, Grantee shall satisfy all then applicable federal, state or local withholding tax obligations arising from that election (a) by payment of cash or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, by physical delivery to PNC of certificates for whole shares of PNC common stock that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or by a combination of cash and such stock. Any such tax election shall be made pursuant to a form to be provided to Grantee by PNC on request. For purposes of this Section 10.1, shares of PNC common stock that are used to satisfy applicable withholding tax obligations will be valued at their Fair Market Value on the date the tax withholding obligation arises. Grantee will provide to PNC a copy of any Internal Revenue Code Section 83(b) election filed by Grantee with respect to the Restricted Shares not later than ten (10) days after the filing of such election.

10.2 Other Tax Liabilities Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises, retain sufficient whole shares of PNC common stock from the shares granted pursuant to the Agreement to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection with the Restricted Shares. For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Restricted Shares. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding either: (a) by payment of cash; or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed. Any such tax election shall be made pursuant to a form provided by PNC. Shares of PNC common stock that are used for this purpose will be valued at their Fair Market Value on the date the tax withholding obligation arises. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Restricted Shares, no additional withholding may be made.

11. Employment Neither the granting and issuance of the Restricted Shares nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an

enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement. The Agreement constitutes the entire agreement between Grantee and PNC and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties with respect to the subject matter hereof.

14. Grantee Covenants.

14.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 14 and 15 by virtue of receiving this grant of Restricted Shares (regardless of whether such shares ultimately become Awarded Shares); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

14.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 14.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.13 of Annex A or, if Grantee was a party to a written agreement between Grantee and PNC providing, among other things, for certain change in control severance benefits (a "CIC Severance Agreement") that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 14.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

14.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's

industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

14.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 14.4 shall be performed by Grantee without further compensation and will continue beyond the Termination Date.

15. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

15.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

15.2 Equitable Remedies. A breach of the provisions of any of Sections 14.2, 14.3 or 14.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

15.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 14.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

15.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

15.5 Severability. The restrictions and obligations imposed by Sections 14.2, 14.3 and 14.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

15.6 Reform. In the event any of Sections 14.2, 14.3 and 14.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

15.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 14.2, 14.3 and 14.4.

15.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

15.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Grant to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

16. Acceptance of Grant; PNC Right to Cancel. If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee’s delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee and, in the event that Grantee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Agreement is effective.

Grantee will not have any of the rights of a shareholder with respect to the Restricted Shares as set forth in Section 4, and will not have the right to vote or to receive dividends on such shares, until the date the Agreement is effective and the Restricted Shares are issued in accordance with this Section 16.

In the event that one or more record dates for dividends on PNC common stock occur after the Grant Date but before the date the Agreement is effective in accordance with this Section 16 and the Restricted Shares are issued, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equivalent to the amount of the dividends Grantee would have received had the Agreement been effective and the Restricted Shares had been issued on the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO BY GRANTEE

Grantee

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 "Agreement" means the Restricted Stock Agreement between PNC and Grantee evidencing the Grant of the Restricted Shares Award to Grantee pursuant to the Plan.

A.2 "Awarded Shares." Provided that the Restricted Shares are then outstanding, Restricted Shares become "Awarded Shares" when all of the following have occurred: (a) the Three-Year Continued Employment Performance Goal has been achieved or is deemed to have been achieved pursuant to the terms of the Agreement; (b) the Restricted Period has terminated; and (c) if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2 of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.3 "Board" means the Board of Directors of PNC.

A.4 "Cause" means:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee's duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee's action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee's superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee's termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a

Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

A.5 “CEO” means the chief executive officer of PNC.

A.6 “Change in Control” means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC’s then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a “Fundamental Transaction”) with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC’s outstanding securities, (ii) the surviving entity’s outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC’s assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC’s shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC’s shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries will not by itself constitute a Change in Control.

A.7 “CIC Failure” means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC’s shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.8 “CIC Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.6; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 “Committee” means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 “Competitive Activity” means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (a) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Grantee’s Termination Date or (b) engaged in business activities which Grantee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Grantee’s Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.15(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 “Consolidated Subsidiary” means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of “service recipient” under Section 409A of the Internal Revenue Code.

A.12 “Corporation” means PNC and its Consolidated Subsidiaries.

A.13 “Coverage Period” means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

A.14 “Designated Person” will be either: (a) the Committee, if Grantee was a member of the Corporate Executive Group (or equivalent successor classification) or was subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities when he or she ceased to be an employee of the Corporation; or (b) the Chief Human Resources Officer of PNC, if Grantee is not within one of the groups specified in Section A.14(a).

A.15 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st)

anniversary of the later of (i) Grantee's Termination Date and, if different, (ii) the first date after Grantee's Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Grantee was an "executive officer" of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer), whichever is applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee, and, if so, determines that Grantee will be deemed to have engaged in Detrimental Conduct.

A.16 "Exchange Act" means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.17 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.18 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.19 "Good Reason" means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

A.20 "Grant" means the Restricted Shares Award granted to Grantee pursuant to Section 2 of the Agreement and pursuant to which the Restricted Shares are issued to Grantee subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

A.21 "Grant Date" means the Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares Award is authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.22 "Grantee" means the person to whom the Restricted Stock Award is granted and the Restricted Shares are issued, and is identified as Grantee on page 1 of the Agreement.

A.23 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.24 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.25 "PNC" means The PNC Financial Services Group, Inc.

A.26 "Restricted Period" means, subject to early termination if so determined by the Committee or its delegate or pursuant to Section 7.6 of the Agreement, if applicable, the period from the Grant Date through (and including) the earlier of: (a) the date of Grantee's death; (b) the day immediately preceding the day a Change in Control is deemed to have occurred; and (c) the day immediately preceding the third (3rd) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a) or Section 7.5(a) of the Agreement, if applicable.

A.27 "Retire" or "Retirement" means termination of Grantee's employment with the Corporation (a) at any time on or after the first (1st) day of the first (1st) month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee's death or by the Corporation for Cause or, unless the Committee or its delegate determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.28 "Retiree" means a Grantee who has Retired.

A.29 "SEC" means the United States Securities and Exchange Commission.

A.30 "Termination Date" means Grantee's last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Grantee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Grantee's employment with the Corporation terminates effective at the time this occurs.

A.31 "Three-Year Continued Employment Performance Goal" means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, Section 7.7, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date

through (and including) the day immediately preceding the first of the following to occur: (a) the third (3^d) anniversary of the Grant Date; (b) the date of Grantee's death; and (c) the day a Change in Control is deemed to have occurred.

A.32 "Total and Permanent Disability" means, unless the Committee or its delegate determines otherwise, Grantee's disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.33 "Unvested Shares" means any Restricted Shares that are not Awarded Shares.

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
RESTRICTED STOCK AGREEMENT
* * *

GRANTEE: < name >
GRANT DATE: _____, 200__
SHARES: < number of whole shares >

1. Definitions. Certain terms used in this Restricted Stock Agreement (the "Agreement") are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

In the Agreement, "PNC" means The PNC Financial Services Group, Inc. and "Corporation" means PNC and its Consolidated Subsidiaries.

2. Grant of Restricted Shares. Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the "Plan"), and subject to the terms and conditions of the Agreement, PNC hereby grants to the Grantee named above ("Grantee") a Restricted Shares Award of the number of shares of PNC common stock set forth above, and, upon acceptance of the Grant by Grantee in accordance with Section 16, will cause the issuance of said shares to Grantee subject to the terms and conditions of the Agreement and the Plan.

The shares granted and issued to Grantee hereby as a Restricted Shares Award subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan are hereafter referred to as the "Restricted Shares."

For purposes of determining the Restricted Period and Continued Employment Performance Goal applicable to each portion of the Restricted Shares under the Agreement, the Restricted Shares are divided into three "Tranches" as follows:

- (a) twenty-five percent (25%) of these shares (rounded down to the nearest whole share) are in the First Tranche of Restricted Shares;
- (b) another twenty-five percent (25%) of these shares (rounded down to the nearest whole share) are in the Second Tranche of Restricted Shares; and
- (c) the remaining fifty percent (50%) of these shares are in the Third Tranche of Restricted Shares.

3. Terms of Grant. The Grant is subject to the following terms and conditions.

Restricted Shares are subject to the Restricted Period applicable to such shares as provided in Section A.29 of Annex A. Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee, or credited to a book-entry account, during the term of the applicable Restricted Period unless and until forfeited pursuant to the terms of the Agreement.

Any certificate or certificates representing Restricted Shares will contain the following legend:

“This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in The PNC Financial Services Group, Inc. 2006 Incentive Award Plan and an Agreement entered into between the registered owner and The PNC Financial Services Group, Inc. Release from such terms and conditions will be made only in accordance with the provisions of such Plan and such Agreement, a copy of each of which is on file in the office of the Corporate Secretary of The PNC Financial Services Group, Inc.”

Where a book-entry system is used with respect to the issuance of Restricted Shares, appropriate notation of such forfeiture possibility and transfer restrictions will be made on the system with respect to the account or accounts to which the Restricted Shares are credited.

Restricted Shares deposited with PNC or its designee during the term of the applicable Restricted Period that become Awarded Shares as provided in Section A.2 of Annex A will be released and reissued to, or at the proper direction of, Grantee or Grantee's legal representative pursuant to Section 9.

4. Rights as Shareholder. Except as provided in Section 6 and subject to Section 7.6(c), if applicable, and to Section 16, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares including, but not limited to, the right to vote the Restricted Shares and the right to receive dividends thereon if and when declared by the Board; provided, however, that all such rights and privileges will cease immediately upon any forfeiture of such shares.

5. Capital Adjustments. Restricted Shares awarded hereunder shall, as issued and outstanding shares of PNC common stock, be subject to such adjustment as may be necessary to reflect corporate transactions, including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC; provided, however, that any shares received as distributions on or in exchange for Unvested Shares shall be subject to the terms and conditions of the Agreement as if they were Restricted Shares, and shall have the same Restricted Period and Performance Goal that are applicable to the Restricted Shares that such shares were a distribution on or for which such shares were exchanged.

6. Prohibitions Against Sale, Assignment, etc.: Payment to Legal Representative

(a) Unvested Shares may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered, other than as may be required pursuant to Section 10.2, unless and until the Restricted Period terminates and the Awarded Shares are released and reissued by PNC pursuant to Section 9.

(b) If Grantee is deceased at the time Restricted Shares become Awarded Shares, PNC will deliver such shares to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

7. Forfeiture; Death; Qualifying Disability Termination; Termination in Anticipation of Change in Control; Other Terminations

7.1 Forfeiture on Termination of Employment. Except as otherwise provided in and subject to the conditions of Section 7.3, Section 7.4(a), Section 7.5, Section 7.6(a), Section 7.6(b), or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the fifth (5th) anniversary of the Grant Date, all Restricted Shares that are Unvested Shares on Grantee's Termination Date will be forfeited by Grantee to PNC without payment of any consideration by PNC.

Upon forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2, Section 7.4(b), or Section 7.6(d), neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Shares or any certificate or certificates representing such Unvested Shares.

7.2 Forfeiture for Detrimental Conduct. Unvested Shares that would otherwise remain outstanding after Grantee's Termination Date, if any, will be forfeited by Grantee to PNC without payment of any consideration by PNC in the event that, at any time prior to the date such shares become Awarded Shares, PNC determines that Grantee has engaged in Detrimental Conduct; provided, however, that: (a) this Section 7.2 will not apply to Restricted Shares that remain outstanding after Grantee's Termination Date pursuant to Section 7.3 or Section 7.6, if any; (b) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (c) Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Shares by will or the laws of descent and distribution in the event of Grantee's death; and (d) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change in Control.

If any criminal charges are brought against Grantee alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the vesting of the Restricted Shares, to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, or to require the escrow of the proceeds of the shares. Any such suspension or escrow is subject to the following restrictions:

(i) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(B) resolution of the criminal proceeding in one of the following ways: (1) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (2) Grantee has been acquitted of such alleged felony, or (3) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(C) termination of the suspension or escrow in the discretion of the Committee; and

(ii) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Restricted Shares to Grantee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (i)(B) or (C) above.

7.3 Death. In the event of Grantee's death while an employee of the Corporation and prior to the fifth (5th) anniversary of the Grant Date, all remaining applicable Continued Employment Performance Goals will be deemed to have been achieved, and the Restricted Period or Periods with respect to all then outstanding Unvested Shares, if any, will terminate on the date of Grantee's death.

The Restricted Shares which thereby become Awarded Shares will be released and reissued by PNC to, or at the proper direction of, Grantee's legal representative pursuant to Section 9 as soon as administratively practicable following such date.

7.4 Qualifying Disability Termination

(a) In the event Grantee's employment with the Corporation is terminated prior to the fifth (5th) anniversary of the Grant Date by the Corporation by reason of Grantee's Total and Permanent Disability, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead,

Unvested Shares will, subject to the forfeiture provisions of Section 7.2 and Section 7.4(b), remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.4(a) by the Designated Person specified in Section A.15 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares or relevant portion thereof by the day immediately preceding the third (3rd) anniversary of the Grant Date in the case of First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Grant Date in the case of Second or Third Tranche shares, respectively, then the Restricted Period applicable to such shares will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date in the case of First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Grant Date in the case of Second or Third Tranche shares, respectively, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares or relevant portion thereof is affirmatively approved by the Designated Person on or prior to the last day of the applicable Restricted Period, including any extension of such Restricted Period, if applicable, then the applicable Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all such Unvested Shares then outstanding, if any, will terminate as of the end of the day on the later of (i) the date of such approval and (ii) the day immediately preceding the third (3rd) anniversary of the Grant Date in the case of First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Grant Date in the case of Second or Third Tranche shares, respectively. The Restricted Shares outstanding at the termination of such applicable Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the applicable Restricted Period, including any extension of such Restricted Period pursuant to the second paragraph of Section 7.4(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the applicable Restricted Period without payment of any consideration by PNC.

7.5 Other Terminations. In the event that Grantee's employment with the Corporation will terminate prior to the fifth (5th) anniversary of the Grant Date, whether by reason of Retirement or otherwise, the Committee or its delegate may determine, in their sole discretion, with respect to some or all of the Unvested Shares outstanding as of the day prior to Grantee's Termination Date, that (i) all applicable Continued Employment Performance Goals will be deemed to have been achieved and (ii) all applicable Restricted Periods with respect to such shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date, in which case such shares will become Awarded Shares as provided in Section A.2 of Annex A prior to Grantee's termination of employment and will be released and reissued by PNC pursuant to Section 9.

In the alternative, if Grantee's employment with the Corporation will terminate prior to the fifth (5th) anniversary of the Grant Date and Grantee's Unvested Shares, if any, will be forfeited as of Grantee's Termination Date pursuant to Section 7.1, the Committee or its delegate may, in their sole discretion, determine that Grantee will receive, prior to termination of employment, a grant of a number of Share Units or Restricted Share Units ("Units") equal to all or a portion of the number of Unvested Shares that will be

forfeited on Grantee's Termination Date, such Units to be granted upon such terms and conditions as the Committee or its delegate may provide in the written agreement for such grant; provided, however, that any payment to be made by PNC upon satisfaction of the conditions set forth in the agreement for such Units will be made solely in cash.

Upon the determination of the Committee or its delegate in their discretion that Grantee will be entitled to a grant of Units pursuant to this Section 7.5, such grant will automatically become effective as of the day immediately prior to Grantee's Termination Date, subject to execution by both parties of the Share Unit or Restricted Share Unit agreement for such grant, as applicable, and provided that in no event will the number of Units so granted exceed the number of Unvested Shares that are forfeited by Grantee.

This provision for the grant of Share Units or Restricted Share Units upon such determination by the Committee or its delegate is considered a feature of the Grant of the Restricted Shares, and the determination to make such a grant of Units will be considered an exercise of this feature of the Grant.

7.6 Termination in Anticipation of a Change in Control.

(a) Notwithstanding anything in the Agreement to the contrary, if, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event and prior to the fifth (5th) anniversary of the Grant Date, Grantee's employment is terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason, or if Grantee's employment is deemed to have been so terminated pursuant to Section 7.6(b), then: (i) all remaining applicable Continued Employment Performance Goals will be deemed to have been achieved and the Restricted Period or Periods with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date (or, in the case of a qualifying termination pursuant to Section 7.6(b), the date all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are met); and (ii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

(b) Grantee's employment will also be deemed to have been terminated by the Corporation without Cause after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event for purposes of Section 7.6(a) if: (i) Grantee's employment is terminated by the Corporation without Cause; (ii) such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

Grantee's employment will also be deemed to have been terminated by Grantee for Good Reason after the occurrence of a CIC Triggering Event but prior to a CIC Failure for purposes of Section 7.6(a) if: (i) Grantee terminates Grantee's employment with Good Reason; (ii) the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

For purposes of this Section 7.6(b) only, Grantee will have the burden of proving that the requirements of clause (ii) of the first or second paragraph of this Section 7.6(b), as the case may be, have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of this Section 7.6(b) only, the definition of Change in Control in Section A.6 of Annex A will exclude the proviso in Section A.6(a).

(c) If Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are

met, then in the event that the record date for any dividend payable with respect to such Unvested Shares occurs on or after Grantee's Termination Date but prior to the time all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) have been met, such dividend will be held, without interest, pending and subject to satisfaction of all of such conditions. In the event that one or more of the conditions of Section 7.6(b) are not met, any dividend being held pending and subject to satisfaction of such conditions will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(d) If Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.6(b) are met, then such Restricted Shares will remain outstanding pending and subject to satisfaction of all of those conditions. Upon the failure of any required condition, all such Unvested Shares will be forfeited by Grantee to PNC on the date such failure occurs without payment of any consideration by PNC.

8. Change in Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change in Control, all remaining applicable Continued Employment Performance Goals will be deemed to have been achieved and the Restricted Period or Periods with respect to all then outstanding Unvested Shares, if any, will terminate as of the day immediately preceding the Change in Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change in Control but Unvested Shares remained outstanding after such termination of employment pursuant to Section 7.4 and are still outstanding pending and subject to affirmative approval of the vesting of such shares by the Designated Person specified in Section A.15 of Annex A, then with respect to all such Unvested Shares outstanding as of the day immediately preceding the Change in Control, such affirmative vesting approval will be deemed to have been given, the applicable Continued Employment Performance Goal or Goals will be deemed to have been achieved, and the applicable Restricted Period or Periods will terminate, all as of the day immediately preceding the Change in Control; and (iii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

9. Termination of Prohibitions; Payment to Legal Representative Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2, if and to the extent applicable, following termination of the Restricted Period, PNC will release and issue or reissue the then outstanding whole Restricted Shares that have become Awarded Shares without the legend referred to in Section 3.

Upon release and issuance of shares that have become Awarded Shares in accordance with this Section 9, PNC or its designee will deliver such whole shares to, or at the proper direction of, Grantee or Grantee's legal representative.

Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Payment of Taxes.

10.1 Internal Revenue Code Section 83(b) Election In the event that Grantee makes an Internal Revenue Code Section 83(b) election with respect to the Restricted Shares, Grantee shall satisfy all then applicable federal, state or local withholding tax obligations arising from that election (a) by payment of cash or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, by physical delivery to PNC of certificates for whole shares of PNC common stock that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or by a combination of cash and such stock. Any such tax election shall be made pursuant to a form to be provided to Grantee by PNC on request. For purposes of this Section 10.1, shares of PNC common stock that are used to satisfy applicable withholding tax

obligations will be valued at their Fair Market Value on the date the tax withholding obligation arises. Grantee will provide to PNC a copy of any Internal Revenue Code Section 83(b) election filed by Grantee with respect to the Restricted Shares not later than ten (10) days after the filing of such election.

10.2 Other Tax Liabilities. Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises with respect to any Restricted Shares, retain sufficient whole shares of PNC common stock from the shares granted pursuant to the Agreement to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection with such shares. For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Restricted Shares. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding either: (a) by payment of cash; or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed. Any such tax election shall be made pursuant to a form provided by PNC. Shares of PNC common stock that are used for this purpose will be valued at their Fair Market Value on the date the tax withholding obligation arises. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Restricted Shares, no additional withholding may be made.

11. Employment. Neither the granting and issuance of the Restricted Shares nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement. The Agreement constitutes the entire agreement between Grantee and PNC and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties with respect to the subject matter hereof.

14. Grantee Covenants.

14.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 14 and 15 by virtue of receiving this grant of Restricted Shares (regardless of whether such shares ultimately become Awarded Shares); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

14.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 14.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.14 of Annex A or, if Grantee was a party to a written agreement between Grantee and PNC providing, among other things, for certain change in control severance benefits (a "CIC Severance Agreement") that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 14.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

14.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

14.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 14.4 shall be performed by Grantee without further compensation and will continue beyond the Termination Date.

15. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

15.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought

exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

15.2 Equitable Remedies. A breach of the provisions of any of Sections 14.2, 14.3 or 14.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

15.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 14.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

15.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

15.5 Severability. The restrictions and obligations imposed by Sections 14.2, 14.3 and 14.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

15.6 Reform. In the event any of Sections 14.2, 14.3 and 14.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

15.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 14.2, 14.3 and 14.4.

15.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

15.9 Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Grant to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

16. Acceptance of Grant; PNC Right to Cancel. If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee's delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee and, in the event that Grantee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Agreement is effective.

Grantee will not have any of the rights of a shareholder with respect to the Restricted Shares as set forth in Section 4, and will not have the right to vote or to receive dividends on such shares, until the date the Agreement is effective and the Restricted Shares are issued in accordance with this Section 16.

In the event that one or more record dates for dividends on PNC common stock occur after the Grant Date but before the date the Agreement is effective in accordance with this Section 16 and the Restricted Shares are issued, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equivalent to the amount of the dividends Grantee would have received had the Agreement been effective and the Restricted Shares had been issued on the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO BY GRANTEE

Grantee

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 “Agreement” means the Restricted Stock Agreement between PNC and Grantee evidencing the Grant of the Restricted Shares Award to Grantee pursuant to the Plan.

A.2 “Awarded Shares.” Provided that the Restricted Shares are then outstanding, Restricted Shares become “Awarded Shares” when all of the following have occurred: (a) the Continued Employment Performance Goal or Goals applicable to such Restricted Shares have been achieved or are deemed to have been achieved pursuant to the terms of the Agreement; (b) the Restricted Period or Periods applicable to such Restricted Shares have terminated; and (c) if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2 of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.3 “Board” means the Board of Directors of PNC.

A.4 “Cause” means:

(a) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

A.5 “CEO” means the chief executive officer of PNC.

A.6 “Change in Control” means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC’s then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a “Fundamental Transaction”) with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC’s outstanding securities, (ii) the surviving entity’s outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC’s assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC’s shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC’s shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$ rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries will not by itself constitute a Change in Control.

A.7 “CIC Failure” means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC’s shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.8 “CIC Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.6; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 “Committee” means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 “Competitive Activity” means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (a) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Grantee’s Termination Date or (b) engaged in business activities which Grantee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Grantee’s Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.16(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 “Consolidated Subsidiary” means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of “service recipient” under Section 409A of the Internal Revenue Code.

A.12 “Continued Employment Performance Goal” means: (a) with respect to shares in the First Tranche of Restricted Shares, the Three-Year Continued Employment Performance Goal; (b) with respect to shares in the Second Tranche of Restricted Shares, the Four-Year Continued Employment Performance Goal; and (c) with respect to shares in the Third Tranche of Restricted Shares, the Five-Year Continued Employment Performance Goal, as applicable.

A.13 “Corporation” means PNC and its Consolidated Subsidiaries.

A.14 “Coverage Period” means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

A.15 “Designated Person” will be either: (a) the Committee, if Grantee was a member of the Corporate Executive Group (or equivalent successor classification) or was subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities when he or she ceased to be an employee of the Corporation; or (b) the Chief Human Resources Officer of PNC, if Grantee is not within one of the groups specified in Section A.15(a).

A.16 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Grantee was an "executive officer" of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer), whichever is applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee, and, if so, determines that Grantee will be deemed to have engaged in Detrimental Conduct.

A.17 "Exchange Act" means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.18 "Fair Market Value" as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.19 "Five-Year Continued Employment Performance Goal" means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the fifth (5th) anniversary of the Grant Date; (b) the date of Grantee's death; and (c) the day a Change in Control is deemed to have occurred.

A.20 "Four-Year Continued Employment Performance Goal" means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the fourth (4th) anniversary of the Grant Date; (b) the date of Grantee's death; and (c) the day a Change in Control is deemed to have occurred.

A.21 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.22 "Good Reason" means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

A.23 "Grant" means the Restricted Shares Award granted to Grantee pursuant to Section 2 of the Agreement and pursuant to which the Restricted Shares are issued to Grantee subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

A.24 "Grant Date" means the Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares Award is authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.25 "Grantee" means the person to whom the Restricted Stock Award is granted and the Restricted Shares are issued, and is identified as Grantee on page 1 of the Agreement.

A.26 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.27 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.28 "PNC" means The PNC Financial Services Group, Inc.

A.29 "Restricted Period." The applicable Restricted Period for Restricted Shares means, subject to early termination if so determined by the Committee or its delegate or pursuant to Section 7.6 of the Agreement, if applicable, the period set forth in the applicable subsection below:

(a) For First Tranche Shares: with respect to shares in the First Tranche of Restricted Shares, the period from the Grant Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change in Control is deemed to have occurred; and (iii) the day immediately preceding the third (3rd) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a) of the Agreement, if applicable;

(b) For Second Tranche Shares: with respect to shares in the Second Tranche of Restricted Shares, the period from the Grant Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change in Control is deemed to have occurred; and (iii) the day immediately preceding the fourth (4th) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a) of the Agreement, if applicable; and

(c) For Third Tranche Shares: with respect to shares in the Third Tranche of Restricted Shares, the period from the Grant Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change in Control is deemed to have occurred; and (iii) the day immediately preceding the fifth (5th) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a) of the Agreement, if applicable.

A.30 “Retire” or “Retirement” means termination of Grantee’s employment with the Corporation (a) at any time on or after the first (1st) day of the first (1st) month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee’s death or by the Corporation for Cause or, unless the Committee or its delegate determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.31 “Retiree” means a Grantee who has Retired.

A.32 “SEC” means the United States Securities and Exchange Commission.

A.33 “Termination Date” means Grantee’s last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Grantee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Grantee’s employment with the Corporation terminates effective at the time this occurs.

A.34 “Three-Year Continued Employment Performance Goal” means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3rd) anniversary of the Grant Date; (b) the date of Grantee’s death; and (c) the day a Change in Control is deemed to have occurred.

A.35 “Total and Permanent Disability” means, unless the Committee or its delegate determines otherwise, Grantee’s disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.36 “Tranche(s)” or “First, Second or Third Tranche” have the meanings set forth in Section 2 of the Agreement.

A.37 “Unvested Shares” means any Restricted Shares that are not Awarded Shares.

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
RESTRICTED STOCK AGREEMENT
* * *

GRANTEE: < name >
GRANT DATE: _____, 200_
SHARES: < number of whole shares>

1. Definitions. Certain terms used in this Restricted Stock Agreement (the "Agreement") are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

In the Agreement, "PNC" means The PNC Financial Services Group, Inc. and "Corporation" means PNC and its Consolidated Subsidiaries.

2. Grant of Restricted Shares. Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the "Plan"), and subject to the terms and conditions of the Agreement, PNC hereby grants to the Grantee named above ("Grantee") a Restricted Shares Award of the number of shares of PNC common stock set forth above, and, upon acceptance of the Grant by Grantee in accordance with Section 16, will cause the issuance of said shares to Grantee subject to the terms and conditions of the Agreement and the Plan.

The shares granted and issued to Grantee hereby as a Restricted Shares Award subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan are hereafter referred to as the "Restricted Shares."

3. Terms of Grant. The Grant is subject to the following terms and conditions.

Restricted Shares will be subject to a Restricted Period as provided in Section A.27 of Annex A. Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee, or credited to a book-entry account, during the term of the Restricted Period unless and until forfeited pursuant to the terms of the Agreement.

Any certificate or certificates representing such Restricted Shares will contain the following legend:

"This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in The PNC Financial Services Group, Inc. 2006 Incentive Award Plan and an Agreement entered into between the registered owner and The PNC Financial Services Group, Inc. Release from such terms and conditions will be made only in accordance with the provisions of such Plan and such Agreement, a copy of each of which is on file in the office of the Corporate Secretary of The PNC Financial Services Group, Inc."

Where a book-entry system is used with respect to the issuance of Restricted Shares, appropriate notation of such forfeiture possibility and transfer restrictions will be made on the system with respect to the account or accounts to which the Restricted Shares are credited.

Restricted Shares deposited with PNC or its designee during the term of the Restricted Period that become Awarded Shares as provided in Section A.2 of Annex A will be released and reissued to, or at the proper direction of, Grantee or Grantee's legal representative pursuant to Section 9.

4. Rights as Shareholder. Except as provided in Section 6 and subject to Section 7.5(c), if applicable, and to Section 16, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares including, but not limited to, the right to vote the Restricted Shares and the right to receive dividends thereon if and when declared by the Board; provided, however, that all such rights and privileges will cease immediately upon any forfeiture of such shares.

5. Capital Adjustments. Restricted Shares awarded hereunder shall, as issued and outstanding shares of PNC common stock, be subject to such adjustment as may be necessary to reflect corporate transactions, including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC; provided, however, that any shares received as distributions on or in exchange for Unvested Shares shall be subject to the terms and conditions of the Agreement as if they were Restricted Shares.

6. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) Unvested Shares may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered, other than as may be required pursuant to Section 10.2, unless and until the Restricted Period terminates and the Awarded Shares are released and reissued by PNC pursuant to Section 9.

(b) If Grantee is deceased at the time Restricted Shares become Awarded Shares, PNC will deliver such shares to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

7. Forfeiture; Death; Qualifying Disability Termination; Termination in Anticipation of Change in Control; Other Terminations

7.1 Forfeiture on Termination of Employment. Except as otherwise provided in and subject to the conditions of Section 7.3, Section 7.4(a), Section 7.5(a), Section 7.5(b), Section 7.6, or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the third (3rd) anniversary of the Grant Date, all Restricted Shares that are Unvested Shares on Grantee's Termination Date will be forfeited by Grantee to PNC without payment of any consideration by PNC.

Upon forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2, Section 7.4(b), or Section 7.5(d), neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Shares or any certificate or certificates representing such Unvested Shares.

7.2 Forfeiture for Detrimental Conduct. Unvested Shares that would otherwise remain outstanding after Grantee's Termination Date, if any, will be forfeited by Grantee to PNC without payment of any consideration by PNC in the event that, at any time prior to the date such shares become Awarded Shares, PNC determines that Grantee has engaged in Detrimental Conduct; provided, however, that: (a) this Section 7.2 will not apply to Restricted Shares that remain outstanding after Grantee's Termination Date pursuant to Section 7.3 or Section 7.5, if any; (b) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (c) Detrimental Conduct will

not apply to conduct by or activities of successors to the Restricted Shares by will or the laws of descent and distribution in the event of Grantee's death; and (d) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change in Control.

If any criminal charges are brought against Grantee alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the vesting of the Restricted Shares, to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, or to require the escrow of the proceeds of the shares. Any such suspension or escrow is subject to the following restrictions:

(i) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(B) resolution of the criminal proceeding in one of the following ways: (1) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (2) Grantee has been acquitted of such alleged felony, or (3) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(C) termination of the suspension or escrow in the discretion of the Committee; and

(ii) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Restricted Shares to Grantee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (i)(B) or (C) above.

7.3 Death. In the event of Grantee's death while an employee of the Corporation and prior to the third (3^d) anniversary of the Grant Date, the Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate on the date of Grantee's death.

The Restricted Shares which thereby become Awarded Shares will be released and reissued by PNC to, or at the proper direction of, Grantee's legal representative pursuant to Section 9 as soon as administratively practicable following such date.

7.4 Qualifying Disability Termination.

(a) In the event Grantee's employment with the Corporation is terminated prior to the third (3^d) anniversary of the Grant Date by the Corporation by reason of Grantee's Total and Permanent Disability, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.4(a) by the Designated Person specified in Section A.15 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.4(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.5 Termination in Anticipation of a Change in Control.

(a) Notwithstanding anything in the Agreement to the contrary, if, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event and prior to the third (3rd) anniversary of the Grant Date, Grantee's employment is terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason, or if Grantee's employment is deemed to have been so terminated pursuant to Section 7.5(b), then: (i) the Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to any then outstanding Unvested Shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date (or, in the case of a qualifying termination pursuant to Section 7.5(b), the date all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.5(b) are met); and (ii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

(b) Grantee's employment will also be deemed to have been terminated by the Corporation without Cause after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event for purposes of Section 7.5(a) if: (i) Grantee's employment is terminated by the Corporation without Cause; (ii) such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

Grantee's employment will also be deemed to have been terminated by Grantee for Good Reason after the occurrence of a CIC Triggering Event but prior to a CIC Failure for purposes of Section 7.5(a) if: (i) Grantee terminates Grantee's employment with Good Reason; (ii) the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

For purposes of this Section 7.5(b) only, Grantee will have the burden of proving that the requirements of clause (ii) of the first or second paragraph of this Section 7.5(b), as the case may be, have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of this Section 7.5(b) only, the definition of Change in Control in Section A.6 of Annex A will exclude the proviso in Section A.6(a).

(c) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.5(b) are met, then in the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the time all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.5(b) have been met, such dividend will be held, without interest, pending and subject to satisfaction of all of such conditions. In the event that one or more of the conditions of Section 7.5(b) are not met, any dividend being held pending and subject to satisfaction of such conditions will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(d) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.5(b) are met, then the Restricted Shares will remain outstanding pending and subject to satisfaction of all of those conditions. Upon the failure of any required condition, all such Unvested Shares will be forfeited by Grantee to PNC on the date such failure occurs without payment of any consideration by PNC.

7.6 Other Terminations. In the event that Grantee's employment with the Corporation will terminate prior to the third (3rd) anniversary of the Grant Date, whether by reason of retirement or otherwise, the Committee or its delegate may determine, in their sole discretion, with respect to some or all of the Unvested Shares outstanding as of the day prior to Grantee's Termination Date, that (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and (ii) the Restricted Period with respect to such shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date, in which case such shares will become Awarded Shares as provided in Section A.2 of Annex A prior to Grantee's termination of employment and will be released and reissued by PNC pursuant to Section 9.

In the alternative, if Grantee's employment with the Corporation will terminate prior to the third (3rd) anniversary of the Grant Date and Grantee's Unvested Shares, if any, will be forfeited as of Grantee's Termination Date pursuant to Section 7.1, the Committee or its delegate may, in their sole discretion, determine that Grantee will receive, prior to termination of employment, a grant of a number of Share Units or Restricted Share Units ("Units") equal to all or a portion of the number of Unvested Shares that will be forfeited on Grantee's Termination Date, such Units to be granted upon such terms and conditions as the Committee or its delegate may provide in the written agreement for such grant; provided, however, that any payment to be made by PNC upon satisfaction of the conditions set forth in the agreement for such Units will be made solely in cash.

Upon the determination of the Committee or its delegate in their discretion that Grantee will be entitled to a grant of Units pursuant to this Section 7.6, such grant will automatically become effective as of the day immediately prior to Grantee's Termination Date, subject to execution by both parties of the Share Unit or Restricted Share Unit agreement for such grant, as applicable, and provided that in no event will the number of Units so granted exceed the number of Unvested Shares that are forfeited by Grantee.

This provision for the grant of Share Units or Restricted Share Units upon such determination by the Committee or its delegate is considered a feature of the Grant of the Restricted Shares, and the determination to make such a grant of Units will be considered an exercise of this feature of the Grant.

8. Change in Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change in Control, the Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period will terminate with respect to all then outstanding Unvested Shares, if any, as of the day immediately preceding the Change in Control; (ii) if Grantee's

employment with the Corporation terminated prior to the occurrence of the Change in Control but the Unvested Shares remained outstanding after such termination of employment pursuant to Section 7.4 and are still outstanding pending and subject to affirmative approval of the vesting of such shares by the Designated Person specified in Section A.15 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change in Control, such affirmative vesting approval will be deemed to have been given, the Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period will terminate, all as of the day immediately preceding the Change in Control; and (iii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

9. Termination of Prohibitions; Payment to Legal Representative Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2, if and to the extent applicable, following termination of the Restricted Period, PNC will release and issue or reissue the then outstanding whole Restricted Shares that have become Awarded Shares without the legend referred to in Section 3.

Upon release and issuance of shares that have become Awarded Shares in accordance with this Section 9, PNC or its designee will deliver such whole shares to, or at the proper direction of, Grantee or Grantee's legal representative.

Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Payment of Taxes

10.1 Internal Revenue Code Section 83(b) Election In the event that Grantee makes an Internal Revenue Code Section 83(b) election with respect to the Restricted Shares, Grantee shall satisfy all then applicable federal, state or local withholding tax obligations arising from that election (a) by payment of cash or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, by physical delivery to PNC of certificates for whole shares of PNC common stock that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or by a combination of cash and such stock. Any such tax election shall be made pursuant to a form to be provided to Grantee by PNC on request. For purposes of this Section 10.1, shares of PNC common stock that are used to satisfy applicable withholding tax obligations will be valued at their Fair Market Value on the date the tax withholding obligation arises. Grantee will provide to PNC a copy of any Internal Revenue Code Section 83(b) election filed by Grantee with respect to the Restricted Shares not later than ten (10) days after the filing of such election.

10.2 Other Tax Liabilities Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises, retain sufficient whole shares of PNC common stock from the shares granted pursuant to the Agreement to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection with the Restricted Shares. For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Restricted Shares. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding either: (a) by payment of cash; or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the

restrictions lapsed. Any such tax election shall be made pursuant to a form provided by PNC. Shares of PNC common stock that are used for this purpose will be valued at their Fair Market Value on the date the tax withholding obligation arises. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Restricted Shares, no additional withholding may be made.

11. Employment. Neither the granting and issuance of the Restricted Shares nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement. The Agreement constitutes the entire agreement between Grantee and PNC and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties with respect to the subject matter hereof.

14. Grantee Covenants.

14.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 14 and 15 by virtue of receiving this grant of Restricted Shares (regardless of whether such shares ultimately become Awarded Shares); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

14.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 14.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.14 of Annex A or, if Grantee was a party to a written agreement between Grantee and PNC providing, among other things, for certain change in control severance benefits (a "CIC Severance Agreement") that was in effect at the time of such

termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 14.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

14.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

14.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 14.4 shall be performed by Grantee without further compensation and will continue beyond the Termination Date.

15. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

15.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

15.2 Equitable Remedies. A breach of the provisions of any of Sections 14.2, 14.3 or 14.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

15.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 14.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

15.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

15.5 Severability. The restrictions and obligations imposed by Sections 14.2, 14.3 and 14.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

15.6 Reform. In the event any of Sections 14.2, 14.3 and 14.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

15.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 14.2, 14.3 and 14.4.

15.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

15.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Grant to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

16. Acceptance of Grant; PNC Right to Cancel. If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee's delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee and, in the event that Grantee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Agreement is effective.

Grantee will not have any of the rights of a shareholder with respect to the Restricted Shares as set forth in Section 4, and will not have the right to vote or to receive dividends on such shares, until the date the Agreement is effective and the Restricted Shares are issued in accordance with this Section 16.

In the event that one or more record dates for dividends on PNC common stock occur after the Grant Date but before the date the Agreement is effective in accordance with this Section 16 and the Restricted Shares are issued, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equivalent to the amount of the dividends Grantee would have received had the Agreement been effective and the Restricted Shares had been issued on the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO BY GRANTEE

Grantee

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 “Agreement” means the Restricted Stock Agreement between PNC and Grantee evidencing the Grant of the Restricted Shares Award to Grantee pursuant to the Plan.

A.2 “Awarded Shares.” Provided that the Restricted Shares are then outstanding, Restricted Shares become “Awarded Shares” when all of the following have occurred: (a) the Continued Employment Performance Goal has been achieved or is deemed to have been achieved pursuant to the terms of the Agreement; (b) the Restricted Period has terminated; and (c) if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2 of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.3 “Board” means the Board of Directors of PNC.

A.4 “Cause” means:

(a) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee's action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee's superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee's termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

A.5 "CEO" means the chief executive officer of PNC.

A.6 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's

shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries will not by itself constitute a Change in Control.

A.7 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.8 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.6; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 "Competitive Activity" means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (a) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Grantee's Termination Date or (b) engaged in business activities which Grantee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Grantee's Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.16(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the Internal Revenue Code.

A.12 "Continued Employment Performance Goal" means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3rd) anniversary of the Grant Date; (b) the date of Grantee's death; and (c) the day a Change in Control is deemed to have occurred.

A.13 “Corporation” means PNC and its Consolidated Subsidiaries.

A.14 “Coverage Period” means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

A.15 “Designated Person” will be either: (a) the Committee, if Grantee was a member of the Corporate Executive Group (or equivalent successor classification) or was subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities when he or she ceased to be an employee of the Corporation; or (b) the Chief Human Resources Officer of PNC, if Grantee is not within one of the groups specified in Section A.15(a).

A.16 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee’s employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Grantee was an “executive officer” of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer), whichever is applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee, and, if so, determines that Grantee will be deemed to have engaged in Detrimental Conduct.

A.17 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.18 “Fair Market Value” as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.19 “GAAP” or “generally accepted accounting principles” means accounting principles generally accepted in the United States of America.

A.20 “Good Reason” means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee’s annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation’s requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee’s office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee’s total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee’s participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee’s participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation’s pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

A.21 “Grant” means the Restricted Shares Award granted to Grantee pursuant to Section 2 of the Agreement and pursuant to which the Restricted Shares are issued to Grantee subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

A.22 “Grant Date” means the Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares Award is authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.23 “Grantee” means the person to whom the Restricted Stock Award is granted and the Restricted Shares are issued, and is identified as Grantee on page 1 of the Agreement.

A.24 “Internal Revenue Code” means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.25 “Person” has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.26 “PNC” means The PNC Financial Services Group, Inc.

A.27 “Restricted Period” means, subject to early termination if so determined by the Committee or its delegate or pursuant to Section 7.5 of the Agreement, if applicable, the period from the Grant Date through (and including) the earlier of: (a) the date of Grantee’s death; (b) the day immediately preceding the day a Change in Control is deemed to have occurred; and (c) the day immediately preceding the third (3rd) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a) of the Agreement, if applicable.

A.28 “SEC” means the United States Securities and Exchange Commission.

A.29 “Termination Date” means Grantee’s last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Grantee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Grantee’s employment with the Corporation terminates effective at the time this occurs.

A.30 “Total and Permanent Disability” means, unless the Committee or its delegate determines otherwise, Grantee’s disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.31 “Unvested Shares” means any Restricted Shares that are not Awarded Shares.

THE PNC FINANCIAL SERVICES GROUP, INC.
1996 EXECUTIVE INCENTIVE AWARD PLAN

* * *

RESTRICTED STOCK AGREEMENT

* * *

GRANTEE: <name>
GRANT DATE: _____, 200__
SHARES: <number of whole shares>

1. Definitions. Certain terms used in this Restricted Stock Agreement (the “Agreement”) are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

In the Agreement, “PNC” means The PNC Financial Services Group, Inc. and “Corporation” means PNC and its Consolidated Subsidiaries.

2. Grant of Restricted Shares. Pursuant to The PNC Financial Services Group, Inc. 1996 Executive Incentive Award Plan, as amended from time to time (the “Plan”), and subject to the terms and conditions of the Agreement, PNC hereby grants to the Grantee named above (“Grantee”) a restricted stock award of the number of shares of PNC common stock set forth above, and, upon acceptance of the Grant by Grantee in accordance with Section 17, will cause the issuance of said shares to Grantee subject to the terms and conditions of the Agreement and the Plan.

The shares granted and issued to Grantee hereby as a restricted stock award are hereafter referred to as the “Restricted Shares.” The Restricted Shares are being granted and issued to Grantee as part of an Incentive Award under the Plan that includes Additional Stock as defined in the Plan, and are granted and issued subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

3. Terms of Grant. The Grant is subject to the following terms and conditions.

Restricted Shares will be subject to a Restricted Period as provided in Section A.26 of Annex A. Once issued in accordance with Section 17, Restricted Shares will be deposited with PNC or its designee, or credited to a book-entry account, during the term of the Restricted Period unless and until forfeited pursuant to the terms of the Agreement.

Any certificate or certificates representing such Restricted Shares will contain the following legend:

“This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in The PNC Financial Services Group, Inc. 1996 Executive Incentive Award Plan as amended and an Agreement entered into between the registered owner and The PNC Financial Services Group, Inc. Release from such terms and conditions will be made only in accordance with the provisions of such Plan and such Agreement, a copy of each of which is on file in the office of the Corporate Secretary of The PNC Financial Services Group, Inc.”

Where a book-entry system is used with respect to the issuance of Restricted Shares, appropriate notation of such forfeiture possibility and transfer restrictions will be made on the system with respect to the account or accounts to which the Restricted Shares are credited.

Restricted Shares deposited with PNC or its designee during the term of the Restricted Period that become Awarded Shares as provided in Section A.2 of Annex A will be released and reissued to, or at the proper direction of, Grantee or Grantee's legal representative pursuant to Section 9.

4. Rights as Shareholder. Except as provided in Section 6 and subject to Section 7.6(b) or Section 7.7(c), if applicable, and to Section 17, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares including, but not limited to, the right to vote the Restricted Shares and the right to receive dividends thereon if and when declared by the Board; provided, however, that all such rights and privileges will cease immediately upon any forfeiture of such shares.

5. Capital Adjustments. Restricted Shares awarded hereunder shall, as issued and outstanding shares of PNC common stock, be subject to such adjustment as may be necessary to reflect corporate transactions, including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC; provided, however, that any shares received as distributions on or in exchange for Unvested Shares shall be subject to the terms and conditions of the Agreement as if they were Restricted Shares.

6. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) Unvested Shares may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered, other than as may be required pursuant to Section 10.2, unless and until the Restricted Period terminates and the Awarded Shares are released and reissued by PNC pursuant to Section 9.

(b) If Grantee is deceased at the time Restricted Shares become Awarded Shares, PNC will deliver such shares to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

7. Forfeiture; Death; Qualifying Disability, Retirement, or DEAP Termination; Termination in Anticipation of Change in Control; Other Terminations

7.1 Forfeiture on Termination of Employment. Except as otherwise provided in and subject to the conditions of Section 7.3, Section 7.4(a), Section 7.5(a), Section 7.6(a), Section 7.7(a), Section 7.7(b), Section 7.8, or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the third (3rd) anniversary of the Grant Date, all Restricted Shares that are Unvested Shares on Grantee's Termination Date will be forfeited by Grantee to PNC without payment of any consideration by PNC.

Upon forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2, Section 7.4(b), Section 7.5(b), Section 7.6(c) or Section 7.7(d), neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Shares or any certificate or certificates representing such Unvested Shares.

7.2 Forfeiture for Detrimental Conduct. Unvested Shares that would otherwise remain outstanding after Grantee's Termination Date, if any, will be forfeited by Grantee to PNC without payment of any consideration by PNC in the event that, at any time prior to the date such shares become Awarded

Shares, PNC determines that Grantee has engaged in Detrimental Conduct; provided, however, that: (a) this Section 7.2 will not apply to Restricted Shares that remain outstanding after Grantee's Termination Date pursuant to Section 7.3 or Section 7.7, if any; (b) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (c) Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Shares by will or the laws of descent and distribution in the event of Grantee's death; and (d) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change in Control.

If any criminal charges are brought against Grantee alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the vesting of the Restricted Shares, to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, or to require the escrow of the proceeds of the shares. Any such suspension or escrow is subject to the following restrictions:

(i) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(B) resolution of the criminal proceeding in one of the following ways: (1) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (2) Grantee has been acquitted of such alleged felony, or (3) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(C) termination of the suspension or escrow in the discretion of the Committee; and

(ii) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Restricted Shares to Grantee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (i)(B) or (C) above.

7.3 Death. In the event of Grantee's death while an employee of the Corporation and prior to the third (3^d) anniversary of the Grant Date, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate on the date of Grantee's death.

The Restricted Shares which thereby become Awarded Shares will be released and reissued by PNC to, or at the proper direction of, Grantee's legal representative pursuant to Section 9 as soon as administratively practicable following such date.

7.4 Qualifying Disability Termination.

(a) In the event Grantee's employment with the Corporation is terminated prior to the third (3^d) anniversary of the Grant Date by the Corporation by reason of Grantee's Total and Permanent Disability, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.4(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of:

(1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the 180th day following the third (3rd) anniversary of the Grant

Date, if the Designated Person is the Committee, or (ii) the ninetieth (90th) day following such anniversary date, if the Designated Person is the Chief Human Resources Officer of PNC, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.4(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.5 Qualifying Retirement.

(a) In the event that Grantee Retires prior to the third (3rd) anniversary of the Grant Date, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.5(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the 180th day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Committee, or (ii) the ninetieth (90th) day following such anniversary date, if the Designated Person is the Chief Human Resources Officer of PNC, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.5(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.6 Qualifying DEAP Termination.

(a) In the event that Grantee's employment with the Corporation is terminated prior to the third (3rd) anniversary of the Grant Date by the Corporation and Grantee is offered and has entered into the standard Waiver and Release Agreement with PNC or a Consolidated Subsidiary under an applicable PNC or Consolidated Subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Grantee is offered and has entered into a similar waiver and release agreement between PNC or a Consolidated Subsidiary and Grantee pursuant to the terms of an agreement or arrangement entered into by PNC or a Consolidated Subsidiary and Grantee in lieu of or in addition to the DEAP, then Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.6(a) by the Designated Person specified in Section A.14 of Annex A, provided that Grantee does not revoke such waiver and release agreement within the time for revocation of such waiver and release agreement by Grantee.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the 180th day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Committee, or (ii) the ninetieth (90th) day following such anniversary date, if the Designated Person is the Chief Human Resources Officer of PNC, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) In the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the lapse of the time for revocation by Grantee of the waiver and release agreement specified in the first paragraph of Section 7.6(a), then such dividend will be held, without interest, pending and subject to satisfaction of the condition of Section 7.6(a) that Grantee enter into the offered waiver and release agreement and not revoke such waiver and release agreement within the time for revocation of such agreement by Grantee. In the event that this condition is not met, any dividend being held pending and subject to satisfaction of such condition will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(c) If (i) Grantee does not enter into, or enters into but revokes, the waiver and release agreement specified in the first paragraph of Section 7.6(a) or (ii) the Designated Person disapproves the

vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to the non-revocation of, and the lapse of the time within which Grantee may revoke, such waiver and release agreement and pending and subject to affirmative approval of the vesting of such shares, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on the date such failure to satisfy the conditions of Section 7.6(a) occurs without payment of any consideration by PNC.

If, by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.6(a), if applicable, such Unvested Shares are still outstanding but the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of such shares, then all such Unvested Shares will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.7 Termination in Anticipation of a Change in Control.

(a) Notwithstanding anything in the Agreement to the contrary, if, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event and prior to the third (3rd) anniversary of the Grant Date, Grantee's employment is terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason, or if Grantee's employment is deemed to have been so terminated pursuant to Section 7.7(b), then: (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to any then outstanding Unvested Shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date (or, in the case of a qualifying termination pursuant to Section 7.7(b), the date all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met); and (ii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

(b) Grantee's employment will also be deemed to have been terminated by the Corporation without Cause after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event for purposes of Section 7.7(a) if: (i) Grantee's employment is terminated by the Corporation without Cause; (ii) such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

Grantee's employment will also be deemed to have been terminated by Grantee for Good Reason after the occurrence of a CIC Triggering Event but prior to a CIC Failure for purposes of Section 7.7(a) if: (i) Grantee terminates Grantee's employment with Good Reason; (ii) the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

For purposes of this Section 7.7(b) only, Grantee will have the burden of proving that the requirements of clause (ii) of the first or second paragraph of this Section 7.7(b), as the case may be, have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of this Section 7.7(b) only, the definition of Change in Control in Section A.6 of Annex A will exclude the proviso in Section A.6(a).

(c) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met, then in the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the time all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) have been met, such

dividend will be held, without interest, pending and subject to satisfaction of all of such conditions. In the event that one or more of the conditions of Section 7.7(b) are not met, any dividend being held pending and subject to satisfaction of such conditions will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(d) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met, then the Restricted Shares will remain outstanding pending and subject to satisfaction of all of those conditions. Upon the failure of any required condition, all such Unvested Shares will be forfeited by Grantee to PNC on the date such failure occurs without payment of any consideration by PNC.

7.8 Other Terminations. In the event that Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date, the Committee or its delegate may determine, in their sole discretion, with respect to some or all of the Unvested Shares outstanding as of the day prior to Grantee's Termination Date, that (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and (ii) the Restricted Period with respect to such shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date, in which case such shares will become Awarded Shares as provided in Section A.2 of Annex A prior to Grantee's termination of employment and will be released and reissued by PNC pursuant to Section 9.

In the alternative, if Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date and Grantee's Unvested Shares, if any, will be forfeited as of Grantee's Termination Date pursuant to Section 7.1, the Committee or its delegate may, in their sole discretion, determine that Grantee will receive, prior to termination of employment, a grant of a number of Share Units or Restricted Share Units ("Units") equal to all or a portion of the number of Unvested Shares that will be forfeited on Grantee's Termination Date, such Units to be granted upon such terms and conditions as the Committee or its delegate may provide in the written agreement for such grant; provided, however, that any payment to be made by PNC upon satisfaction of the conditions set forth in the agreement for such Units will be made solely in cash.

Upon the determination of the Committee or its delegate in their discretion that Grantee will be entitled to a grant of Units pursuant to this Section 7.8, such grant will automatically become effective as of the day immediately prior to Grantee's Termination Date, subject to execution by both parties of the Share Unit or Restricted Share Unit agreement for such grant, as applicable, and provided that in no event will the number of Units so granted exceed the number of Unvested Shares that are forfeited by Grantee.

This provision for the grant of Share Units or Restricted Share Units upon such determination by the Committee or its delegate is considered a feature of the Grant of the Restricted Shares, and the determination to make such a grant of Units will be considered an exercise of this feature of the Grant.

8. Change in Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change in Control, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period will terminate with respect to all then outstanding Unvested Shares, if any, as of the day immediately preceding the Change in Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change in Control but the Unvested Shares remained outstanding after such termination of employment pursuant to Section 7.4, Section 7.5 or Section 7.6 and are still outstanding pending and subject to affirmative approval of the vesting of such shares by the Designated Person specified in Section A.14 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change in Control, such affirmative vesting approval will be deemed to have been given, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period will terminate, all as of the day immediately preceding the Change in Control, provided, however, in the case of Unvested Shares that remained outstanding post-employment solely pursuant to Section 7.6(a), that Grantee entered into and does not revoke the waiver and release agreement specified in Section 7.6(a); and (iii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

9. Termination of Prohibitions; Payment to Legal Representative Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2, if and to the extent applicable, following termination of the Restricted Period, PNC will release and issue or reissue the then outstanding whole Restricted Shares that have become Awarded Shares without the legend referred to in Section 3.

Upon release and issuance of shares that have become Awarded Shares in accordance with this Section 9, PNC or its designee will deliver such whole shares to, or at the proper direction of, Grantee or Grantee's legal representative.

Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Payment of Taxes

10.1 Internal Revenue Code Section 83(b) Election In the event that Grantee makes an Internal Revenue Code Section 83(b) election with respect to the Restricted Shares, Grantee shall satisfy all then applicable federal, state or local withholding tax obligations arising from that election (a) by payment of cash or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, by physical delivery to PNC of certificates for whole shares of PNC common stock that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or by a combination of cash and such stock. Any such tax election shall be made pursuant to a form to be provided to Grantee by PNC on request. For purposes of this Section 10.1, shares of PNC common stock that are used to satisfy applicable withholding tax obligations will be valued at their Fair Market Value on the date the tax withholding obligation arises. Grantee will provide to PNC a copy of any Internal Revenue Code Section 83(b) election filed by Grantee with respect to the Restricted Shares not later than ten (10) days after the filing of such election.

10.2 Other Tax Liabilities. Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises, retain sufficient whole shares of PNC common stock from the shares granted pursuant to the Agreement to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection with the Restricted Shares. For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Restricted Shares. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding either: (a) by payment of cash; or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed. Any such tax election shall be made pursuant to a form provided by PNC. Shares of PNC common stock that are used for this purpose will be valued at their Fair Market Value on the date the tax withholding obligation arises. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Restricted Shares, no additional withholding may be made.

11. Employment. Neither the granting and issuance of the Restricted Shares nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement. The Agreement constitutes the entire agreement between Grantee and PNC and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties with respect to the subject matter hereof.

14. Grantee Covenants.

14.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 14 and 15 by virtue of receiving this grant of Restricted Shares (regardless of whether such shares ultimately become Awarded Shares); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

14.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 14.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.13 of Annex A or, if Grantee was a party to a written agreement between Grantee and PNC providing, among other things, for certain change in control severance benefits (a "CIC Severance Agreement") that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 14.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

14.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

14.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 14.4 shall be performed by Grantee without further compensation and will continue beyond the Termination Date.

15. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

15.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

15.2 Equitable Remedies. A breach of the provisions of any of Sections 14.2, 14.3 or 14.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

15.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 14.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

15.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

15.5 Severability. The restrictions and obligations imposed by Sections 14.2, 14.3 and 14.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

15.6 Reform. In the event any of Sections 14.2, 14.3 and 14.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

15.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 14.2, 14.3 and 14.4.

15.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

15.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Grant to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

16. Modification; Interpretation; Rules and Regulations. The Committee may modify or amend the terms of the Agreement or the Grant; provided, however, no modification or amendment of the Agreement or the Grant shall, without the consent of Grantee, adversely affect the rights or obligations of Grantee.

The Committee will have the power to construe and interpret the Agreement. The Grant and the Agreement are also subject to any administrative guidelines and other rules and regulations relating to the Grant or the Agreement promulgated by the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date. The Committee’s determinations on matters within its authority will be conclusive and binding on Grantee.

17. Acceptance of Grant; PNC Right to Cancel. If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee’s delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee and, in the event that Grantee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Agreement is effective.

Grantee will not have any of the rights of a shareholder with respect to the Restricted Shares as set forth in Section 4, and will not have the right to vote or to receive dividends on such shares, until the date the Agreement is effective and the Restricted Shares are issued in accordance with this Section 17.

In the event that one or more record dates for dividends on PNC common stock occur after the Grant Date but before the date the Agreement is effective in accordance with this Section 17 and the Restricted Shares are issued, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equivalent to the amount of the dividends Grantee would have received had the Agreement been effective and the Restricted Shares had been issued on the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO BY GRANTEE

Grantee

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 “Agreement” means the Restricted Stock Agreement between PNC and Grantee evidencing the Grant of a restricted stock award to Grantee pursuant to which the Restricted Shares are issued under the Plan.

A.2 “Awarded Shares.” Provided that the Restricted Shares are then outstanding, Restricted Shares become “Awarded Shares” when all of the following have occurred: (a) the Three-Year Continued Employment Performance Goal has been achieved or is deemed to have been achieved pursuant to the terms of the Agreement; (b) the Restricted Period has terminated; and (c) if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2 of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.3 “Board” means the Board of Directors of PNC.

A.4 “Cause” means:

(a) the willful and continued failure of Grantee to substantially perform Grantee’s duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee’s duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee’s action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee’s superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee’s employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee’s termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

A.5 “CEO” means the chief executive officer of PNC.

A.6 “Change in Control” means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC’s then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a “Fundamental Transaction”) with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC’s outstanding securities, (ii) the surviving entity’s outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries will not by itself constitute a Change in Control.

A.7 "CIC Failure" means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.8 "CIC Triggering Event" means the occurrence of either of the following:

(a) the Board or PNC's shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.6; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 "Committee" means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 "Competitive Activity" means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (a) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Grantee's Termination Date or (b) engaged in business activities which Grantee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Grantee's Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.15(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 "Consolidated Subsidiary" means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of "service recipient" under Section 409A of the Internal Revenue Code.

A.12 “Corporation” means PNC and its Consolidated Subsidiaries.

A.13 “Coverage Period” means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

A.14 “Designated Person” will be either: (a) the Committee, if Grantee was a member of the Corporate Executive Group (or equivalent successor classification) or was subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities when he or she ceased to be an employee of the Corporation; or (b) the Chief Human Resources Officer of PNC, if Grantee is not within one of the groups specified in Section A.14(a).

A.15 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee’s employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Grantee was an “executive officer” of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer), whichever is applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee, and, if so, determines that Grantee will be deemed to have engaged in Detrimental Conduct.

A.16 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.17 “Fair Market Value” as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.18 “GAAP” or “generally accepted accounting principles” means accounting principles generally accepted in the United States of America.

A.19 “Good Reason” means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee's annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation's requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee's office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

A.20 "Grant" means the restricted stock award granted to Grantee pursuant to Section 2 of the Agreement and pursuant to which the Restricted Shares are issued to Grantee subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

A.21 "Grant Date" means the Grant Date set forth on page 1 of the Agreement and is the date as of which the restricted stock award, pursuant to which the Restricted Shares are issued, was authorized to be granted by the Committee in accordance with the Plan.

A.22 "Grantee" means the person to whom the restricted stock award is granted and the Restricted Shares are issued, and is identified as Grantee on page 1 of the Agreement.

A.23 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.24 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.25 "PNC" means The PNC Financial Services Group, Inc.

A.26 "Restricted Period" means, subject to early termination if so determined by the Committee or its delegate or pursuant to Section 7.7 of the Agreement, if applicable, the period from the Grant Date through (and including) the earlier of: (a) the date of Grantee's death; (b) the day immediately preceding the day a Change in Control is deemed to have occurred; and (c) the day immediately preceding the third (3rd) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a), Section 7.5(a) or Section 7.6(a) of the Agreement, if applicable.

A.27 “Retire” or “Retirement” means termination of Grantee’s employment with the Corporation (a) at any time on or after the first (1st) day of the first (1st) month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee’s death or by the Corporation for Cause or, unless the Committee or its delegate determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.28 “Retiree” means a Grantee who has Retired.

A.29 “SEC” means the United States Securities and Exchange Commission.

A.30 “Termination Date” means Grantee’s last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a consolidated subsidiary of PNC under generally accepted accounting principles and Grantee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Grantee’s employment with the Corporation terminates effective at the time this occurs.

A.31 “Three-Year Continued Employment Performance Goal” means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, Section 7.7, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3rd) anniversary of the Grant Date; (b) the date of Grantee’s death; and (c) the day a Change in Control is deemed to have occurred.

A.32 “Total and Permanent Disability” means, unless the Committee or its delegate determines otherwise, Grantee’s disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.33 “Unvested Shares” means any Restricted Shares that are not Awarded Shares.

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
RESTRICTED STOCK AGREEMENT
* * *

GRANTEE: < name >
GRANT DATE: _____, 200_
SHARES: < number of whole shares >

1. Definitions. Certain terms used in this Restricted Stock Agreement (the “Agreement”) are defined in Annex A (which is incorporated herein as part of the Agreement) or elsewhere in the Agreement, and such definitions will apply except where the context otherwise indicates.

In the Agreement, “PNC” means The PNC Financial Services Group, Inc. and “Corporation” means PNC and its Consolidated Subsidiaries.

2. Grant of Restricted Shares. Pursuant to The PNC Financial Services Group, Inc. 2006 Incentive Award Plan (the “Plan”), and subject to the terms and conditions of the Agreement, PNC hereby grants to the Grantee named above (“Grantee”) a Restricted Shares Award of the number of shares of PNC common stock set forth above, and, upon acceptance of the Grant by Grantee in accordance with Section 16, will cause the issuance of said shares to Grantee subject to the terms and conditions of the Agreement and the Plan.

The shares granted and issued to Grantee hereby as a Restricted Shares Award subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan are hereafter referred to as the “Restricted Shares.”

3. Terms of Grant. The Grant is subject to the following terms and conditions.

Restricted Shares will be subject to a Restricted Period as provided in Section A.26 of Annex A. Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee, or credited to a book-entry account, during the term of the Restricted Period unless and until forfeited pursuant to the terms of the Agreement.

Any certificate or certificates representing such Restricted Shares will contain the following legend:

“This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in The PNC Financial Services Group, Inc. 2006 Incentive Award Plan and an Agreement entered into between the registered owner and The PNC Financial Services Group, Inc. Release from such terms and conditions will be made only in accordance with the provisions of such Plan and such Agreement, a copy of each of which is on file in the office of the Corporate Secretary of The PNC Financial Services Group, Inc.”

Where a book-entry system is used with respect to the issuance of Restricted Shares, appropriate notation of such forfeiture possibility and transfer restrictions will be made on the system with respect to the account or accounts to which the Restricted Shares are credited.

Restricted Shares deposited with PNC or its designee during the term of the Restricted Period that become Awarded Shares as provided in Section A.2 of Annex A will be released and reissued to, or at the proper direction of, Grantee or Grantee's legal representative pursuant to Section 9.

4. Rights as Shareholder. Except as provided in Section 6 and subject to Section 7.6(b) or Section 7.7(c), if applicable, and to Section 16, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares including, but not limited to, the right to vote the Restricted Shares and the right to receive dividends thereon if and when declared by the Board; provided, however, that all such rights and privileges will cease immediately upon any forfeiture of such shares.

5. Capital Adjustments. Restricted Shares awarded hereunder shall, as issued and outstanding shares of PNC common stock, be subject to such adjustment as may be necessary to reflect corporate transactions, including, without limitation, stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC; provided, however, that any shares received as distributions on or in exchange for Unvested Shares shall be subject to the terms and conditions of the Agreement as if they were Restricted Shares.

6. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative

(a) Unvested Shares may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered, other than as may be required pursuant to Section 10.2, unless and until the Restricted Period terminates and the Awarded Shares are released and reissued by PNC pursuant to Section 9.

(b) If Grantee is deceased at the time Restricted Shares become Awarded Shares, PNC will deliver such shares to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

7. Forfeiture; Death; Qualifying Disability; Retirement, or DEAP Termination; Termination in Anticipation of Change in Control; Other Terminations

7.1 Forfeiture on Termination of Employment. Except as otherwise provided in and subject to the conditions of Section 7.3, Section 7.4(a), Section 7.5(a), Section 7.6(a), Section 7.7(a), Section 7.7(b), Section 7.8, or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the third (3rd) anniversary of the Grant Date, all Restricted Shares that are Unvested Shares on Grantee's Termination Date will be forfeited by Grantee to PNC without payment of any consideration by PNC.

Upon forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2, Section 7.4(b), Section 7.5(b), Section 7.6(c) or Section 7.7(d), neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Shares or any certificate or certificates representing such Unvested Shares.

7.2 Forfeiture for Detrimental Conduct. Unvested Shares that would otherwise remain outstanding after Grantee's Termination Date, if any, will be forfeited by Grantee to PNC without payment of any consideration by PNC in the event that, at any time prior to the date such shares become Awarded Shares, PNC determines that Grantee has engaged in Detrimental Conduct; provided, however, that: (a) this Section 7.2 will not apply to Restricted Shares that remain outstanding after Grantee's Termination Date pursuant to Section 7.3 or Section 7.7, if any; (b) no determination that Grantee has engaged in

Detrimental Conduct may be made on or after the date of Grantee's death; (c) Detrimental Conduct will not apply to conduct by or activities of successors to the Restricted Shares by will or the laws of descent and distribution in the event of Grantee's death; and (d) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change in Control.

If any criminal charges are brought against Grantee alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation in an indictment or in other analogous formal charges commencing judicial criminal proceedings, the Committee may determine to suspend the vesting of the Restricted Shares, to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, or to require the escrow of the proceeds of the shares. Any such suspension or escrow is subject to the following restrictions:

(i) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that constitutes Detrimental Conduct;

(B) resolution of the criminal proceeding in one of the following ways: (1) the charges as they relate to such alleged felony have been dismissed (with or without prejudice), (2) Grantee has been acquitted of such alleged felony, or (3) a criminal proceeding relating to such alleged felony has been completed without resolution (for example, as a result of a mistrial) and the relevant time period for recommencing criminal proceedings relating to such alleged felony has expired without any such recommencement; and

(C) termination of the suspension or escrow in the discretion of the Committee; and

(ii) It may be imposed only if the Committee makes reasonable provision for the retention or realization of the value of the Restricted Shares to Grantee as if no suspension or escrow had been imposed upon any termination of the suspension or escrow under clauses (i)(B) or (C) above.

7.3 Death. In the event of Grantee's death while an employee of the Corporation and prior to the third (3^d) anniversary of the Grant Date, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate on the date of Grantee's death.

The Restricted Shares which thereby become Awarded Shares will be released and reissued by PNC to, or at the proper direction of, Grantee's legal representative pursuant to Section 9 as soon as administratively practicable following such date.

7.4 Qualifying Disability Termination

(a) In the event Grantee's employment with the Corporation is terminated prior to the third (3^d) anniversary of the Grant Date by the Corporation by reason of Grantee's Total and Permanent Disability, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.4(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.4(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.5 Qualifying Retirement.

(a) In the event that Grantee Retires prior to the third (3^d) anniversary of the Grant Date, Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.5(a) by the Designated Person specified in Section A.14 of Annex A.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) If the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on such disapproval date without payment of any consideration by PNC.

If by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.5(a), if applicable, the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to affirmative approval of vesting, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.6 Qualifying DEAP Termination.

(a) In the event that Grantee's employment with the Corporation is terminated prior to the third (3rd) anniversary of the Grant Date by the Corporation and Grantee is offered and has entered into the standard Waiver and Release Agreement with PNC or a Consolidated Subsidiary under an applicable PNC or Consolidated Subsidiary Displaced Employee Assistance Plan, or any successor plan by whatever name known ("DEAP"), or Grantee is offered and has entered into a similar waiver and release agreement between PNC or a Consolidated Subsidiary and Grantee pursuant to the terms of an agreement or arrangement entered into by PNC or a Consolidated Subsidiary and Grantee in lieu of or in addition to the DEAP, then Unvested Shares will not be automatically forfeited on Grantee's Termination Date. Instead, Unvested Shares will, subject to the forfeiture provisions of Section 7.2, remain outstanding pending and subject to affirmative approval of the vesting of the Restricted Shares pursuant to this Section 7.6(a) by the Designated Person specified in Section A.14 of Annex A, provided that Grantee does not revoke such waiver and release agreement within the time for revocation of such waiver and release agreement by Grantee.

If such Unvested Shares are still outstanding but the Designated Person has not made a specific determination to either approve or disapprove the vesting of the Unvested Shares by the day immediately preceding the third (3rd) anniversary of the Grant Date, then the Restricted Period will be automatically extended through the first to occur of: (1) the day the Designated Person makes a specific determination regarding such vesting; and (2) either (i) the ninetieth (90th) day following the third (3rd) anniversary of the Grant Date, if the Designated Person is the Chief Human Resources Officer of PNC, or (ii) the 180th day following such anniversary date if the Designated Person is the Committee, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2, the Restricted Period will be extended until the terms of such suspension have been satisfied.

If the vesting of the then outstanding Unvested Shares is affirmatively approved by the Designated Person on or prior to the last day of the Restricted Period, including any extension of the Restricted Period, if applicable, then the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period with respect to all then outstanding Unvested Shares, if any, will terminate as of the end of the day on the date of such approval or the day immediately preceding the third (3rd) anniversary of the Grant Date, whichever is later. The Restricted Shares outstanding at the termination of the Restricted Period will become Awarded Shares and will be released and reissued by PNC pursuant to Section 9.

(b) In the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the lapse of the time for revocation by Grantee of the waiver and release agreement specified in the first paragraph of Section 7.6(a), then such dividend will be held, without interest, pending and subject to satisfaction of the condition of Section 7.6(a) that Grantee enter into the offered waiver and release agreement and not revoke such waiver and release agreement within the time for revocation of such agreement by Grantee. In the event that this condition is not met, any dividend being held pending and subject to satisfaction of such condition will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(c) If (i) Grantee does not enter into, or enters into but revokes, the waiver and release agreement specified in the first paragraph of Section 7.6(a) or (ii) the Designated Person disapproves the vesting of the Unvested Shares that had remained outstanding after Grantee's Termination Date pending and subject to the non-revocation of, and the lapse of the time within which Grantee may revoke, such waiver and release agreement and pending and subject to affirmative approval of the vesting of such shares, then all such Unvested Shares that are still outstanding will be forfeited by Grantee to PNC on the date such failure to satisfy the conditions of Section 7.6(a) occurs without payment of any consideration by PNC.

If, by the end of the Restricted Period, including any extension of the Restricted Period pursuant to the second paragraph of Section 7.6(a), if applicable, such Unvested Shares are still outstanding but the Designated Person has neither affirmatively approved nor specifically disapproved the vesting of such shares, then all such Unvested Shares will be forfeited by Grantee to PNC at the close of business on the last day of the Restricted Period without payment of any consideration by PNC.

7.7 Termination in Anticipation of a Change in Control.

(a) Notwithstanding anything in the Agreement to the contrary, if, after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event and prior to the third (3rd) anniversary of the Grant Date, Grantee's employment is terminated (other than by reason of Grantee's death) by the Corporation without Cause or by Grantee for Good Reason, or if Grantee's employment is deemed to have been so terminated pursuant to Section 7.7(b), then: (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to any then outstanding Unvested Shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date (or, in the case of a qualifying termination pursuant to Section 7.7(b), the date all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met); and (ii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

(b) Grantee's employment will also be deemed to have been terminated by the Corporation without Cause after the occurrence of a CIC Triggering Event but prior to the occurrence of a CIC Failure or of the Change in Control triggered by the CIC Triggering Event for purposes of Section 7.7(a) if: (i) Grantee's employment is terminated by the Corporation without Cause; (ii) such termination of employment (a) was at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

Grantee's employment will also be deemed to have been terminated by Grantee for Good Reason after the occurrence of a CIC Triggering Event but prior to a CIC Failure for purposes of Section 7.7(a) if: (i) Grantee terminates Grantee's employment with Good Reason; (ii) the circumstance or event that constitutes Good Reason (a) occurs at the request of a third party that has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in anticipation of a Change in Control; and (iii) a CIC Triggering Event or a Change in Control occurs within three (3) months of such termination of employment.

For purposes of this Section 7.7(b) only, Grantee will have the burden of proving that the requirements of clause (ii) of the first or second paragraph of this Section 7.7(b), as the case may be, have been met and the standard of proof to be met by Grantee will be clear and convincing evidence.

For purposes of this Section 7.7(b) only, the definition of Change in Control in Section A.6 of Annex A will exclude the proviso in Section A.6(a).

(c) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met, then in the event that the record date for any dividend payable with respect to the Unvested Shares occurs on or after Grantee's Termination Date but prior to the time all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) have been met, such dividend will be held, without interest, pending and subject to satisfaction of all of such conditions. In the event that one or more of the conditions of Section 7.7(b) are not met, any dividend being held pending and subject to satisfaction of such conditions will be forfeited by Grantee to PNC without payment of any consideration by PNC.

(d) If the Unvested Shares will be forfeited by Grantee to PNC by reason of Grantee's termination of employment with the Corporation pursuant to Section 7.1 unless all of the conditions set forth in clauses (i), (ii) and (iii) of the first or second paragraph, as the case may be, of Section 7.7(b) are met, then the Restricted Shares will remain outstanding pending and subject to satisfaction of all of those conditions. Upon the failure of any required condition, all such Unvested Shares will be forfeited by Grantee to PNC on the date such failure occurs without payment of any consideration by PNC.

7.8 Other Terminations. In the event that Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date, the Committee or its delegate may determine, in their sole discretion, with respect to some or all of the Unvested Shares outstanding as of the day prior to Grantee's Termination Date, that (i) the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and (ii) the Restricted Period with respect to such shares will terminate as of the end of the day on the day immediately preceding Grantee's Termination Date, in which case such shares will become Awarded Shares as provided in Section A.2 of Annex A prior to Grantee's termination of employment and will be released and reissued by PNC pursuant to Section 9.

In the alternative, if Grantee's employment with the Corporation will terminate prior to the third (3^d) anniversary of the Grant Date and Grantee's Unvested Shares, if any, will be forfeited as of Grantee's Termination Date pursuant to Section 7.1, the Committee or its delegate may, in their sole discretion, determine that Grantee will receive, prior to termination of employment, a grant of a number of Share Units or Restricted Share Units ("Units") equal to all or a portion of the number of Unvested Shares that will be forfeited on Grantee's Termination Date, such Units to be granted upon such terms and conditions as the Committee or its delegate may provide in the written agreement for such grant; provided, however, that any payment to be made by PNC upon satisfaction of the conditions set forth in the agreement for such Units will be made solely in cash.

Upon the determination of the Committee or its delegate in their discretion that Grantee will be entitled to a grant of Units pursuant to this Section 7.8, such grant will automatically become effective as of the day immediately prior to Grantee's Termination Date, subject to execution by both parties of the Share Unit or Restricted Share Unit agreement for such grant, as applicable, and provided that in no event will the number of Units so granted exceed the number of Unvested Shares that are forfeited by Grantee.

This provision for the grant of Share Units or Restricted Share Units upon such determination by the Committee or its delegate is considered a feature of the Grant of the Restricted Shares, and the determination to make such a grant of Units will be considered an exercise of this feature of the Grant.

8. Change in Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change in Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change in Control, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period will terminate with respect to all then outstanding Unvested Shares, if any, as of the day immediately preceding the Change in Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change in Control but the Unvested Shares remained outstanding after such termination of employment pursuant to Section 7.4, Section 7.5 or Section 7.6 and are still outstanding pending and subject to affirmative approval of the vesting of such shares by the Designated Person specified in Section A.14 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change in Control, such affirmative vesting approval will be deemed to have been given, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved, and the Restricted Period will terminate, all as of the day immediately preceding the Change in Control, provided, however, in the case of Unvested Shares that remained outstanding post-employment solely pursuant to Section 7.6(a), that Grantee entered into and does not revoke the waiver and release agreement specified in Section 7.6(a); and (iii) all Restricted Shares that thereby become Awarded Shares will be released and reissued by PNC pursuant to Section 9 as soon as administratively practicable following such date.

9. Termination of Prohibitions; Payment to Legal Representative Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2, if and to the extent applicable, following termination of the Restricted Period, PNC will release and issue or reissue the then outstanding whole Restricted Shares that have become Awarded Shares without the legend referred to in Section 3.

Upon release and issuance of shares that have become Awarded Shares in accordance with this Section 9, PNC or its designee will deliver such whole shares to, or at the proper direction of, Grantee or Grantee's legal representative.

Any delivery of shares or other payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Payment of Taxes

10.1 Internal Revenue Code Section 83(b) Election In the event that Grantee makes an Internal Revenue Code Section 83(b) election with respect to the Restricted Shares, Grantee shall satisfy all then applicable federal, state or local withholding tax obligations arising from that election (a) by payment of cash or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, by physical delivery to PNC of certificates for whole shares of PNC common stock that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed, or by a combination of cash and such stock. Any such tax election shall be made pursuant to a form to be provided to Grantee by PNC on request. For purposes of this Section 10.1, shares of PNC common stock that are used to satisfy applicable withholding tax obligations will be valued at their Fair Market Value on the date the tax withholding obligation arises. Grantee will provide to PNC a copy of any Internal Revenue Code Section 83(b) election filed by Grantee with respect to the Restricted Shares not later than ten (10) days after the filing of such election.

10.2 Other Tax Liabilities. Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises, retain sufficient whole shares of PNC common stock from the shares granted pursuant to the Agreement to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection with the Restricted Shares. For purposes of this Section 10.2, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

PNC will not retain more than the number of shares sufficient to satisfy the minimum amount of taxes then required to be withheld in connection with the Restricted Shares. If Grantee desires to have an additional amount withheld above the required minimum, up to Grantee's W-4 obligation if higher, and if PNC so permits, Grantee may elect to satisfy this additional withholding either: (a) by payment of cash; or (b) if and to the extent then permitted by PNC and subject to such terms and conditions as PNC may from time to time establish, using whole shares of PNC common stock (either by physical delivery to PNC of certificates for the shares or through PNC's share attestation procedure) that are not subject to any contractual restriction, pledge or other encumbrance and that have been owned by Grantee for at least six (6) months and, in the case of restricted stock, for which it has been at least six (6) months since the restrictions lapsed. Any such tax election shall be made pursuant to a form provided by PNC. Shares of PNC common stock that are used for this purpose will be valued at their Fair Market Value on the date the tax withholding obligation arises. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Restricted Shares, no additional withholding may be made.

11. Employment. Neither the granting and issuance of the Restricted Shares nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

12. Subject to the Plan and the Committee. In all respects the Grant and the Agreement are subject to the terms and conditions of the Plan, which has been made available to Grantee and is incorporated herein by reference; provided, however, the terms of the Plan shall not be considered an enlargement of any benefits under the Agreement. Further, the Grant and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement. Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement. The Agreement constitutes the entire agreement between Grantee and PNC and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties with respect to the subject matter hereof.

14. Grantee Covenants.

14.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 14 and 15 by virtue of receiving this grant of Restricted Shares (regardless of whether such shares ultimately become Awarded Shares); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

14.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 14.2 while employed by the Corporation and for a period of twelve (12) months after Grantee's Termination Date regardless of the reason for such termination of employment.

(a) Non-Solicitation. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, solicit, call on, do business with, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any Person that Grantee should reasonably know (i) is a customer of PNC or any subsidiary for which PNC or any subsidiary provides any services as of the Termination Date, or (ii) was a customer of PNC or any subsidiary for which PNC or any subsidiary provided any services at any time during the twelve (12) months preceding the Termination Date, or (iii) was, as of the Termination Date, considering retention of PNC or any subsidiary to provide any services.

(b) No-Hire. Grantee shall not, directly or indirectly, either for Grantee's own benefit or purpose or for the benefit or purpose of any Person other than PNC or any of its subsidiaries, employ or offer to employ, call on, or actively interfere with PNC's or any subsidiary's relationship with, or attempt to divert or entice away, any employee of PNC or any of its subsidiaries, nor shall Grantee assist any other Person in such activities.

Notwithstanding the above, if Grantee's employment with the Corporation is terminated by the Corporation without Cause or by Grantee with Good Reason and such Termination Date occurs during a Coverage Period (either as Coverage Period is defined in Section A.13 of Annex A or, if Grantee was a party to a written agreement between Grantee and PNC providing, among other things, for certain change in control severance benefits (a "CIC Severance Agreement") that was in effect at the time of such termination of employment, as Coverage Period is defined in such CIC Severance Agreement, if longer), then commencing immediately after such Termination Date, the provisions of subsections (a) and (b) of this Section 14.2 will no longer apply and will be replaced with the following subsection (c):

(c) No-Hire. Grantee agrees that Grantee shall not, for a period of twelve (12) months after the Termination Date, employ or offer to employ, solicit, actively interfere with PNC's or any PNC affiliate's relationship with, or attempt to divert or entice away, any officer of PNC or any PNC affiliate.

14.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

14.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any of its subsidiaries or (b) developed with the use of any time, material, facilities or other resources of PNC or any subsidiary ("Developments"). Grantee agrees to assign and hereby does assign to PNC or its designee all of Grantee's right, title and interest, including copyrights and patent rights, in and to all Developments. Grantee shall perform all actions and execute all instruments that PNC or any subsidiary shall deem necessary to protect or record PNC's or its designee's interests in the Developments. The obligations of this Section 14.4 shall be performed by Grantee without further compensation and will continue beyond the Termination Date.

15. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

15.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

15.2 Equitable Remedies. A breach of the provisions of any of Sections 14.2, 14.3 or 14.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

15.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 14.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

15.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

15.5 Severability. The restrictions and obligations imposed by Sections 14.2, 14.3 and 14.4 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

15.6 Reform. In the event any of Sections 14.2, 14.3 and 14.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

15.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 14.2, 14.3 and 14.4.

15.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

15.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Grant and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement and the Grant to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed “deferred compensation” within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

16. Acceptance of Grant; PNC Right to Cancel. If Grantee does not accept the Grant by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within thirty (30) days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Grant at any time prior to Grantee’s delivery to PNC of a copy of the Agreement executed by Grantee. Otherwise, upon execution and delivery of the Agreement by both PNC and Grantee and, in the event that Grantee is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities, the filing with and acceptance by the SEC of a Form 4 reporting the Grant, the Agreement is effective.

Grantee will not have any of the rights of a shareholder with respect to the Restricted Shares as set forth in Section 4, and will not have the right to vote or to receive dividends on such shares, until the date the Agreement is effective and the Restricted Shares are issued in accordance with this Section 16.

In the event that one or more record dates for dividends on PNC common stock occur after the Grant Date but before the date the Agreement is effective in accordance with this Section 16 and the Restricted Shares are issued, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equivalent to the amount of the dividends Grantee would have received had the Agreement been effective and the Restricted Shares had been issued on the Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO BY GRANTEE

Grantee

ANNEX A
CERTAIN DEFINITIONS

* * *

A.1 "Agreement" means the Restricted Stock Agreement between PNC and Grantee evidencing the Grant of the Restricted Shares Award to Grantee pursuant to the Plan.

A.2 "Awarded Shares." Provided that the Restricted Shares are then outstanding, Restricted Shares become "Awarded Shares" when all of the following have occurred: (a) the Three-Year Continued Employment Performance Goal has been achieved or is deemed to have been achieved pursuant to the terms of the Agreement; (b) the Restricted Period has terminated; and (c) if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2 of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.3 "Board" means the Board of Directors of PNC.

A.4 "Cause" means:

(a) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee's duties; or

(b) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (a) and (b), no act or failure to act, on the part of Grantee, shall be considered willful unless it is done, or omitted to be done, by Grantee in bad faith and without reasonable belief that Grantee's action or omission was in the best interests of the Corporation. Any act, or failure to act, based upon the instructions or prior approval of the Board, the CEO or Grantee's superior or based upon the advice of counsel for the Corporation, shall be conclusively presumed to be done, or omitted to be done, by Grantee in good faith and in the best interests of the Corporation.

The cessation of employment of Grantee will be deemed to be a termination of Grantee's employment with the Corporation for Cause for purposes of the Agreement only if and when there shall have been delivered to Grantee, as part of the notice of Grantee's termination, a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board, at a Board meeting called and held for the purpose of considering such termination, finding on the basis of clear and convincing evidence that, in the good faith opinion of the Board, Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (i) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (a) or clause (b) above and, in either case, specifying the particulars thereof in detail, and (ii) Grantee is given an opportunity, together with counsel, to be heard before the Board.

A.5 "CEO" means the chief executive officer of PNC.

A.6 "Change in Control" means a change of control of PNC of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Exchange Act, whether or not PNC is then subject to such reporting requirement; provided, however, that without limitation, a Change in Control will be deemed to have occurred if:

(a) any Person, excluding employee benefits plans of the Corporation, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act or any successor provisions thereto), directly or indirectly, of securities of PNC representing twenty percent (20%) or more of the combined voting power of PNC's then outstanding securities; provided, however, that such an acquisition of beneficial ownership representing between twenty percent (20%) and forty percent (40%), inclusive, of such voting power will not be considered a Change in Control if the Board approves such acquisition either prior to or immediately after its occurrence;

(b) PNC consummates a merger, consolidation, share exchange, division or other reorganization or transaction of PNC (a "Fundamental Transaction") with any other corporation, other than a Fundamental Transaction that results in the voting securities of PNC outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least sixty percent (60%) of the combined voting power immediately after such Fundamental Transaction of (i) PNC's outstanding securities, (ii) the surviving entity's outstanding securities, or (iii) in the case of a division, the outstanding securities of each entity resulting from the division;

(c) the shareholders of PNC approve a plan of complete liquidation or winding-up of PNC or an agreement for the sale or disposition (in one transaction or a series of transactions) of all or substantially all of PNC's assets;

(d) as a result of a proxy contest, individuals who prior to the conclusion thereof constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders in connection with such proxy contest was approved by a vote of at least two-thirds ($\frac{2}{3}$ rd) of the directors then still in office who were directors prior to such proxy contest) cease to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied);

(e) during any period of twenty-four (24) consecutive months, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by PNC's shareholders was approved by a vote of at least two-thirds ($\frac{2}{3}$ rd) of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); or

(f) the Board determines that a Change in Control has occurred.

Notwithstanding anything to the contrary herein, a divestiture or spin-off of a subsidiary or division of PNC or any of its subsidiaries will not by itself constitute a Change in Control.

A.7 “CIC Failure” means the following:

(a) with respect to a CIC Triggering Event described in Section A.8(a), PNC’s shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or

(b) with respect to a CIC Triggering Event described in Section A.8(b), the proxy contest fails to replace or remove a majority of the members of the Board.

A.8 “CIC Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (b) of the definition of Change in Control contained in Section A.6; or

(b) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

A.9 “Committee” means the Personnel and Compensation Committee of the Board or such person or persons as may be designated or appointed by that committee as its delegate or designee.

A.10 “Competitive Activity” means, for purposes of the Agreement, any participation in, employment by, ownership of any equity interest exceeding one percent (1%) in, or promotion or organization of, any Person other than PNC or any of its subsidiaries (a) engaged in business activities similar to some or all of the business activities of PNC or any subsidiary as of Grantee’s Termination Date or (b) engaged in business activities which Grantee knows PNC or any subsidiary intends to enter within the first twelve (12) months after Grantee’s Termination Date or, if later and if applicable, after the date specified in clause (ii) of Section A.15(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

A.11 “Consolidated Subsidiary” means a corporation, bank, partnership, business trust, limited liability company or other form of business organization that (1) is a consolidated subsidiary of PNC under generally accepted accounting principles and (2) satisfies the definition of “service recipient” under Section 409A of the Internal Revenue Code.

A.12 “Corporation” means PNC and its Consolidated Subsidiaries.

A.13 “Coverage Period” means a period (a) commencing on the earlier to occur of (i) the date of a CIC Triggering Event and (ii) the date of a Change in Control and (b) ending on the date that is three (3) years after the date of the Change in Control; provided, however, that in the event that a Coverage Period commences on the date of a CIC Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a CIC Failure and (y) the date that is three (3) years after the date of the Change in Control triggered by the CIC Triggering Event. After the termination of any Coverage Period, another Coverage Period will commence upon the earlier to occur of clause (a)(i) and clause (a)(ii) in the preceding sentence.

A.14 “Designated Person” will be either: (a) the Committee, if Grantee was a member of the Corporate Executive Group (or equivalent successor classification) or was subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to PNC securities when he or she ceased to be an employee of the Corporation; or (b) the Chief Human Resources Officer of PNC, if Grantee is not within one of the groups specified in Section A.14(a).

A.15 “Detrimental Conduct” means, for purposes of the Agreement:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC’s sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee’s Termination Date and extending through (and including) the first (1st) anniversary of the later of (i) Grantee’s Termination Date and, if different, (ii) the first date after Grantee’s Termination Date as of which Grantee ceases to be engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as a consultant, independent contractor, employee, officer, director or advisory director;

(b) any act of fraud, misappropriation, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or one of its subsidiaries; or

(c) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or any entry by Grantee into a pre-trial disposition with respect to, the commission of a felony that relates to or arises out of Grantee’s employment or other service relationship with the Corporation.

Grantee will be deemed to have engaged in Detrimental Conduct for purposes of the Agreement only if and when the Committee (if Grantee was an “executive officer” of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer), whichever is applicable, determines that Grantee has engaged in conduct described in clause (a) or clause (b) above or that an event described in clause (c) above has occurred with respect to Grantee, and, if so, determines that Grantee will be deemed to have engaged in Detrimental Conduct.

A.16 “Exchange Act” means the Securities Exchange Act of 1934 as amended, and the rules and regulations promulgated thereunder.

A.17 “Fair Market Value” as it relates to a share of PNC common stock as of any given date means the average of the reported high and low trading prices on the New York Stock Exchange (or such successor reporting system as PNC may select) for a share of PNC common stock on such date, or, if no PNC common stock trades have been reported on such exchange for that day, the average of such prices on the next preceding day and the next following day for which there were reported trades.

A.18 “GAAP” or “generally accepted accounting principles” means accounting principles generally accepted in the United States of America.

A.19 “Good Reason” means:

(a) the assignment to Grantee of any duties inconsistent in any respect with Grantee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to either the CIC Triggering Event or the Change in Control, or any other action by the Corporation which results in a diminution in any respect in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Corporation promptly after receipt of notice thereof given by Grantee;

(b) a reduction by the Corporation in Grantee’s annual base salary as in effect on the Grant Date, as the same may be increased from time to time;

(c) the Corporation’s requiring Grantee to be based at any office or location that is more than fifty (50) miles from Grantee’s office or location immediately prior to either the CIC Triggering Event or the Change in Control;

(d) the failure by the Corporation (i) to continue in effect any bonus, stock option or other cash or equity-based incentive plan or program in which Grantee participates immediately prior to either the CIC Triggering Event or the Change in Control that is material to Grantee's total compensation, unless a substantially equivalent arrangement (embodied in an ongoing substitute or alternative plan or program) has been made with respect to such plan or program, or (ii) to continue Grantee's participation in such plan or program (or in such substitute or alternative plan or program) on a basis at least as favorable, both in terms of the amount of benefits provided and the level of Grantee's participation relative to other participants, as existed immediately prior to the CIC Triggering Event or the Change in Control; or

(e) the failure by the Corporation to continue to provide Grantee with benefits substantially similar to those received by Grantee under any of the Corporation's pension (including, but not limited to, tax-qualified plans), life insurance, health, accident, disability or other welfare plans or programs in which Grantee was participating, at costs substantially similar to those paid by Grantee, immediately prior to the CIC Triggering Event or the Change in Control.

A.20 "Grant" means the Restricted Shares Award granted to Grantee pursuant to Section 2 of the Agreement and pursuant to which the Restricted Shares are issued to Grantee subject to the restrictions set forth in and the terms and conditions of the Agreement and the Plan.

A.21 "Grant Date" means the Grant Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares Award is authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.22 "Grantee" means the person to whom the Restricted Stock Award is granted and the Restricted Shares are issued, and is identified as Grantee on page 1 of the Agreement.

A.23 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.24 "Person" has the meaning given in Section 3(a)(9) of the Exchange Act and also includes any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act.

A.25 "PNC" means The PNC Financial Services Group, Inc.

A.26 "Restricted Period" means, subject to early termination if so determined by the Committee or its delegate or pursuant to Section 7.7 of the Agreement, if applicable, the period from the Grant Date through (and including) the earlier of: (a) the date of Grantee's death; (b) the day immediately preceding the day a Change in Control is deemed to have occurred; and (c) the day immediately preceding the third (3rd) anniversary of the Grant Date or, if later, the last day of any extension of the Restricted Period pursuant to Section 7.4(a), Section 7.5(a) or Section 7.6(a) of the Agreement, if applicable.

A.27 "Retire" or "Retirement" means termination of Grantee's employment with the Corporation (a) at any time on or after the first (1st) day of the first (1st) month coincident with or next following the date on which Grantee attains age fifty-five (55) and completes five (5) years of service (as determined in the same manner as the determination of five years of Vesting Service under the provisions of The PNC Financial Services Group, Inc. Pension Plan) with the Corporation and (b) for a reason other than termination by reason of Grantee's death or by the Corporation for Cause or, unless the Committee or its delegate determines otherwise, termination in connection with a divestiture of assets or of one or more subsidiaries.

A.28 "Retiree" means a Grantee who has Retired.

A.29 "SEC" means the United States Securities and Exchange Commission.

A.30 "Termination Date" means Grantee's last date of employment with the Corporation. If Grantee is employed by a Consolidated Subsidiary that ceases to be a subsidiary of PNC or ceases to be a

consolidated subsidiary of PNC under generally accepted accounting principles and Grantee does not continue to be employed by PNC or a Consolidated Subsidiary, then for purposes of the Agreement, Grantee's employment with the Corporation terminates effective at the time this occurs.

A.31 "Three-Year Continued Employment Performance Goal" means, subject to early achievement if so determined by the Committee or its delegate or to deemed achievement pursuant to Section 7.3, Section 7.4, Section 7.5, Section 7.6, Section 7.7, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Grant Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3rd) anniversary of the Grant Date; (b) the date of Grantee's death; and (c) the day a Change in Control is deemed to have occurred.

A.32 "Total and Permanent Disability" means, unless the Committee or its delegate determines otherwise, Grantee's disability as determined to be total and permanent by the Corporation for purposes of the Agreement.

A.33 "Unvested Shares" means any Restricted Shares that are not Awarded Shares.

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

<i>Dollars in millions</i>	Year Ended December 31				
	2006	2005	2004	2003	2002
Earnings					
Pretax income from continuing operations before adjustments for minority interest (1)	\$3,930	\$1,942	\$1,735	\$1,568	\$1,821
Less:					
Income or loss from equity method investees	50				
Add:					
Distributed income of equity method investees	20				
Fixed charges excluding interest on deposits	841	662	357	346	432
Subtotal	4,741	2,604	2,092	1,914	2,253
Interest on deposits	1,590	981	484	457	659
Total	<u>\$6,331</u>	<u>\$3,585</u>	<u>\$2,576</u>	<u>\$2,371</u>	<u>\$2,912</u>
Fixed charges					
Interest on borrowed funds	\$ 777	\$ 599	\$ 298	\$ 258	\$ 315
Interest component of rentals	64	63	58	59	58
Amortization of notes and debentures			1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts				28	58
Subtotal	841	662	357	346	432
Interest on deposits	1,590	981	484	457	659
Total	<u>\$2,431</u>	<u>\$1,643</u>	<u>\$ 841</u>	<u>\$ 803</u>	<u>\$1,091</u>
Ratio of earnings to fixed charges					
Excluding interest on deposits	5.64x	3.93x	5.86x	5.53x	5.22x
Including interest on deposits	2.60	2.18	3.06	2.95	2.67

(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

<i>Dollars in millions</i>	Year Ended December 31				
	2006	2005	2004	2003	2002
Earnings					
Pretax income from continuing operations before adjustments for minority interest (1)	\$3,930	\$1,942	\$1,735	\$1,568	\$1,821
Less:					
Income or loss from equity method investees	50				
Add:					
Distributed income of equity method investees	20				
Fixed charges and preferred stock dividends excluding interest on deposits	842	663	358	347	433
Subtotal	4,742	2,605	2,093	1,915	2,254
Interest on deposits	1,590	981	484	457	659
Total	<u>\$6,332</u>	<u>\$3,586</u>	<u>\$2,577</u>	<u>\$2,372</u>	<u>\$2,913</u>
Fixed charges					
Interest on borrowed funds	\$ 777	\$ 599	\$ 298	\$ 258	\$ 315
Interest component of rentals	64	63	58	59	58
Amortization of notes and debentures			1	1	1
Distributions on mandatorily redeemable capital securities of subsidiary trusts				28	58
Preferred stock dividend requirements	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Subtotal	842	663	358	347	433
Interest on deposits	1,590	981	484	457	659
Total	<u>\$2,432</u>	<u>\$1,644</u>	<u>\$ 842</u>	<u>\$ 804</u>	<u>\$1,092</u>
Ratio of earnings to fixed charges and preferred stock dividends					
Excluding interest on deposits	5.63x	3.93x	5.85x	5.52x	5.21x
Including interest on deposits	2.60	2.18	3.06	2.95	2.67

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

THE PNC FINANCIAL SERVICES GROUP, INC.
SCHEDULE OF CERTAIN SUBSIDIARIES
(As of December 31, 2006)

Name	State or Other Jurisdiction of Incorporation or Organization
PNC Bancorp, Inc. ⁽¹⁾	Delaware
PNC Bank, Delaware ⁽¹⁾	Delaware
PNC Bank, National Association ⁽¹⁾	United States
PNC REIT Corp.	Delaware
PNC Bank Capital Securities, LLC	Delaware
PNC Capital Leasing, LLC	Delaware
PNC Holding, LLC ⁽¹⁾	Delaware
PFPC Worldwide Inc. ⁽¹⁾	Delaware
PNC Funding Corp	Pennsylvania
PNC Investment Corp. ⁽¹⁾	Delaware
PNC Venture Corp	Delaware

- (1) The names of the subsidiaries of the indicated entities are omitted because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our reports relating to the consolidated financial statements of The PNC Financial Services Group, Inc. (the “Corporation”) (which report expresses an unqualified opinion and includes explanatory paragraphs relating to the Corporation’s adoption of Statement of Financial Accounting Standard No. 158, “*Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*” and the Corporation’s use of the equity method of accounting to recognize its investment in BlackRock, Inc.) and management’s report on the effectiveness of internal control over financial reporting dated March 1, 2007 appearing in this Annual Report on Form 10-K of the Corporation for the year ended December 31, 2006 in the following Registration Statements:

- Forms S-8 relating to the Corporation’s 1997 Long-Term Incentive Award Plan (formerly the Corporation’s 1987 Senior Executive Long-Term Incentive Award Plan, as amended, the 1992 Long-Term Incentive Award Plan) (Nos. 33-28828, 33-54960, 333-53806, and 333-110758)
- Forms S-3 relating to the Corporation’s Dividend Reinvestment and Stock Purchase Plan (Nos. 333-19003 and 333-136807)
- Form S-8 relating to the Corporation’s Employee Stock Purchase Plan (No. 333-25867)
- Forms S-8 relating to the Corporation’s Incentive Savings Plan (formerly The PNC Financial Services Group, Inc. Incentive Savings Plan and PNC Retirement Savings Plan) (Nos. 33-25140, 333-03901, 333-65042, and 333-139347)
- Forms S-8 relating to the Corporation’s Supplemental Incentive Savings Plan and the Corporation and Affiliates’ Deferred Compensation Plan (Nos. 333-18069, 333-65040, and 333-136808)
- Forms S-3 relating to the shelf registration of capital securities of PNC Capital Trust C, PNC Capital Trust D, PNC Capital Trust E and PNC Capital Trust F, fully and unconditionally guaranteed, to the extent described therein, by the Corporation (Nos. 333-50651, 333-50651-01, 333-50651-02, 333-50651-03, and 333-50651-04)
- Form S-8 relating to the Corporation’s 1996 Executive Incentive Award Plan (No. 333-74666)
- Form S-8 relating to the PFPC Inc. Retirement Savings Plan (No. 333-115388)
- Form S-3 relating to the shelf registration of debt securities of PNC Funding Corp, unconditionally guaranteed by the Corporation, and/or warrants to purchase such debt securities, and/or common stock and/or preferred stock and/or depository shares of the Corporation and/or warrants to purchase such common stock, preferred stock and/or depository shares and purchase contracts which include an indeterminate number of shares of common stock, preferred stock, or depository shares, as applicable, issuable upon settlement of such contracts and units comprised of a combination of any of the other securities (Nos. 333-126294 and 333-126294-01)
- Form S-3 relating to the shelf registration of securities of the Corporation that may be offered for sale from time to time by shareholders of the Corporation who acquired those shares in connection with the Corporation’s acquisition of Harris Williams & Co. (No. 333-130744)
- Forms S-8 relating to the Corporation’s 2006 Incentive Award Plan (Nos. 333-134169 and 333-139345)
- Form S-4 relating to the Corporation’s acquisition of Mercantile Bankshares Corporation (No. 333-139050)
- Form S-3 relating to the shelf registration of debt securities and warrants to be issued by PNC Funding Corp and common stock, preferred stock, purchase contracts, units, warrants, guarantees, and depository shares to be issued by the Corporation (Nos. 333-139912 and 333-139912-01)

-
- Form S-3 relating to the shelf registration of capital securities of PNC Capital Trusts E, F, G and H (Nos. 333-139913, 333-139913-04, 333-139913-03, 333-139913-02, and 333-139913-01)

/s/ Deloitte & Touche LLP
Pittsburgh, Pennsylvania
March 1, 2007

POWER OF ATTORNEY

**THE PNC FINANCIAL SERVICES GROUP, INC.
ANNUAL REPORT ON FORM 10-K FOR YEAR ENDED DECEMBER 31, 2006**

KNOW ALL PERSONS BY THESE PRESENTS, that each of the undersigned Directors of The PNC Financial Services Group, Inc. (the "Corporation"), a Pennsylvania corporation, hereby names, constitutes and appoints Richard J. Johnson, Samuel R. Patterson, George P. Long, III and Karen M. Barrett, and each of them, with full power of substitution, such person's true and lawful attorney-in-fact and agent to execute in such person's name, place and stead, in any and all capacities, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006;

And such persons hereby ratify and confirm all acts that any said attorney or attorney-in-fact, or any substitute, shall lawfully do or cause to be done by virtue hereof.

Witness the due execution hereof by the following persons in the capacities indicated as of this 28th day of February, 2007.

<u>Name/Signature</u>	<u>Capacity</u>
<u>/s/ Paul W. Chellgren</u> Paul W. Chellgren	Director
<u>/s/ Robert N. Clay</u> Robert N. Clay	Director
<u>/s/ J. Gary Cooper</u> J. Gary Cooper	Director
<u>/s/ George A. Davidson, Jr.</u> George A. Davidson, Jr.	Director

<u>/s/ Kay Coles James</u> Kay Coles James	Director
<u>/s/ Richard B. Kelson</u> Richard B. Kelson	Director
<u>/s/ Bruce C. Lindsay</u> Bruce C. Lindsay	Director
<u>/s/ Anthony A. Massaro</u> Anthony A. Massaro	Director
<u>/s/ Jane G. Pepper</u> Jane G. Pepper	Director
<u>/s/ Lorene K. Steffes</u> Lorene K. Steffes	Director
<u>/s/ Dennis F. Strigl</u> Dennis F. Strigl	Director
<u>/s/ Stephen G. Thieke</u> Stephen G. Thieke	Director
<u>/s/ Thomas J. Usher</u> Thomas J. Usher	Director
<u>/s/ George H. Walls, Jr.</u> George H. Walls, Jr.	Director
<u>/s/ Helge H. Wehmeier</u> Helge H. Wehmeier	Director

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2006 of The PNC Financial Services Group, Inc.;
2. 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;
3. 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;
4. 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 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
5. 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: March 1, 2007

/s/ James E. Rohr

James E. Rohr
Chairman and Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Richard J. Johnson, certify that:

1. I have reviewed this report on Form 10-K for the year ended December 31, 2006 of The PNC Financial Services Group, Inc.;
2. 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;
3. 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;
4. 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 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
5. 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: March 1, 2007

/s/ Richard J. Johnson

Richard J. Johnson

Chief Financial Officer

**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 Annual Report on Form 10-K for the year ended December 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
March 1, 2007

**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 Annual Report on Form 10-K for the year ended December 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
March 1, 2007