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, 2009
Commission file number 001-09718

THE PNC FINANCIAL SERVICES GROUP, INC.

(Exact name of registrant as specified in its charter)

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

One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
(Address of principal executive offices, including zip code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
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
Depositary Shares Each Representing 1/4000 Interest in a Share of 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L, par value $1.00	New York Stock Exchange
12.000% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities (issued by National City Capital Trust I)	New York Stock Exchange
6.625% Trust Preferred Securities (issued by National City Capital Trust II)	New York Stock Exchange
6.625% Trust Preferred Securities (issued by National City Capital Trust III)	New York Stock Exchange
8.000% Trust Preferred Securities (issued by National City Capital Trust IV)	New York Stock Exchange
6.125% Capital Securities (issued by PNC Capital Trust D)	New York Stock Exchange
7 3/4% Trust Preferred Securities (issued by PNC Capital Trust E)	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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes X 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 X

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 X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X 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, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer X   Accelerated filer __   Non-accelerated filer __   Smaller reporting company __

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

The aggregate market value of the registrant's outstanding voting common stock held by nonaffiliates on June 30, 2009, determined using the per share closing price on that date on the New York Stock Exchange of $38.81, was approximately $17.8 billion. There is no non-voting common equity of the registrant outstanding.

Number of shares of registrant's common stock outstanding at February 26, 2010: 517,408,663

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 2010 annual meeting of shareholders (Proxy Statement) are incorporated by reference into Part III of this Form 10-K.

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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, liquidity 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 Risk Management, Critical Accounting Policies and Judgments, and Cautionary Statement Regarding Forward-Looking Information sections included in Item 7 of this Report.

ITEM 1 – BUSINESS

BUSINESS OVERVIEW Headquartered in Pittsburgh, Pennsylvania, we are one of the largest diversified financial services companies in the United States. We have businesses engaged in retail banking, corporate and institutional banking, asset management, residential mortgage banking and global investment servicing, providing many of our products and services nationally and others in our primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, D.C., and Wisconsin. We also provide certain investment servicing internationally. At December 31, 2009, our consolidated total assets, deposits and shareholders' equity were $269.9 billion, $186.9 billion and $29.9 billion, respectively.

As described further below and elsewhere in this Report, on December 31, 2008, PNC acquired National City Corporation (National City). Our consolidated financial statements for 2009 reflect the impact of National City.

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.

ACQUISITION OF NATIONAL CITY CORPORATION

On December 31, 2008, we acquired National City for approximately $6.1 billion. The total consideration included approximately $5.6 billion of PNC common stock, $150 million of preferred stock, and cash of $379 million paid to warrant holders by National City.

Following the closing, PNC received $7.6 billion from the US Department of the Treasury (US Treasury) under the Emergency Economic Stabilization Act of 2008 (EESA) in exchange for the issuance of preferred stock and a warrant. These proceeds were used to enhance National City Bank's regulatory capital position to well-capitalized in order to continue serving the credit and deposit needs of existing and new customers. On a consolidated basis, these proceeds resulted in further improvement to our capital and liquidity positions. See Repurchase of Outstanding TARP Preferred Stock below for additional information.

National City, based in Cleveland, Ohio, was one of the nation's largest financial services companies. In connection with obtaining regulatory approvals for the acquisition, PNC agreed to divest 61 of National City Bank's branches in Western Pennsylvania. This divestiture, which included $4.1 billion of deposits and $.8 billion of loans, was completed during the third quarter of 2009.

Additional information regarding our acquisition of National City can be found in Item 7 and Item 8 of this Report.

REPURCHASE OF OUTSTANDING TARP PREFERRED STOCK

See Note 19 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report regarding our December 31, 2008, issuance of $7.6 billion of Fixed Rate Cumulative Perpetual Preferred Shares, Series N (Series N Preferred Stock), and the related warrant to the US Treasury under the US Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program.

As approved by the Federal Reserve Board, the US Treasury and our other banking regulators, on February 10, 2010, we redeemed all 75,792 shares of our Series N Preferred Stock totaling $7.6 billion held by the US Treasury. We used the net proceeds from our February 2010 common stock and senior notes offerings and other funds to redeem the Series N Preferred Stock. We did not exercise our right to seek to repurchase the related warrant at the time we redeemed the Series N Preferred Stock.

Note 28 Subsequent Events in Item 8 of this Report has additional information regarding the redemption of the Series N Preferred Stock and the February 2010 common stock and senior notes offerings.

PENDING SALE OF PNC GLOBAL INVESTMENT SERVICING

On February 2, 2010, we entered into a definitive agreement to sell PNC Global Investment Servicing Inc. (GIS), a leading provider of processing, technology and business intelligence services to asset managers, broker-dealers and financial advisors worldwide, for $2.3 billion in cash. Upon completion of the sale, we expect to report an after-tax gain of approximately $455 million.

We currently anticipate closing the transaction in the third quarter of 2010. Completion of the transaction is subject to regulatory approvals and certain other closing conditions. If the sale of GIS has not been completed by November 1, 2010, we will be required, on or before that date, to raise $700 million in additional Tier 1 common capital. We would do this either through the sale of assets approved by the Federal Reserve Board and/or through the issuance of additional common stock. See Item 1A Risk Factors for further information.

In addition to National City and GIS, we include information on other significant acquisitions and divestitures in Note 2 Acquisitions and Divestitures in Item 8 of this Report and here by reference.

REVIEW OF LINES OF BUSINESS In the first quarter of 2009, we made changes to our business organization structure and management reporting in conjunction with the National City acquisition. In addition to the following information relating to our lines of business, we incorporate information under the captions Line of Business Highlights, Product Revenue, and Business Segments Review in Item 7 of this Report here by reference. Also, we include financial and other information by business in Note 27 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report here by reference.

Assets, revenue and earnings attributable to foreign activities were not material in the periods presented. Business segment results for periods prior to 2009 have been reclassified to reflect current methodologies and current business and management structure and to present those periods on the same basis but do not include the impact of National City, which we acquired on December 31, 2008. As a result of its pending sale, GIS is no longer a reportable business segment.

Retail Banking provides deposit, lending, brokerage, trust, investment management, and cash management services to consumer and small business customers within our primary geographic markets. Our customers are serviced through our branch network, call centers and the internet. The branch network is located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, DC and Wisconsin.

Our core strategy is to acquire and retain customers who maintain their primary checking and transaction relationships with PNC. We also seek revenue growth by deepening our share of our customers' financial assets, including savings and liquidity deposits, loans and investable assets. A key element of our strategy is to expand the use of alternative distribution channels while continuing to optimize the traditional branch network. In addition, we have a disciplined process to continually improve the engagement of both our employees and customers, which is a strong indicator for customer growth, retention and relationship expansion.

Corporate & Institutional Banking provides lending, treasury management, and capital markets-related products and services to mid-sized corporations, government and not-for-profit 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, and 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 offered nationally.

Corporate & Institutional Banking is focused on becoming a premier provider of financial services in each of the markets it serves. The 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.

Asset Management Group includes personal wealth management for high net worth and ultra high net worth clients and institutional asset management. Wealth management products and services include financial planning, customized investment management, private banking, tailored credit solutions and trust management and administration for individuals and their families. Institutional asset management provides investment management, custody, and retirement planning services. The institutional clients include corporations, foundations and unions and charitable endowments located primarily in our geographic footprint. This segment includes the asset management businesses acquired through the National City acquisition and the legacy PNC wealth management business previously included in the Retail Banking segment.

Asset Management Group is focused on becoming one of the premier bank-held wealth and institutional asset managers in each of the markets it serves. The business seeks to deliver high quality advice and investment management to our high net worth, ultra high net worth and institutional client sectors through a full array of products and services. Asset Management Group's primary goals are to service its clients, grow its business and deliver solid financial performance with prudent risk and expense management.

Residential Mortgage Banking directly originates primarily first lien residential mortgage loans on a nationwide basis with a significant presence within our retail banking footprint and also originates loans through joint venture partners. Mortgage loans represent loans collateralized by one-to-four-family residential real estate and are made to borrowers in good credit standing. These loans are typically underwritten to government agency and/or third party standards, and sold, servicing retained, to primary mortgage market conduits Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association (Ginnie Mae) program. The mortgage servicing operation performs all functions related to servicing first mortgage loans for various investors. Certain loans originated through our joint ventures are serviced by a joint venture partner. In November 2009, we reduced our joint venture relationship related to our legacy PNC business and rebranded the former National City Mortgage as PNC Mortgage.

Residential Mortgage Banking is focused on adding value to the PNC franchise by building stronger customer relationships, providing quality investment loans, and delivering acceptable returns under a moderate risk profile. Our national distribution capability provides volume that drives economies of scale, risk dispersion, and cost-effective extension of the retail banking footprint for cross-selling opportunities.

BlackRock is the largest publicly traded investment management firm in the world. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, multi-asset class, alternative and cash management separate accounts and funds. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services globally to a broad base of clients.

At December 31, 2009, our share of BlackRock's earnings was approximately 23%. Our investment in BlackRock is 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 resources to attracting and retaining talented professionals and to the ongoing enhancement of its investment technology and operating capabilities to deliver on this strategy.

Distressed Assets Portfolio includes commercial residential development loans, cross-border leases, consumer brokered home equity loans, retail mortgages, non-prime mortgages, and residential construction loans. These loans require special servicing and management oversight given current market conditions. The majority of these loans are from acquisitions, primarily National City. Total loans were $18.5 billion at December 31, 2009.

The business activities of this segment are focused on maximizing the value of the assets while mitigating risk. Business intent drives the inclusion of assets in this business segment. Not all impaired loans are included in this business segment, nor are all of the loans included in this business segment considered impaired. The fair value marks taken upon our acquisition of National City, the team we have in place and targeted asset resolution strategies help us to manage these assets. Additionally, our capital and liquidity positions provide us flexibility in a challenging environment to optimize returns on this portfolio for our shareholders.

SUBSIDIARIES Our corporate legal structure at December 31, 2009 consisted of one domestic subsidiary bank, including its subsidiaries, and approximately 153 active non-bank subsidiaries. Our bank subsidiary is PNC Bank, National Association (PNC Bank, N.A.), headquartered in Pittsburgh, Pennsylvania.

We merged the charter of PNC Bank Delaware into PNC Bank, N.A. in August 2009 and merged the charter of National City Bank into PNC Bank, N.A. in November 2009. Our non-bank subsidiary, GIS, has a banking license in Ireland and a branch in Luxembourg, which allow GIS to provide depositary services as part of its business. For additional information on our subsidiaries, see 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:

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Average Consolidated Balance Sheet And Net Interest Analysis	171
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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 23 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 matters. 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), 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 and deposits, or reconfigure existing operations.

Due to the current economic environment and issues facing the financial services industry, we anticipate new legislative and regulatory initiatives over the next several years, including many focused specifically on banking and other financial services in which we are engaged. These initiatives will be in addition to the actions already taken by Congress and the regulators, including EESA, the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Credit CARD Act of 2009 (Credit CARD Act), and the Secure and Fair Enforcement for Mortgage Licensing Act (the SAFE Act), as well as changes to the regulations implementing the Real Estate Settlement Procedures Act, the Federal Truth in Lending Act, and the Electronic Fund Transfer Act. Developments to date, as well as those that come in the future, have had and are likely to continue to have an impact on the conduct of our business. The more detailed description of the significant regulations to which we are subject that follows is based on the current regulatory environment and is subject to potentially material change.

On May 7, 2009, the Board of Governors of the Federal Reserve System announced the results of the stress tests conducted by banking regulators under the Supervisory Capital Assessment Program with respect to the 19 largest bank holding companies. As a result of this test, the Federal Reserve concluded that PNC was well capitalized but that, in order to provide a greater cushion against the risk that economic conditions over the next two years are worse than currently anticipated, PNC needed to augment the composition of its capital by increasing the common shareholders' equity component of Tier 1 capital. In May 2009 we raised $624 million in new common equity at market prices through the issuance of 15 million shares of common stock. In connection with the Supervisory Capital Assessment Program, we submitted a capital plan which was accepted by the Federal Reserve.

In light of the economic uncertainties and the actions taken by Congress, the US Department of the Treasury and other regulatory agencies to address the credit crisis, there is an increased focus by regulators on lending activities by banks and the relationship between those activities and governmental efforts to improve this situation. Also at least in part driven by the current economic and financial situation, there is an increased focus on fair lending and other issues related to the mortgage industry. Ongoing mortgage-related regulatory reforms include measures aimed at limiting mortgage foreclosures.

There has been a heightened focus recently on consumer protection issues generally, including those related to the protection of confidential customer information and fees assessed on deposits and credit card accounts.

Among other areas that have been receiving a high level of regulatory focus over the last several years has been compliance with anti-money laundering rules and regulations.

Additional legislation, changes in rules promulgated by the Federal Reserve, the OCC, the FDIC, 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 our businesses. The profitability of our businesses 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.

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. PNC Bank, N.A. and its subsidiaries are subject to supervision and examination by applicable federal banking agencies, principally the OCC.

Because of PNC's voting ownership interest in BlackRock, BlackRock is subject to the supervision and regulation of the Federal Reserve.

Parent Company Liquidity and Dividends. The principal source of our liquidity at the parent company level is dividends from PNC Bank, N.A. PNC Bank, N.A. is subject to various federal restrictions on its ability to pay dividends to PNC Bancorp, Inc., its direct parent. PNC Bank N.A. is also subject to federal laws limiting extensions of credit to its parent holding company and non-bank affiliates as discussed in Note 23 Regulatory Matters included in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated herein by reference. Further information on bank level liquidity and parent company liquidity and on certain contractual restrictions is also available in the Liquidity Risk Management section and in the "Perpetual Trust Securities", "PNC Capital Trust E Trust Preferred Securities", and "Acquired Entity Trust Preferred Securities" sections of the Off-Balance Sheet Arrangements and VIEs section of Item 7 of this Report.

Under Federal Reserve policy, a bank holding company is expected to serve as a source of financial strength to its subsidiary bank and to commit resources to support 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.

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 securities underwriting and dealing activities.

In addition, the GLB Act permits national banks, such as PNC Bank, N.A., to engage in expanded activities through the formation of a "financial subsidiary." In order to qualify to establish or acquire a financial subsidiary, PNC Bank, N.A. must be "well capitalized" and "well managed" and may not have a less than "satisfactory" Community Reinvestment Act (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 a national bank'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 financial subsidiaries. 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 under-writing, insurance investments, real estate investment or development, and merchant banking.

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 risk-weighted 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, 2009, PNC Bank, N.A. exceeded the required ratios for classification as "well capitalized." For additional discussion of capital adequacy requirements, we refer you to "Funding and Capital Sources" in the Consolidated Balance Sheet Review section of Item 7 of this Report and to Note 23 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 to be conducted by 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, 2009, PNC Bank, N.A. was rated "outstanding" with respect to CRA.

FDIC Insurance. PNC Bank, N.A. is insured by the FDIC and subject to premium assessments. Regulatory matters could increase the cost of FDIC deposit insurance premiums to an insured bank as 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.

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 Financial Industry Regulatory Authority (FINRA), among others.

Several of our subsidiaries are registered with the SEC as investment advisers and provide services both directly to clients and to PNC affiliates and related entities, including registered investment companies. Our investment advisor subsidiaries are subject to the requirements of the Investment Advisers Act of 1940, as amended, 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, including PNC Capital Advisors, LLC, a wholly-owned subsidiary of PNC Bank, N.A. and registered investment advisor. GIS is subject to regulation by the SEC as a service provider to registered investment companies.

Over the past several years, the SEC and other governmental agencies have been investigating the mutual fund and hedge fund industries, including PNC Capital Advisors, LLC, GIS and other industry participants. The SEC has proposed various rules, and legislation has been introduced in Congress, intended to reform the regulation of these industries. The effect of regulatory reform has, and is likely to continue to, increase the extent of regulation of the mutual fund and hedge fund industries and impose additional compliance obligations and costs on our subsidiaries involved with those industries.

Under provisions of the federal securities laws 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, restitution, a limitation on 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, certain changes in the activities of a broker-dealer require approval from FINRA, and FINRA takes into account a variety of considerations in acting upon applications for such approval, including internal controls, capital, management experience and quality, prior enforcement and disciplinary history and supervisory concerns.

Our securities businesses with operations outside the United States, including BlackRock and GIS, are also subject to regulation by appropriate authorities in the foreign jurisdictions in which they do business.

BlackRock has subsidiaries in securities and related businesses subject to SEC and FINRA regulation, as described above, and a federally chartered nondepository trust company subsidiary subject to the supervision and regulation of the OCC. 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, PNC Bank, N.A. competes 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 extremely important in the current environment as we seek to achieve risk-adjusted returns. Traditional deposit activities are subject to pricing pressures and customer migration as a result of intense competition for consumer investment dollars.

PNC Bank, N.A. competes 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.

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

EMPLOYEES Employees totaled 55,820 at December 31, 2009. This total includes 49,761 full-time and 6,059 part-time employees. This total also includes 4,450 GIS 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, 100 F Street, NE, Washington, D.C. 20549, at prescribed rates.

The SEC also maintains an internet website 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 at www.pnc.com/secfilings. Shareholders and bondholders may also obtain copies of these filings without charge by contacting Shareholder Services at 800-982-7652 or via the online contact form at www.computershare.com/contactus 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. The interactive data file (XBRL) exhibit is only available electronically.

Information about our Board and its committees and corporate governance at PNC is available on PNC's corporate website at www.pnc.com/corporategovernance. Our PNC Code of Business Conduct and Ethics is available on our corporate website at www.pnc.com/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our 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.

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."

INTERNET INFORMATION

The PNC Financial Services Group, Inc.'s financial reports and information about its products and services are available on the internet at www.pnc.com. We provide information for investors in portions of our corporate website, such as the Investor Events and Financial Information areas that you can find under "About PNC – Investor Relations." In this section, we will from time to time post information that we believe may be important or useful to investors. We generally post the following shortly before or promptly following its first use or release: financially-related press releases (including earnings releases), various SEC filings, presentation materials associated with earnings and other investor conference calls or events, and access to live and taped audio from such calls or events. When warranted, we will also use our website to expedite public access to time-critical information regarding PNC in advance of distribution of a press release or a filing with the SEC disclosing the same information. You can also find the SEC reports and corporate governance information described in the section above in the Investor Relations section of our website.

Where we have included web addresses in this Report, such as our web address and web addresses of the SEC and of BlackRock, we have included those web addresses as inactive textual references only. Except as specifically incorporated by reference into this Report, information on those websites is not part of this Report.

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 present in 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.

Risk management is an important part of our business model. 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. Our shareholders have been well served by our focus on maintaining a moderate risk profile. At December 31, 2008 with an economy then in severe recession and with our then recent acquisition of National City, our Consolidated Balance Sheet did not reflect that desired risk profile. However, by December 31, 2009 we had made significant progress in bringing our risk issues back into alignment and in transitioning our balance sheet to reflect our business model. We remain committed to returning to a moderate risk profile characterized by disciplined credit management and limited exposure to earnings volatility resulting from interest rate fluctuations and the shape of the interest rate yield curve. 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. In general, each of these risk factors presents the risk of a material impact on our results of operations or financial condition, in addition to other possible consequences described below. These risk factors and other risks are also discussed further in other parts of this Report.

Risks related to current economic conditions

The failure or slowing of the current modest economic recovery from recessionary conditions, or further turmoil or volatility in the financial markets, would likely have an adverse effect on our business, financial position and results of operations.

The economy in the United States and globally began to recover from severe recessionary conditions near mid-year 2009 and is currently in the midst of a modest economic recovery. The sustainability of the modest recovery is dependent on a number of factors that are not within our control, such as a return to private sector job growth, strengthening of housing sales and construction, continuation of the economic recovery globally, and the timing of the exit from government credit easing policies. We continue to face risks resulting from the aftermath of the severe recession generally and the modest pace of the current recovery. A slowing or failure of the economic recovery could bring a return to some or all of the adverse effects of the earlier recessionary conditions.

Since the middle of 2007 and with a heightened level of activity in 2008 and 2009, there has been disruption and turmoil in financial markets around the world. Throughout much of the United States there were dramatic declines in the housing market, with falling home prices and increasing foreclosures, and deepening recessionary conditions in the economy led to increased unemployment and underemployment and to reduced earnings, or in some cases losses, for businesses across many industries, with reduced investments in growth.

This overall environment resulted in significant stress for the financial services industry, and led to distress in credit markets, reduced liquidity for many types of securities, and concerns regarding the financial strength and adequacy of the capitalization of financial institutions. Some financial institutions around the world have failed, some have needed significant additional capital, and others have been forced to seek acquisition partners.

Reflecting concern about the stability of the financial markets generally and the strength of counterparties, as well as concern about their own capital and liquidity positions, many lenders and institutional investors reduced or ceased providing funding to borrowers. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets exacerbated the state of economic distress and hampered, and to some extent continues to hamper, efforts to bring about and sustain an economic recovery.

The United States and other governments have taken unprecedented steps to stabilize and restore confidence in the financial system, including making significant investments in financial institutions and guaranteeing or otherwise supporting troubled assets held by financial institutions. The US federal government has continued in its efforts to provide economic stimulus and financial market stability and to enhance the liquidity and solvency of financial institutions and markets, as well as to protect consumers and investors from financial abuse. These efforts, which will continue to evolve and which have impacted and will likely continue to impact PNC and its stakeholders, include EESA, the Recovery Act, and the Credit

CARD Act, among other legislative, administrative and regulatory initiatives, and also include changes in or additions to the statutes or regulations related to these and other programs.

These economic conditions have had an adverse effect on our business and financial performance. While the economy is currently in a modest recovery, we expect these conditions to continue to have an ongoing negative impact on us. A slowing or failure of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial institutions industry.

In particular, we may face the following risks in connection with the current economic and market environment:

- We have seen and expect to face further increased regulation of our industry, including as a result of the EESA, the Recovery Act, the Credit CARD Act, and other current or future initiatives intended to provide economic stimulus, financial market stability and enhanced regulation of financial services companies and to enhance the liquidity and solvency of financial institutions and markets. Compliance with such regulation may increase our costs, reduce our revenue, and limit our ability to pursue business opportunities.
- Investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on PNC's stock price and resulting market valuation.
- Economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates.
- Our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite our customers become less predictive of future behaviors.
- The process we use to estimate losses incurred in our credit exposure requires difficult, subjective, and complex judgments, including the review of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans, which may no longer be capable of accurate estimation, which may, in turn, impact the reliability of the process.
- We could suffer decreases in customer desire to do business with us, whether as a result of a decreased demand for loans or other financial products and services or decreased deposits or other investments in accounts with PNC.
- Competition in our industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions. Governmental support provided to financial institutions could alter the competitive landscape.
- Increased regulation of compensation at financial services companies as part of government efforts to reform the industry may hinder our ability to attract and retain well-qualified individuals in key positions.
- We may be required to pay significantly higher Federal Deposit Insurance Corporation premiums because market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. Higher premiums may also result from FDIC proposals regarding risk-based premiums.
- Investors in mortgage loans that we sell are more likely to seek indemnification against losses on loans or otherwise seek to have us share in such losses or to request us to repurchase loans that the investors do not believe comply with applicable representations.
- We may be subject to additional fees and taxes as the government seeks to recover some of the costs of its recovery efforts, in particular from the financial services industry.

Some of these risks and others are discussed in more detail below.

The failure or slowing of the current modest recovery from recessionary conditions, as well as the lingering effects of the recession, would likely adversely affect our lending businesses and the value of the loans and debt securities we hold.

Given the high percentage of our assets represented directly or indirectly by loans, and the importance of lending to our overall business, the aftermath of recessionary conditions is likely to continue to have a negative impact on our business and our results of operations as the positive effects of economic recovery are likely to be slow and uneven in spreading to our customers. This could adversely impact loan utilization rates as well as delinquencies, defaults and customer ability to meet obligations under the loans.

Further, a failure or slowing of the current modest recovery from recessionary conditions would likely have a negative impact on our business, our ability to serve our customers, and our results of operations. Such conditions are likely to lead to increases in the number of borrowers who become delinquent or default or otherwise demonstrate a decreased ability to meet their obligations under their loans. This would result in higher levels of non-performing loans, net charge-offs, provision for credit losses and valuation adjustments on loans held for sale. The value to us of other assets such as investment securities, most of which are debt securities or represent securitizations of loans, similarly would be negatively impacted by widespread decreases in credit quality resulting from a weakening of the economy.

Our regional concentrations make us particularly at risk for economic conditions in our primary retail banking footprint.

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, located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, D.C., and Wisconsin. Thus, we are particularly vulnerable to adverse changes in economic conditions in these states or the Mid-Atlantic and Midwest regions more generally.

Our business and performance are vulnerable to the impact of continued volatility in debt and equity markets.

As most of our assets and liabilities are financial in nature, we tend to be particularly sensitive to the performance of the financial markets. Since the middle of 2007 and with a heightened level of activity during 2008 and 2009, there has been unprecedented turmoil, volatility and illiquidity in worldwide financial markets, accompanied by uncertain prospects for sustaining the modest economic recovery that began mid-year 2009. In addition, there have been dramatic changes in the competitive landscape of the financial services industry during this time. This turmoil and volatility has been a contributory factor to overall economic conditions, leading to some of the risks discussed above, including impairing the ability of borrowers and other counterparties to meet obligations to us. Financial market volatility also can have some of the following adverse effects on PNC and our business and financial performance:

- It can affect the value or liquidity of our on-balance sheet and off-balance sheet financial instruments.
- It can affect the value of servicing rights, including those we carry at fair value.
- It can affect, to the extent we access capital markets to raise funds to support our business and overall liquidity position, the cost of such funds or our ability to raise such funds. The inability to access capital markets at a desirable cost could affect our liquidity or results of operations.
- It can affect the value of the assets that we manage or otherwise administer for others or the assets for which we provide processing and information 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 and information 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.
- It can affect the required funding of our pension obligations to the extent that the value of the assets supporting those obligations drops below minimum levels.
- In general, it can impact the nature, profitability or risk profile of the financial transactions in which we engage.

Volatility in the markets for real estate and other assets commonly securing financial products has been and is likely to continue to be a significant contributor to overall volatility in financial markets.

Our business and financial performance is impacted significantly by market interest rates and movements in those rates. The monetary, tax and other policies of governmental agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance over which we have no control and which we may not be able to predict adequately.

As a result of the high percentage of our assets and liabilities that are in the form of interest-bearing or interest-related instruments, changes in interest rates, in the shape of the yield curve or in spreads between different market interest rates can have a material effect on our business, our profitability and the value of our financial assets and liabilities. For example:

- Changes in interest rates or interest rate spreads can affect the difference between the interest that we earn on assets and the interest that we pay on liabilities, which impacts our overall net interest income.
- Such changes can affect the ability of borrowers to meet obligations under variable or adjustable rate debt instruments.
- Such changes may decrease the demand for interest-rate based products and services, including loans and deposit accounts.
- Such changes can also affect our ability to hedge various forms of market and interest rate risk and may decrease the profitability or increase the risk associated with such hedges.
- Movements in interest rates also affect mortgage prepayment speeds and could result in impairments of mortgage servicing assets.

The monetary, tax and other policies of the government and its agencies, including the Federal Reserve, have a significant impact on interest rates and overall financial market performance. These governmental policies can thus affect the activities and results of operations of banking companies such as PNC. 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 financial results.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us.

Risks resulting from 2008-2010 transactions

Our acquisition of National City presents substantial risks and uncertainties, which could limit our ability to realize the anticipated benefits from this transaction.

On December 31, 2008, we acquired National City through a merger in which PNC continued as the surviving entity. We provide additional information about this acquisition in Note 2 Acquisitions and Divestitures included in the Notes To Consolidated Financial Statements in Item 8 of this Report.

This acquisition presents us with a number of risks and uncertainties related both to the acquisition itself and to the integration of the acquired businesses into PNC. These risks and uncertainties include the following risks to PNC:

- Like PNC, National City was a large financial institution with retail and other banking operations in numerous markets in which PNC had little or no experience. National City also had major operations in areas in which PNC did not have a significant presence, including residential mortgage lending, residential mortgage servicing, credit card lending and equipment leasing. Prior to completion of the merger, PNC and National City operated as separate independent entities, and National City operated under its own systems and procedures, operating models and controls. As a result of these factors as well as the relative size of the acquisition, there are significant integration-related risks, which are greater than in other recent acquisitions by PNC.
- Prior to our acquisition, National City's results were impacted negatively by a significant amount of asset impairments. Our results following the acquisition depend on our ability to manage these assets, which require special servicing and management oversight, including disposition if appropriate. As the integration process continues, we may identify other issues with respect to National City's asset valuation or accounting procedures that may lead to further impairments or write-downs.
- National City's pre-acquisition financial performance and resulting stock price performance and other pre-acquisition activities have led to legal proceedings and other claims and governmental investigations and more may be made or commenced in the future. As a result of this acquisition, we now bear the risks associated with legal proceedings and other claims and governmental investigations relating to National City's business and activities before the acquisition, the full extent of the potential adverse impact of which cannot currently be predicted with reasonable certainty. See Note 24 Legal Proceedings in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Our failure to complete the sale of GIS by November 1, 2010 would result in a requirement that we sell other assets or raise additional common equity.

As part of the regulatory approval for the redemption of the Series N Preferred Stock issued to the US Treasury, we will be required to raise additional Tier 1 common capital through the sale of assets approved by the Federal Reserve Board or through the issuance of additional common stock if the sale of GIS has not been completed by November 1, 2010. We will need to raise this additional Tier 1 common capital by November 1 in the amount of $700 million.

Risks related to the ordinary course of PNC's business

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 as well as 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 of this Report under "Competition."

In all, the principal bases for competition are pricing (including the interest rates charged on loans or paid on interest-bearing deposits), product 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.

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 in general present risks to PNC in addition to those presented by the nature of the business acquired. We describe some of the integration risks presented by our acquisition of National City above. Many of these risks are common to some extent in acquisition transactions.

In general, acquisitions may be substantially more expensive to complete (including unanticipated 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 or regulatory limitations arising as a result of those issues.

The performance of our asset management businesses may be adversely affected by the relative performance of our products compared with alternative investments as well as by overall economic and market conditions.

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 as well as by customer preferences and needs. 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. Overall economic conditions may limit the amount that customers are able or willing to invest.

The failure or negative performance of products of other financial institutions could lead to a loss of confidence in similar products offered by us without regard to the performance of our products. Such a negative contagion could lead to withdrawals, redemptions and liquidity issues in such products and have a material adverse impact on our assets under management and asset management revenues and earnings.

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 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. PNC services its obligations primarily with dividends and advances that it receives from its subsidiaries.

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 subsidiaries that operate in the banking and securities businesses 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 businesses.

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.

Due to the current economic environment and issues facing the financial services industry, we anticipate new legislative and regulatory initiatives over the next several years, including many focused specifically on banking and other financial services in which we are engaged. These initiatives will be in addition to the actions already taken by Congress and the regulators, including EESA, the Recovery Act, the Credit CARD Act, and the SAFE Act, as well as changes to the regulations implementing the Real Estate Settlement Procedures Act, the Federal Truth in Lending Act, and the Electronic Fund Transfer Act. Developments to date, as well as those that come in the future, have had and are likely to continue to have an impact on the conduct of our business. This impact could include rules and regulations that affect the nature and profitability of our business activities, how we use our capital, how we compensate and incent our employees, and other matters potentially having a negative effect on our overall business results and prospects.

Under the regulations of the Federal Reserve, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of this regulatory policy, the Federal Reserve might require PNC to commit resources to PNC Bank, N.A. when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

Our ability to pay dividends to shareholders is largely dependent on dividends from our operating subsidiaries, principally PNC Bank, N.A. Banks are subject to regulation on the amount and circumstances of dividends they can pay to their holding companies.

We discuss these and other regulatory issues applicable to PNC, including some particular areas of current regulatory focus or concern, in the Supervision and Regulation section included in Item 1 of this Report and in Note 23 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report and here by reference.

A failure to have adequate procedures to comply with regulatory requirements 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, accounting, disclosure and other rules set forth by the SEC, income tax and other regulations established by the US 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. In some cases, changes may be applied to previously reported disclosures.

The determination of the amount of loss allowances and impairments taken on our assets is highly subjective and could materially impact our results of operations or financial position.

The determination of the amount of loss allowances and asset impairments varies by asset type and is based upon our periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that our management has accurately assessed the level of impairments taken and allowances reflected in our financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

Our asset valuation may include methodologies, estimations and assumptions that are subject to differing interpretations and could result in changes to asset valuations that may materially adversely affect our results of operations or financial condition.

We must use estimates, assumptions, and judgments when financial assets and liabilities are measured and reported at 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 quoted market prices and/or other observable inputs provided by independent third-party sources, when available. When such third-party information is not available, we estimate fair value primarily by using cash flows and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors, assumptions, or estimates in any of the areas underlying our estimates could materially impact our future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be more difficult to value certain of our assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, certain asset valuations may require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of assets as reported within our consolidated financial statements, and the period-to-period changes in value could vary significantly.

Our business and financial results could be impacted materially by adverse results in legal proceedings.

Many aspects of our business involve substantial risk of legal liability. We have been named as defendants in various legal proceedings arising from our business activities (and in some cases from the activities of companies we have acquired). In addition, we are regularly the subject of governmental investigations and other forms of regulatory inquiry. The results of these legal proceedings and governmental investigations and inquiries could lead to significant monetary damages or penalties, restrictions on the way in which we conduct our business, or reputational harm.

Some of our customers could be adversely affected by climate-related conditions which could have an impact on our business.

Our business could be negatively impacted by adverse changes in the creditworthiness of our customers and by adverse changes in customer demand for our products and services to the extent that our customers are negatively impacted by climate-related physical changes and hazards or by legislative and regulatory initiatives relating to climate change or other conditions.

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 capital and other financial 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 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 own or lease numerous other premises for use in conducting business activities, including operations centers, offices, and branch and other facilities. 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 11 Premises, Equipment and Leasehold Improvements in the Notes To Consolidated Financial Statements in Item 8 of this Report.

ITEM 3 – LEGAL PROCEEDINGS

See the information set forth in Note 24 Legal Proceedings included in the Notes To Consolidated Financial Statements in Item 8 of this Report, which is incorporated here by reference.

During 2009 National City paid penalties of $400,000 imposed under §6707A(b)(2) of the Internal Revenue Code for failure to include certain reportable transaction information in its 2004 federal income tax return related to listed transactions.

ITEM 4 – RESERVED

EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding each of our executive officers as of February 26, 2010 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	61	Chairman and Chief Executive Officer (2)	1972
Joseph C. Guyaux	59	President	1972
William S. Demchak	47	Senior Vice Chairman	2002
Timothy G. Shack	59	Vice Chairman	1976
Thomas K. Whitford	53	Vice Chairman and Chief Risk Officer	1983
Joan L. Gulley	62	Executive Vice President and Chief Human Resources Officer	1986
Michael J. Hannon	53	Executive Vice President and Chief Credit Officer	1982
Richard J. Johnson	53	Executive Vice President and Chief Financial Officer	2002
Helen P. Pudlin	60	Executive Vice President and General Counsel	1989
Robert Q. Reilly	45	Executive Vice President	1987
Samuel R. Patterson	51	Senior Vice President and Controller	1986

(1) Where applicable, refers to year employed by predecessor company.
(2) Also serves as a director of PNC.

William S. Demchak was appointed Senior Vice Chairman in February 2009. He joined PNC as Vice Chairman and Chief Financial Officer in September 2002. Since August 2005, he has had oversight responsibilities for the Corporation's Corporate & Institutional Banking business. He also oversees PNC's asset and liability management and equity management activities.

Timothy G. Shack was appointed Vice Chairman in February 2009. He was Executive Vice President from July 1991 to February 2009, and also served as Chief Information Officer from April 1998 to May 2008.

Thomas K. Whitford was appointed Chief Risk Officer in November 2009 in addition to serving as Vice Chairman since February 2009. He was appointed Chief Administrative Officer in May 2007. From April 2002 through May 2007, he served as Chief Risk Officer.

Joan L. Gulley was Chief Executive Officer for PNC's wealth management business from 2002 to 2006. In 2006 she was appointed Executive Vice President of PNC Bank, N.A. and was responsible for product and segment management, as well as advertising and brand management for PNC. In April 2008 she was appointed Senior Vice President and Chief Human Resources Officer for PNC and in February 2009 she was appointed Executive Vice President of PNC.

Michael J. Hannon was appointed Executive Vice President and Chief Credit Officer in November 2009. From February 2009 to November 2009 he was Executive Vice President and Chief Risk Officer and was previously Senior Vice President and Chief Credit Officer.

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. He was appointed Executive Vice President in February 2009.

Helen P. Pudlin was appointed Executive Vice President and General Counsel in February 2009 and was previously Senior Vice President and General Counsel.

Robert Q. Reilly joined PNC Bank, N.A. in September 1987. He currently serves as the head of PNC's Asset Management Group. Previously, he has held numerous management roles in both Corporate Banking and Asset Management. He was appointed Executive Vice President of PNC in February 2009.

DIRECTORS OF THE REGISTRANT

The name, age and principal occupation of each of our directors as of February 26, 2010, and the year he or she first became a director is set forth below:

- Richard O. Berndt, 67, Managing Partner of Gallagher, Evelius & Jones LLP (*law firm*) (2007)
- Charles E. Bunch, 60, Chairman and Chief Executive Officer of PPG Industries, Inc. (*coatings, sealants and glass products*) (2007)
- Paul W. Chellgren, 67, Operating Partner, Snow Phipps Group, LLC (*private equity*) (1995)
- Robert N. Clay, 63, President and Chief Executive Officer of Clay Holding Company (*investments*) (1987)
- Kay Coles James, 60, President and Founder of The Gloucester Institute (*non-profit*) (2006)
- Richard B. Kelson, 63, Operating Advisor, Pegasus Capital Advisors, L.P. (*private equity*) (2002)
- Bruce C. Lindsay, 68, Chairman and Managing Member of 2117 Associates, LLC (*advisory company*) (1995)

- Anthony A. Massaro, 65, Retired Chairman and Chief Executive Officer of Lincoln Electric Holdings, Inc. (*manufacturer of welding and cutting products*) (2002)
- Jane G. Pepper, 64, President of the Pennsylvania Horticultural Society (*non-profit*) (1997)
- James E. Rohr, 61, Chairman and Chief Executive Officer of PNC (1990)
- Donald J. Shepard, 63, Non-executive Chairman of AEGON U.S. Holding Corporation (*insurance*) (2007)
- Lorene K. Steffes, 64, Independent Business Advisor (*technology and technical services*) (2000)
- Dennis F. Strigl, 63, Retired President and Chief Operating Officer of Verizon Communications Inc. (*telecommunications*) (2001)
- Stephen G. Thieke, 63, Retired Chairman, Risk Management Committee of J.P. Morgan (*financial and investment banking services*) (2002)
- Thomas J. Usher, 67, Non-executive Chairman of Marathon Oil Corporation (*oil and gas industry*) (1992)
- George H. Walls, Jr., 67, former Chief Deputy Auditor for the State of North Carolina (2006)
- Helge H. Wehmeier, 67, Retired Vice Chairman 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) (1) 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 26, 2010, there were 81,425 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. The amount of any future dividends will depend on economic and market conditions, our financial condition and operating results, 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, dividends or advances from bank subsidiaries to the parent company, you may review "Supervision and Regulation" in Item 1 of this Report, "Funding and Capital Sources" in the Consolidated Balance Sheet Review section, "Liquidity Risk Management" in the Risk Management section, and "Perpetual Trust Securities", "PNC Capital Trust E Trust Preferred Securities" and "Acquired Entity Trust Preferred Securities" in the Off-Balance Sheet Arrangements and VIEs section of Item 7 of this Report, and Note 23 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, 2009 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

We include here by reference the information that appears under the caption "Common Stock Performance Graph" at the end of this Item 5.

(a) (2) None.

(b) Not applicable.

(c) Details of our repurchases of PNC common stock during the fourth quarter of 2009 are included in the following table:

In thousands, except per share data

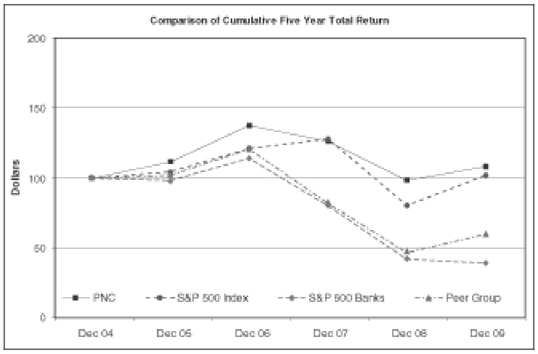
2009 period	Total shares purchased (a)	Average price paid per share	Total shares purchased as part of publicly announced programs (b)	Maximum number of shares that may yet be purchased under the programs (b)
October 1 – October 31	359	$ 48.97		24,710
November 1 – November 30	462	$ 54.87		24,710
December 1 – December 31	386	$ 53.72		24,710
Total	1,207	$ 52.75		

(a) Reflects PNC common stock purchased in connection with our various employee benefit plans. No shares were purchased under the program referred to in note (b) to this table during the fourth quarter of 2009.

(b) Our current stock repurchase program allows us to purchase up to 25 million shares on the open market or in privately negotiated transactions. This program was authorized on October 4, 2007 and 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, 2009, 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, 2005 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, 2004 Total Return = Price change plus reinvestment of dividends					5-Year Compound Growth Rate
	Dec. 04	Dec. 05	Dec. 06	Dec. 07	Dec. 08	Dec. 09	
PNC	$ 100	111.66	138.01	126.57	98.50	108.61	1.67%
S&P 500 Index	$ 100	104.91	121.48	128.15	80.74	102.11	0.42%
S&P 500 Banks	$ 100	98.57	114.46	80.37	42.20	39.42	(16.99%)
Peer Group	$ 100	102.39	121.14	82.07	46.97	59.95	(9.73%)

The Peer Group for the preceding chart and table consists of the following companies: BB&T Corporation; Bank of America Corporation; Capital One Financial, Inc.; Comerica Inc.; Fifth Third Bancorp; JPMorgan Chase; KeyCorp; M&T
Bank; The PNC Financial Services Group, Inc.; Regions Financial Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Co. This Peer Group was approved by the Board’s Personnel and Compensation Committee (the Committee) for 2009. The Committee has approved the same Peer Group for 2010.

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, 2004 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.

ITEM 6 – SELECTED FINANCIAL DATA

		Year ended December 31			
Dollars in millions, except per share data	**2009 (a)**	2008	2007	2006	2005
SUMMARY OF OPERATIONS					
Interest income	**$ 12,086**	$ 6,301	$ 6,144	$ 4,592	$ 3,720
Interest expense	**3,003**	2,447	3,197	2,309	1,533
Net interest income	**9,083**	3,854	2,947	2,283	2,187
Noninterest income (b)	**7,145**	2,442	2,944	5,422	3,297
Total revenue	**16,228**	6,296	5,891	7,705	5,484
Provision for credit losses (c)	**3,930**	1,517	315	124	21
Noninterest expense	**9,073**	3,685	3,652	3,795	3,662
Income from continuing operations before income taxes and noncontrolling interests	**3,225**	1,094	1,924	3,786	1,801
Income taxes	**867**	298	561	1,311	547
Income from continuing operations before noncontrolling interests	**2,358**	796	1,363	2,475	1,254
Income from discontinued operations (net of income taxes of $54, $63, $66, $52 and $57) (d)	**45**	118	128	124	104
Net income	**2,403**	914	1,491	2,599	1,358
Less: Net income (loss) attributable to noncontrolling interests	**(44)**	32	24	4	33
Preferred stock dividends (e)	**388**	21		1	1
Preferred stock discount accretion	**56**				
Net income attributable to common shareholders	**$ 2,003**	$ 861	$ 1,467	$ 2,594	$ 1,324
PER COMMON SHARE					
Basic earnings					
Continuing operations	**$ 4.30**	$ 2.15	$ 4.02	$ 8.39	$ 4.24
Discontinued operations (d)	**.10**	.34	.38	.42	.36
Net income	**$ 4.40**	$ 2.49	$ 4.40	$ 8.81	$ 4.60
Diluted earnings					
Continuing operations	**$ 4.26**	$ 2.10	$ 3.94	$ 8.29	$ 4.17
Discontinued operations (d)	**.10**	.34	.38	.42	.36
Net income	**$ 4.36**	$ 2.44	$ 4.32	$ 8.71	$ 4.53
Book value	**$ 47.68**	$ 39.44	$ 43.60	$ 36.80	$ 29.21
Cash dividends declared	**$ .96**	$ 2.61	$ 2.44	$ 2.15	$ 2.00

(a) Includes the impact of National City, which we acquired on December 31, 2008.
(b) Amount for 2009 included $1.076 billion gain related to BlackRock's acquisition of Barclays Global Investors (BGI) on December 1, 2009.
(c) Amount for 2008 included $504 million conforming provision for credit losses related to our National City acquisition.
(d) Reflects results of operations for PNC Global Investment Servicing for all years presented. See Pending Sale of PNC Global Investment Servicing in the Executive Summary section of Item 7 and Note 2 Acquisitions and Divestitures in the Notes To Consolidated Financial Statements included in Item 8 of this Report for additional information.
(e) Amount for 2009 included $332 million paid under the TARP Capital Purchase Program.

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 and Divestitures in the Notes To Consolidated Financial Statements in Item 8 of this Report for information on significant recent business acquisitions and divestitures, including our December 31, 2008 acquisition of National City and our pending 2010 sale of GIS.

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.

Dollars in millions, except as noted	2009 (a)	2008 (b)	2007	2006	2005
		At or for the year ended December 31			
BALANCE SHEET HIGHLIGHTS					
Assets	**$269,863**	$291,081	$138,920	$101,820	$91,954
Loans	**157,543**	175,489	68,319	50,105	49,101
Allowance for loan and lease losses	**5,072**	3,917	830	560	596
Interest-earning deposits with banks	**4,488**	14,859	346	339	669
Investment securities	**56,027**	43,473	30,225	23,191	20,710
Loans held for sale	**2,539**	4,366	3,927	2,366	2,449
Goodwill and other intangible assets	**12,909**	11,688	9,551	4,043	4,466
Equity investments (c)	**10,254**	8,554	6,045	5,330	1,323
Noninterest-bearing deposits	**44,384**	37,148	19,440	16,070	14,988
Interest-bearing deposits	**142,538**	155,717	63,256	50,231	45,287
Total deposits	**186,922**	192,865	82,696	66,301	60,275
Borrowed funds (d)	**39,261**	52,240	30,931	15,028	16,897
Shareholders' equity	**29,942**	25,422	14,854	10,788	8,563
Common shareholders' equity	**22,011**	17,490	14,847	10,781	8,555
ASSETS UNDER ADMINISTRATION (billions)					
Discretionary assets under management (e)	**$ 103**	$ 103	$ 74	$ 55	$ 495
Nondiscretionary assets under management	**102**	125	112	85	83
Total assets under administration	**$ 205**	$ 228	$ 186	$ 140	$ 578
SELECTED RATIOS					
From continuing operations					
Noninterest income to total revenue	**44**	39	50	70	60
Efficiency	**56**	59	62	49	67
From net income					
Net interest margin (f)	**3.82%**	3.37%	3.00%	2.92%	3.00%
Return on					
Average common shareholders' equity	**9.78**	6.52	10.70	28.01	17.00
Average assets	**.87**	.64	1.21	2.74	1.53
Loans to deposits	**84**	91	83	76	81
Dividend payout	**21.4**	104.6	55.0	24.4	43.4
Tier 1 risk-based	**11.4**	9.7	6.8	10.4	8.3
Tier 1 common	**6.0**	4.8	5.4	8.7	6.1
Common shareholders' equity to total assets	**8.2**	6.0	10.7	10.6	9.3
Average common shareholders' equity to average assets	**7.2**	9.6	11.3	9.8	9.0
SELECTED STATISTICS					
Employees	**55,820**	59,595	28,320	23,783	25,348
Retail Banking branches	**2,512**	2,580	1,102	848	835
ATMs	**6,473**	6,233	3,900	3,581	3,721
Residential mortgage servicing portfolio (billions)	**$ 158**	$ 187			
Commercial mortgage servicing portfolio (billions)	**$ 287**	$ 270	$ 243	$ 200	$ 136

(a) Includes the impact of National City, which we acquired on December 31, 2008.

(b) Includes the impact of National City except for the following Selected Ratios: Noninterest income to total revenue, Efficiency, Net interest margin, Return on Average common shareholders' equity, Return on Average assets, Dividend payout, and Average common shareholders' equity to average assets.

(c) Includes our investment in BlackRock beginning with the 2006 balance. BlackRock was a consolidated entity at December 31, 2005.

(d) Includes long-term borrowings of $26.3 billion, $33.6 billion, $12.6 billion, $6.6 billion and $6.8 billion for 2009, 2008, 2007, 2006 and 2005, respectively. Borrowings which mature more than one year after December 31, 2009 are considered to be long-term.

(e) Assets under management at December 31, 2005 include BlackRock's assets under management. We deconsolidated BlackRock effective September 29, 2006.

(f) Calculated as taxable-equivalent net interest income divided by average earning assets. The interest income earned on certain earning assets is completely or partially exempt from federal income tax. As such, these tax-exempt instruments typically yield lower returns than taxable investments. To provide more meaningful comparisons of margins for all earning assets, we use net interest income on a taxable-equivalent basis in calculating net interest margin by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the years 2009, 2008, 2007, 2006 and 2005 were $65 million, $36 million, $27 million, $25 million and $33 million, respectively.

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

EXECUTIVE SUMMARY

PNC is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania.

PNC has businesses engaged in retail banking, corporate and institutional banking, asset management, residential mortgage banking and global investment servicing, providing many of its products and services nationally and others in PNC's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, D.C., and Wisconsin. PNC also provides certain investment servicing internationally.

On December 31, 2008, PNC acquired National City Corporation (National City). Our consolidated financial statements for 2009 reflect the impact of National City. The impact of National City is described where appropriate throughout this Report.

We expect to incur additional merger and integration costs in 2010 of approximately $285 million pretax in connection with the acquisition of National City. We previously recognized $421 million pretax in 2009, including $155 million pretax in the fourth quarter, and $575 million pretax in the fourth quarter of 2008. The transaction is expected to result in the reduction of more than $1.5 billion of combined company annualized noninterest expense through the elimination of operational and administrative redundancies.

We continue to integrate the businesses and operations of National City with those of PNC.

REPURCHASE OF OUTSTANDING TARP PREFERRED STOCK

As further described in Note 19 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report, on December 31, 2008, we issued $7.6 billion of Fixed Rate Cumulative Perpetual Preferred Shares, Series N (Series N Preferred Stock), and the related warrant to the US Treasury under the US Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program.

As approved by the Federal Reserve Board, the US Treasury and our other banking regulators, on February 10, 2010, we redeemed all 75,792 shares of our Series N Preferred Stock held by the US Treasury totaling $7.6 billion. We used the net proceeds from our February 2010 common stock and senior notes offerings, described further in the Liquidity Risk Management section of this Item 7, and other funds to redeem the Series N Preferred Stock.

Dividends of $89 million were paid on February 10, 2010 when the Series N Preferred Stock was redeemed. PNC paid total dividends of $421 million to the US Treasury while the Series N Preferred Stock was outstanding.

We did not exercise our right to seek to repurchase the related warrant at the time we redeemed the Series N Preferred Stock.

PENDING SALE OF PNC GLOBAL INVESTMENT SERVICING

On February 2, 2010, we entered into a definitive agreement to sell PNC Global Investment Servicing Inc. (GIS), a leading provider of processing, technology and business intelligence services to asset managers, broker-dealers and financial advisors worldwide, for $2.3 billion in cash. Upon completion of the sale, we expect to report an after-tax gain of approximately $455 million.

We currently anticipate closing the transaction in the third quarter of 2010. Completion of the transaction is subject to regulatory approvals and certain other closing conditions. If the sale of GIS is not completed by November 1, 2010, we will be required, on or before that date, to raise $700 million in additional Tier 1 common capital. We would do this either through the sale of assets approved by the Federal Reserve Board and/or through the issuance of additional common stock. See Item 1A Risk Factors in this Report for additional information.

Further information regarding the National City acquisition and the pending sale of GIS is included in Note 2 Acquisitions and Divestitures in our Notes To Consolidated Financial Statements within Item 8 of this Report.

KEY STRATEGIC GOALS

We manage our company for the long term and are focused on returning to a moderate risk profile while maintaining strong capital and liquidity positions, investing in our markets and products, and embracing our corporate responsibility to the communities where we do business.

Our strategy to enhance shareholder value centers on driving pre-tax, pre-provision earnings in excess of credit costs by achieving growth in revenue from our balance sheet and diverse business mix that exceeds growth in expenses controlled through disciplined cost management. The primary drivers of revenue growth are the acquisition, expansion and retention of customer relationships. We strive to expand our customer base by offering convenient banking options and leading technology solutions, providing a broad range of fee-based and credit products and services, focusing on customer service, and through a significantly enhanced branding initiative. We may also grow revenue through appropriate and targeted acquisitions and, in certain businesses, by expanding into new geographical markets.

We are focused on our strategies for quality growth. We are committed to returning to a moderate risk profile characterized by disciplined credit management and limited exposure to earnings volatility resulting from interest rate fluctuations and the shape of the interest rate yield curve. We made substantial progress in transitioning our balance sheet throughout 2009, working to institute our moderate risk philosophy throughout our expanded franchise. Our actions have created a well-positioned balance sheet, strong bank level liquidity and investment flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

We also continue to be focused on building capital in the current environment characterized by economic and regulatory uncertainty. See the Funding and Capital Sources section of the Consolidated Balance Sheet Review section and the Liquidity Risk Management section of this Item 7.

SUPERVISORY CAPITAL ASSESSMENT PROGRAM (STRESS TESTS)

On May 7, 2009, the Board of Governors of the Federal Reserve System announced the results of the stress tests conducted by banking regulators under the Supervisory Capital Assessment Program with respect to the 19 largest bank holding companies. As a result of this test, the Federal Reserve concluded that PNC was well capitalized but that, in order to provide a greater cushion against the risk that economic conditions over the next two years are worse than currently anticipated, PNC needed to augment the composition of its capital by increasing the common shareholders' equity component of Tier 1 capital. In May 2009 we raised $624 million in new common equity through the issuance of 15 million shares of common stock. In connection with the Supervisory Capital Assessment Program, we submitted a capital plan which was accepted by the Federal Reserve.

RECENT MARKET AND INDUSTRY DEVELOPMENTS

Since the middle of 2007 and with a heightened level of activity during 2008 and 2009, there has been unprecedented turmoil, volatility and illiquidity in worldwide financial markets, accompanied by uncertain prospects for sustaining a fragile economic recovery that began mid-year 2009. In addition, there have been dramatic changes in the competitive landscape of the financial services industry during this time.

Recent efforts by the Federal government, including the US Congress, the US Department of the Treasury, the Federal Reserve, the FDIC, and the Securities and Exchange Commission, to stabilize and restore confidence in the financial services industry have impacted and will likely continue to impact PNC and our stakeholders. These efforts, which will continue to evolve, include the Emergency Economic Stabilization Act of 2008, the American Recovery and Reinvestment Act of 2009, and other legislative, administrative and regulatory initiatives, including the US Treasury's TARP Capital Purchase Program, the FDIC's Temporary Liquidity Guarantee Program (TLGP) and the Federal Reserve's Commercial Paper Funding Facility (CPFF).

These programs include the following:

TARP CAPITAL PURCHASE PROGRAM

The TARP Capital Purchase Program enabled US financial institutions to build capital through the sale to the US Treasury of senior preferred shares of stock to increase the flow of financing to US businesses and consumers and to support the US economy.

Note 19 Equity included in our Notes To Consolidated Financial Statements within Item 8 of this Report includes information regarding the preferred stock and the related warrant that we issued under this program. See Repurchase of Outstanding TARP Preferred Stock above.

FDIC TEMPORARY LIQUIDITY GUARANTEE PROGRAM

The FDIC's TLGP is designed to strengthen confidence and encourage liquidity in the banking system by:

- Guaranteeing newly issued senior unsecured debt of eligible institutions, including FDIC-insured banks and thrifts, as well as certain holding companies (TLGP-Debt Guarantee Program), and
- Providing full deposit insurance coverage for non-interest bearing transaction accounts in FDIC-insured institutions, regardless of the dollar amount (TLGP -Transaction Account Guarantee Program).

In December 2008, PNC Funding Corp issued fixed and floating rate senior notes totaling $2.9 billion under the FDIC's TLGP-Debt Guarantee Program. In March 2009, PNC Funding Corp issued floating rate senior notes totaling $1.0 billion under this program. Each of these series of senior notes is guaranteed through maturity by the FDIC.

From October 14, 2008 through December 31, 2009, PNC Bank, National Association (PNC Bank, N.A.) participated in the TLGP-Transaction Account Guarantee Program. Under this program, all non-interest bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to, and separate from, the coverage available under the FDIC's general deposit insurance rules.

Beginning January 1, 2010, PNC Bank, N.A. is no longer participating in the TLGP-Transaction Account Guarantee Program. Thus, as of December 31, 2009, funds held in noninterest-bearing transaction accounts were no longer guaranteed in full under the TLGP—Transaction Account Guarantee Program, but are insured up to $250,000 under the FDIC's general deposit insurance rules.

Federal Reserve Commercial Paper Funding Facility (CPFF)

Effective October 28, 2008, Market Street Funding LLC (Market Street) was approved to participate in the Federal

Reserve's CPFF. The CPFF commitment to purchase up to $5.4 billion of three-month Market Street commercial paper expired on February 1, 2010. Market Street had no borrowings under this facility at December 31, 2009 or during the year then ended.

Public-Private Investment Fund Programs (PPIFs) – In March 2009, the US Treasury and the FDIC announced that they would establish the Legacy Loans Program (LLP) to remove troubled loans and other assets from banks. The FDIC will provide oversight for the formation, funding, and operation of new PPIFs that will purchase loans and other assets from depository institutions. The LLP will attract private capital through an FDIC debt guarantee and Treasury equity co-investment. All FDIC-insured depository institutions will be eligible to participate in the program.

In March 2009, the US Treasury also announced the establishment of the Legacy Securities PPIFs, which are designed to address issues raised by troubled assets. These Legacy Securities PPIFs are specifically focused on legacy securities and are part of a plan that directs both equity capital and debt financing into the market for legacy assets. This program is designed to draw in private capital to these markets by providing matching equity capital from the US Treasury and debt financing from the Federal Reserve via the Term Asset-Backed Loan Facility (TALF) and the US Treasury.

PNC has not participated in these programs and is determining to what extent, if any, it will participate in these programs.

Home Affordable Modification Program (HAMP) – As part of its effort to stabilize the US housing market, in March 2009 the Obama Administration published detailed guidelines implementing HAMP, and authorized servicers to begin loan modifications. PNC began participating in HAMP for GSE mortgages in May and for non-GSE mortgages in July, and is evaluating participation in the Second Lien Program. This program is scheduled to terminate as of December 31, 2012.

Home Affordable Refinance Program (HARP) – Another part of its efforts to stabilize the US housing market is the Obama Administration's Home Affordable Refinance Program (HARP), which provides a means for certain borrowers to refinance their mortgage loans. PNC began participating in HARP in May 2009. The program is scheduled to terminate as of June 10, 2010.

In June 2009 the US Treasury issued a report entitled "Financial Regulatory Reform: A New Foundation" which outlined five key objectives:

- Promote robust supervision and regulation of financial firms,
- Establish comprehensive supervision of financial markets,
- Protect consumers and investors from financial abuse,
- Provide the US government with the tools it needs to manage financial crises, and
- Raise international regulatory standards and improve international cooperation.

To implement the proposals set forth in the US Treasury report, as well as to provide economic stimulus and financial market stability and to enhance the liquidity and solvency of financial institutions and markets, the US Congress and federal banking agencies have announced, and are continuing to develop, additional legislation, regulations and programs. These proposals include changes in or additions to the statutes or regulations related to existing programs, including those described above.

The current regulatory environment remains uncertain and we expect greater reforms and additional regulatory changes. While we believe that we are well positioned to navigate through this process, we cannot predict the ultimate impact of these actions on PNC's business plans and strategies.

KEY FACTORS AFFECTING FINANCIAL PERFORMANCE

Our financial performance is substantially affected by several external factors outside of our control including the following, some of which may be affected by legislative, regulatory and administrative initiatives, such as the Federal government initiatives outlined above:

- General economic conditions, including the speed and stamina of the fragile recovery,
- The level of, and direction, timing and magnitude of movement in, interest rates and the shape of the interest rate yield curve,
- The functioning and other performance of, and availability of liquidity in, the capital and other financial markets,
- Loan demand, utilization of credit commitments and standby letters of credit, and asset quality,
- Customer demand for other products and services,
- Changes in the competitive and regulatory landscape and in counterparty creditworthiness and performance as the financial services industry restructures in the current environment, and
- The impact of market credit spreads on asset valuations.

In addition, our success will depend, among other things, upon:

- Further success in the acquisition, growth and retention of customers,
- Progress toward completion of the integration of the National City acquisition,
- The closing of our planned 2010 sale of GIS,
- Continued development of the geographic markets related to our recent acquisitions, including full deployment of our product offerings,

- Revenue growth,
- A sustained focus on expense management, including achieving our cost savings targets associated with our National City integration, and creating positive pre-tax, pre-provision earnings,
- Managing the distressed assets portfolio and other impaired assets,
- Maintaining our overall asset quality and continuing to meet evolving regulatory capital standards,
- Continuing to maintain and grow our deposit base as a low-cost funding source,
- Prudent risk and capital management leading to a return to our desired moderate risk profile, and
- Actions we take within the capital and other financial markets.

Summary Financial Results

	Year ended December 31	
	2009	2008
Net income, in millions	**$ 2,403**	$ 914
Diluted earnings per common share		
Continuing operations	**$ 4.26**	$ 2.10
Discontinued operations	**.10**	.34
Net income	**$ 4.36**	$ 2.44
Return on		
Average common shareholders' equity	**9.78%**	6.52%
Average assets	**.87%**	.64%

On December 1, 2009, BlackRock acquired Barclays Global Investors (BGI) from Barclays Bank PLC. PNC recognized a pretax gain of $1.076 billion, or $687 million after taxes, in the fourth quarter of 2009 related to this transaction. Additional information regarding this transaction is included within the BlackRock section of our Business Segments Review section of this Item 7.

Our earnings and related per share amounts for 2008 do not include the impact of National City, which we acquired effective December 31, 2008, other than a conforming adjustment to our provision for credit losses of $504 million and other integration costs of $71 million, both of which were recognized in the fourth quarter of 2008. Our Consolidated Balance Sheet at December 31, 2008 includes National City's assets and liabilities at estimated fair value.

Our performance in 2009 included the following:

- We remain committed to responsible lending to support economic growth. Loans and commitments originated and renewed totaled approximately $110 billion in 2009. Included were $4 billion of small business loans originated and renewed in 2009, and we have enhanced our second-look programs for small business loan applications. As of December 31, 2009, we had funded approximately 2,100 refinances totaling $.4 billion through the Home Affordable Refinance Program and over 70,000 solicitations under the Home Affordable Modification Program had been sent to eligible borrowers.
- Loans totaled $158 billion at December 31, 2009 and declined 2% during the fourth quarter reflecting a slower pace of decline compared with the first nine months of 2009.
- We effectively managed deposit pricing and realigned the deposit mix during 2009, growing transaction deposits by $15 billion, or 14%, and reducing nonrelationship certificates of deposit by approximately $16 billion.
- Pretax, pre-provision earnings of $7.2 billion exceeded the provision for credit losses by $3.2 billion for 2009.
- Total revenue was $16.2 billion for 2009, reflecting our diverse revenue sources. The net interest margin increased 45 basis points to 3.82% in 2009 compared with 2008.
- Noninterest expense totaled $9.1 billion in 2009, including $421 million of integration costs offset by $800 million of acquisition cost savings.
- The pace of credit quality deterioration continued to ease during the fourth quarter of 2009. Nonperforming assets increased $.7 billion over the third quarter to $6.3 billion, a lower increase compared with the $1.0 billion increase in the third quarter. We strengthened loan loss reserves for the 11th consecutive quarter. The allowance for loan and lease losses of $5.1 billion combined with $4.9 billion of marks on acquired impaired loans represented approximately 6% of loans outstanding at December 31, 2009.
- Capital ratios continued to grow. The Tier 1 common equity ratio increased by 50 basis points to 6.0% at December 31, 2009 and the Tier 1 risk-based capital ratio increased by 50 basis points to 11.4% as of year-end.
- We continued to maintain a strong bank liquidity position with an 84% loan to deposit ratio at December 31, 2009. Holding company liquidity remained strong with sufficient liquid assets to fund 2010 debt maturities and other corporate obligations.
- The acquisition of National City Corporation exceeded our expectations during 2009.
  - The transaction was accretive to 2009 earnings.
  - Cost savings of over $800 million were realized in 2009. We increased our multi-year acquisition-related annualized cost savings goal to $1.5 billion from $1.2 billion and are on track to meet the new goal.
  - We have successfully completed two major conversions of National City customers to the PNC platform – one in November 2009 and another in February 2010. We expect to complete the two remaining conversions by June 2010, ahead of original plans.
  - We completed the consolidation of bank charters in November 2009.

Our Consolidated Income Statement Review and Consolidated Balance Sheet Review sections of this Item 7 describe in greater detail the various items that impacted our results for 2009 and 2008.

LINE OF BUSINESS HIGHLIGHTS

In the first quarter of 2009, we made changes to our business organization structure and management reporting in conjunction with the acquisition of National City.

Business segment results for 2008 and 2007 in this Report have been reclassified to reflect current methodologies and current business and management structure and to present all periods on the same basis. As a result of its pending sale, GIS is no longer a reportable business segment.

Results for 2009 for all of our business segments except BlackRock reflect the impact of revenues and expenses associated with businesses acquired with National City.

Highlights of results for 2009 and 2008 are included below.

We refer you to Item 1 of this Report under the captions Business Overview and Review of Lines of Business for an overview of our business segments and to the Business Segments Review section of this Item 7 for a Results Of Businesses – Summary table and further analysis of business segment results for 2009 and 2008, including presentation differences from Note 27 Segment Reporting in the Notes To Consolidated Financial Statements in Item 8 of this Report.

We provide a reconciliation of total business segment earnings to PNC consolidated income from continuing operations as reported on a GAAP basis in Note 27.

Retail Banking

Retail Banking's earnings were $136 million for 2009 compared with $328 million for 2008. Results were challenged in this environment by increased credit costs, lower interest credits assigned to the segment's deposits, reduced consumer spending and increased FDIC insurance costs. Pre-tax, pre-provision earnings were $1.6 billion for 2009, a 65% increase over 2008. Retail Banking continues to maintain its focus on customer, loan and deposit growth, employee and customer satisfaction, investing in the business for future growth, as well as disciplined expense management during this period of market and economic uncertainty.

Corporate & Institutional Banking

Corporate & Institutional Banking earned $1.2 billion in 2009 compared with $215 million in 2008. The acquisition of National City positively impacted operating results as revenues nearly tripled while noninterest expense approximately doubled. As a result, operating leverage of $2.6 billion more than offset a $1.0 billion increase in the provision for credit losses.

Asset Management Group

Asset Management Group earned $105 million for 2009 compared with $119 million for 2008. Asset Management Group achieved strong total revenue of $919 million, with $308 million in net interest income and $611 million in noninterest income. The business increased pretax, pre-provision earnings by $69 million or 35% over 2008, as the business grew clients, managed expenses and successfully executed the National City integration. The earnings decline from 2008 was primarily driven by a $91 million increase in provision for credit losses reflective of a weakened economy.

Residential Mortgage Banking

Residential Mortgage Banking earned $435 million in 2009 driven by strong loan origination activity and net mortgage servicing rights hedging gains. This business segment consists primarily of activities acquired with National City.

BlackRock

Our BlackRock business segment earned $207 million in both 2009 and 2008. These results reflect our share of BlackRock's reported GAAP earnings during both periods and the additional income taxes on these earnings incurred by PNC.

Distressed Assets Portfolio

The Distressed Assets Portfolio had earnings of $84 million for 2009. Earnings were largely driven by net interest income of $1.1 billion. The provision for credit losses was $771 million in 2009, which reflected credit quality deterioration, particularly in the commercial residential development and consumer residential construction portfolios. Noninterest expense was $246 million for 2009, comprised primarily of costs associated with foreclosed assets and servicing costs.

Other

"Other" earnings were $201 million in 2009 compared with a loss of $73 million in 2008. Results for 2009 included the $687 million after-tax impact of the BlackRock/BGI gain partially offset by the after-tax impact of other-than-temporary impairment charges and alternative investment writedowns, integration costs related primarily to the National City acquisition, a special FDIC assessment, and equity management losses.

"Other" for 2008 included the impact of integration costs, including the National City conforming provision for credit losses, totaling $422 million after taxes. In addition, net securities losses in 2008 totaled $134 million after taxes. These factors were partially offset by strong growth in net interest income related to asset and liability management activities, a gain related to PNC's remaining BlackRock long-term incentive plan programs (LTIP) shares obligation, the reversal of a legal contingency reserve established in connection with an acquisition due to a settlement, the partial reversal of the Visa indemnification liability and the gain from our sale of Hilliard Lyons.

CONSOLIDATED INCOME STATEMENT REVIEW

Net income for 2009 was $2.4 billion and for 2008 was $914 million. Amounts for 2009 include operating results of National City and the fourth quarter impact of a $687 million after-tax gain related to BlackRock's acquisition of BGI. Increases in income statement comparisons to 2008, except as noted, are primarily due to the operating results of National City. Our Consolidated Income Statement is presented in Item 8 of this Report.

NET INTEREST INCOME AND NET INTEREST MARGIN

Year ended December 31 Dollars in millions	**2009**	2008
Net interest income	**$9,083**	$3,854
Net interest margin	**3.82%**	3.37%

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 of funding. See Statistical Information – Analysis Of Year-To-Year Changes In Net Interest (Unaudited) Income And Average Consolidated Balance Sheet and Net Interest Analysis in Item 8 of this Report for additional information.

Higher net interest income for 2009 compared with 2008 reflected the increase in average interest-earning assets due to National City and the improvement in the net interest margin.

The net interest margin was 3.82% for 2009 and 3.37% for 2008. The following factors impacted the comparison:

- A decrease in the rate accrued on interest-bearing liabilities of 97 basis points. The rate accrued on interest-bearing deposits, the largest component, decreased 107 basis points.
- These factors were partially offset by a 45 basis point decrease in the yield on interest-earning assets. The yield on loans, which represented the largest portion of our earning assets in 2009, decreased 30 basis points.
- In addition, the impact of noninterest-bearing sources of funding decreased 7 basis points.

For comparing to the broader market, the average Federal funds rate was .16% for 2009 compared with 1.94% for 2008. We expect our net interest income for 2010 will likely be modestly lower as a result of cash recoveries on purchased impaired loans in 2009 and additional run-off of higher-yielding assets, which could be mitigated by rising interest rates. This assumes our current expectations for interest rates and economic conditions – we include our current economic assumptions underlying our forward-looking statements in the Cautionary Statement Regarding Forward-Looking Information section of this Item 7.

NONINTEREST INCOME

Summary

Noninterest income was $7.1 billion for 2009 and $2.4 billion for 2008.

Noninterest income for 2009 included the following:

- The gain on BlackRock/BGI transaction of $1.076 billion,
- Net credit-related other-than-temporary impairments (OTTI) on debt and equity securities of $577 million,
- Net gains on sales of securities of $550 million,
- Gains on hedging of residential mortgage servicing rights of $355 million,
- Valuation and sale income related to our commercial mortgage loans held for sale, net of hedges, of $107 million,
- Gains of $103 million related to our BlackRock LTIP shares adjustment in the first quarter, and net losses on private equity and alternative investments of $93 million.

Noninterest income for 2008 included the following:

- Net OTTI on debt and equity securities of $312 million,
- Gains of $246 million related to our BlackRock LTIP shares adjustment,
- Valuation and sale losses related to our commercial mortgage loans held for sale, net of hedges, of $197 million,
- Impairment and other losses related to private equity and alternative investments of $180 million,
- Income from Hilliard Lyons totaling $164 million, including the first quarter gain of $114 million from the sale of this business,
- Net gains on sales of securities of $106 million, and
- A gain of $95 million related to the redemption of a portion of our Visa Class B common shares related to Visa's March 2008 initial public offering.

Additional analysis

Asset management revenue increased $172 million to $858 million in 2009, compared with $686 million in 2008. This increase reflected improving equity markets, new business generation and a shift in assets into higher yielding equity investments during the second half of 2009. Assets managed totaled $103 billion at both December 31, 2009 and 2008, including the impact of National City. The Asset Management Group section of the Business Segments Review section of this Item 7 includes further discussion of assets under management.

Consumer services fees totaled $1.290 billion in 2009 compared with $623 million in 2008. Service charges on deposits totaled $950 million for 2009 and $372 million for 2008. Both increases were primarily driven by the impact of the National City acquisition. Reduced consumer spending, given economic conditions, hindered PNC legacy growth during 2009 in both categories.

Corporate services revenue totaled $1.021 billion in 2009 compared with $704 million in 2008. Corporate services fees include treasury management fees which increased $221 million in 2009 compared with 2008.

Residential mortgage fees totaled $990 million in 2009. Fees from strong mortgage refinancing volumes, especially in the first quarter, and $355 million of net hedging gains from mortgage servicing rights contributed to this total. We do not expect to repeat this strong performance in 2010.

Other noninterest income totaled $987 million for 2009 compared with $263 million for 2008. Other noninterest income for 2009 included trading income of $170 million, valuation and sale income related to our commercial mortgage loans held for sale, net of hedges, of $107 million, other gains of $103 million related to our equity investment in BlackRock and net losses on private equity and alternative investments of $93 million.

Other noninterest income for 2008 included the $114 million gain from the sale of Hilliard Lyons, the $95 million Visa gain, gains of $246 million related to our equity investment in BlackRock, and losses related to our commercial mortgage loans held for sale, net of hedges, of $197 million.

Other noninterest income typically fluctuates from period to period depending on the nature and magnitude of transactions completed. Further details regarding our trading activities are included in the Market Risk Management – Trading Risk portion of the Risk Management section of this Item 7, information regarding private equity and alternative investments are included in the Market Risk Management-Equity and Other Investment Risk section, and discussion regarding gains related to our equity investment in BlackRock are included in the Business Segments Review section.

With the exception of hedging gains related to residential mortgage servicing and the BlackRock/BGI gain, we expect noninterest income to be relatively flat in 2010 compared with 2009 levels. We also expect that the conversions of National City customers to the PNC platform scheduled for completion by June 2010 will create more product cross-selling opportunities.

PRODUCT REVENUE

In addition to credit and deposit products for commercial customers, Corporate & Institutional Banking offers other services, including treasury management and capital markets-related products and services and commercial mortgage banking activities, that are marketed by several businesses to commercial and retail customers.

Treasury management revenue, which includes fees as well as net interest income from customer deposit balances, totaled $1.137 billion for 2009 and $567 million for 2008. In addition to the impact of National City, the increase was primarily related to deposit growth and continued growth in legacy offerings such as purchasing cards and services provided to the Federal government and healthcare customers.

Revenue from capital markets-related products and services totaled $533 million in 2009 compared with $336 million in 2008. The impact of National City-related revenue helped to offset declines in merger and acquisition revenues reflecting the difficult economic environment.

Commercial mortgage banking activities include revenue derived from commercial mortgage servicing (including net interest income and noninterest income from loan servicing and ancillary services), and revenue derived from commercial mortgage loans intended for sale and related hedges (including loan origination fees, net interest income, valuation adjustments and gains or losses on sales).

Commercial mortgage banking activities resulted in revenue of $485 million in 2009 compared with $65 million in 2008. The impact of National City-related revenue was reflected in the 2009 increase. Revenue for 2009 included gains of $107 million on commercial mortgage loans held for sale, net of hedges. Losses of $197 million on commercial mortgage loans held for sale, net of hedges, reduced revenue for 2008.

Provision For Credit Losses

The provision for credit losses totaled $3.9 billion for 2009 compared with $1.5 billion for 2008. The provision for credit losses for 2009 was in excess of net charge-offs of $2.7 billion primarily due to required increases to our allowance for loan and lease losses reflecting continued deterioration in the credit markets and the resulting increase in nonperforming loans.

The Credit Risk Management portion of the Risk Management section of this Item 7 includes additional information regarding factors impacting the provision for credit losses. See also Item 1A Risk Factors and the Cautionary Statement Regarding Forward-Looking Information section of Item 7 of this Report.

We expect the provision for credit losses in the first quarter of 2010 to be similar to the provision recognized in the third quarter of 2009.

Noninterest Expense

Noninterest expense for 2009 was $9.1 billion compared with $3.7 billion in 2008. Acquisition cost savings totaled $800 million in 2009. The increase was substantially related to National City. We also recorded a special FDIC assessment of $133 million in the second quarter of 2009, which was intended to build the FDIC's Deposit Insurance Fund.

Integration costs included in noninterest expense totaled $421 million in 2009 compared with $122 million in 2008. Our quarterly run rate of acquisition cost savings related to National City increased to $300 million in the fourth quarter of 2009, or $1.2 billion per year.

We anticipate meaningful expense reductions in 2010, driven by acquisition cost saves, as we continue to focus on effectively managing expenses and achieving cost savings targets and credit cost improvements.

Effective Tax Rate

Our effective tax rate was 26.9% for 2009 and 27.2% for 2008. The decrease in the effective tax rate for 2009 compared with 2008 was principally due to additional tax expense in 2008 related to the sale of Hilliard Lyons partially offset by additional tax expense associated with an increase in the level of pretax earnings in 2009.

CONSOLIDATED BALANCE SHEET REVIEW

SUMMARIZED BALANCE SHEET DATA

In millions	Dec. 31 2009	Dec. 31 2008
Assets		
Loans	**$157,543**	$175,489
Investment securities	**56,027**	43,473
Cash and short-term investments	**13,290**	22,911
Loans held for sale	**2,539**	4,366
Goodwill and other intangible assets	**12,909**	11,688
Equity investments	**10,254**	8,554
Other	**17,301**	24,600
Total assets	**$269,863**	$291,081
Liabilities		
Deposits	**$186,922**	$192,865
Borrowed funds	**39,261**	52,240
Other	**11,113**	18,328
Total liabilities	**237,296**	263,433
Total shareholders' equity	**29,942**	25,422
Noncontrolling interests	**2,625**	2,226
Total equity	**32,567**	27,648
Total liabilities and equity	**$269,863**	$291,081

The summarized balance sheet data above is based upon our Consolidated Balance Sheet in Item 8 of this Report.

The decline in total assets at December 31, 2009 compared with December 31, 2008 was primarily due to reduced loan demand and lower interest-earning deposits with banks, partially offset by an increase in lower risk investment securities.

An analysis of changes in selected balance sheet categories follows.

LOANS

A summary of the major categories of loans outstanding follows. Outstanding loan balances reflect unearned income, unamortized discount and premium, and purchase discounts and premiums totaling $3.2 billion at December 31, 2009 and $4.3 billion at December 31, 2008, respectively. The balances do not include accretable net interest on the purchased impaired loans.

Loans decreased $17.9 billion, or 10%, as of December 31, 2009 compared with December 31, 2008. Loans represented 58% of total assets at December 31, 2009 and 60% of total assets at December 31, 2008. The decline in loans during 2009 was driven primarily by lower utilization levels for commercial lending among middle market and large corporate clients, although this trend in utilization rates appeared to have eased in the fourth quarter of 2009. Given current economic conditions, we expect continued weak loan demand and low utilization rates until the economy improves.

Commercial lending represented 53% of the loan portfolio and consumer lending represented 47% at December 31, 2009. Commercial lending declined 17% at December 31, 2009 compared with December 31, 2008. Commercial loans, which comprised 65% of total commercial lending, declined 21% due to reduced demand for new loans, lower utilization levels and paydowns as clients continued to deleverage their balance sheets. Total consumer lending decreased slightly at December 31, 2009 from December 31, 2008.

Details Of Loans

In millions	Dec. 31 2009	Dec. 31 2008
Commercial		
Retail/wholesale	**$ 9,515**	$ 11,482
Manufacturing	**9,880**	13,263
Other service providers	**8,256**	9,038
Real estate related (a)	**7,403**	9,107
Financial services	**3,874**	5,194
Health care	**2,970**	3,201
Other	**12,920**	17,935
Total commercial	**54,818**	69,220
Commercial real estate		
Real estate projects	**15,582**	17,176
Commercial mortgage	**7,549**	8,560
Total commercial real estate	**23,131**	25,736
Equipment lease financing	**6,202**	6,461
TOTAL COMMERCIAL LENDING	**84,151**	101,417
Consumer		
Home equity		
Lines of credit	**24,236**	24,024
Installment	**11,711**	14,252
Education	**7,468**	4,211
Automobile	**2,013**	1,667
Credit card and other unsecured lines of credit	**3,536**	3,163
Other	**4,618**	5,172
Total consumer	**53,582**	52,489
Residential real estate		
Residential mortgage	**18,190**	18,783
Residential construction	**1,620**	2,800
Total residential real estate	**19,810**	21,583
TOTAL CONSUMER LENDING	**73,392**	74,072
Total loans	**$157,543**	$175,489

(a) Includes loans to customers in the real estate and construction industries.

Total loans in the table above include purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008, amounting to $10.3 billion, or 7% of total loans, at December 31, 2009 and $12.7 billion, or 7% of total loans, at December 31, 2008.

We are committed to providing credit and liquidity to qualified borrowers. Total loan originations and new commitments and renewals totaled $110 billion for 2009, including originations for first mortgages of $19 billion and small business loans of $4 billion.

Our loan portfolio continued to be diversified among numerous industries and types of businesses. The loans that we hold are also concentrated in, and diversified across, our principal geographic markets.

Commercial lending is the largest category and is the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for loan and lease losses. We have allocated $3.4 billion, or 66%, of the total allowance for loan and lease losses at December 31, 2009 to these loans. We allocated $1.7 billion, or 34%, of the remaining allowance at that date to consumer lending. This allocation also considers other relevant factors such as:

(a) Actual versus estimated losses,
(b) Regional and national economic conditions,
(c) Business segment and portfolio concentrations,
(d) Industry conditions,
(e) The impact of government regulations, and
(f) Risk of potential estimation or judgmental errors, including the accuracy of risk ratings.

Higher Risk Loans

Our loan portfolio contains higher risk loans that are more likely to result in credit losses. We established specific and pooled reserves on the total commercial lending category, including higher risk loans, of $3.4 billion at December 31, 2009. This represented approximately two-thirds of the total allowance for loan and lease losses of $5.1 billion at that date. The remaining one-third of the allowance for loan and lease losses pertained to the total consumer lending category. This category of loans is more homogenous in nature and has certain characteristics that can be assessed at a total portfolio level in terms of loans representing higher risk. We do not consider government insured/government guaranteed loans to be higher risk as we do not believe these loans will result in a significant loss because of their structure. These loans are excluded from the following assessment of higher risk loans.

Our home equity lines of credit and installment loans outstanding totaled $35.9 billion at December 31, 2009. In this portfolio, we consider the higher risk loans to be those with a recent FICO credit score of less than or equal to 660 and a loan-to-value ratio greater than 90%. Such loans totaled $1.2 billion or approximately 3% of the total home equity line and installment loans at December 31, 2009. These higher risk loans were concentrated in our geographic footprint with 28% in Pennsylvania, 14% in Ohio, 11% in New Jersey, 7% in Illinois, 6% Missouri, and 5% in Kentucky, with the remaining loans dispersed across several other states. Option ARM loans and negative amortization loans in this portfolio were not significant. Within the higher risk home equity portfolio, approximately 10% are in some stage of delinquency and 5% are in late stage (90+ days) delinquency status.

In our $18.2 billion residential mortgage portfolio, loans with a recent FICO credit score of less than or equal to 660 and a loan-to-value ratio greater than 90% totaled $.8 billion and comprised approximately 5% of this portfolio at December 31, 2009. Twenty-two percent of the higher risk loans are located in California, 13% in Florida, 10% in Illinois, 8% in Maryland, 5% in Pennsylvania, and 5% in New Jersey, with the remaining loans dispersed across several other states. Option ARM loans and negative amortization loans in this portfolio were not significant. Within the higher risk residential mortgage portfolio of $.8 billion, approximately 53% are in some stage of delinquency and 41% are in 90+ days late stage delinquency status.

Within our home equity lines of credit, installment loans and residential mortgage portfolios, approximately 5% of the aggregate $54.1 billion loan outstandings at December 31, 2009 have loan-to-value ratios in excess of 100%. The impact of housing price depreciation is reflected in the allowance for loans and lease losses as a result of the consumer reserve methodology process. The consumer reserve process is sensitive to collateral values which in turn affect loan loss severity. While our consumer reserve methodology strives to reflect all significant risk factors, there is an element of uncertainty associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information such as housing price depreciation. We provide additional reserves where appropriate to provide coverage for losses attributable to such risks.

We obtain updated property values annually for select residential mortgage loan portfolios. We are expanding this valuation process to update the property values on the majority of our real estate secured consumer loan portfolios.

Information related to purchased impaired loans, purchase accounting accretion and accretable net interest recognized during 2009 in connection with our acquisition of National City follows.

Valuation of FASB ASC 310-30 Purchased Impaired Loans

Dollars in billions	December 31, 2008 (a) Balance	Net Investment	**December 31, 2009 Balance**	**Net Investment**
Commercial and commercial real estate loans:				
Unpaid principal balance	$ 6.3		**$ 3.5**	
Purchased impaired mark	(3.4)		**(1.3)**	
Recorded investment	2.9		**2.2**	
Allowance for loan losses			**(.2)**	
Net investment	2.9	46%	**2.0**	**57%**
Consumer and residential mortgage loans:				
Unpaid principal balance	15.6		**11.7**	
Purchased impaired mark	(5.8)		**(3.6)**	
Recorded investment	9.8		**8.1**	
Allowance for loan losses			**(.3)**	
Net investment	9.8	63%	**7.8**	**67%**
Total FASB ASC 310-30 purchased impaired loans:				
Unpaid principal balance	21.9		**15.2**	
Purchased impaired mark	(9.2)(b)		**(4.9)(b)**	
Recorded investment	12.7		**10.3**	
Allowance for loan losses			**(.5)(c)**	
Net investment	$ 12.7	58%	**$ 9.8**	**64%**

(a) Subsequent to December 31, 2008, an additional $2.6 billion of acquired National City loans were identified as impaired under FASB ASC 310-30. A total fair value mark of $1.8 billion was recorded, resulting in a $.8 billion net investment. These impairments were effective December 31, 2008 based on additional information regarding the borrowers and credit conditions that existed as of the acquisition date.

(b) Comprised of $5.5 billion of nonaccretable and $3.7 billion of accretable at December 31, 2008 and $1.4 billion of nonaccretable and $3.5 billion of accretable at December 31, 2009.

(c) An additional allowance for loan losses of $.5 billion does not recognize the incremental accretable yield of $.9 billion related to certain purchased impaired loans with improving estimated cash flows. This income will be recognized over time.

The unpaid principal balance of purchased impaired loans declined from $21.9 billion at December 31, 2008 to $15.2 billion at December 31, 2009 due to amounts determined to be uncollectible, payoffs and disposals. The remaining purchased impaired mark at December 31, 2009 was $4.9 billion and declined from $9.2 billion at December 31, 2008 primarily due to amounts determined to be uncollectible. The net investment of $12.7 billion at December 31, 2008 declined to $9.8 billion at December 31, 2009 primarily due to payoffs, disposals and further impairment partially offset by accretion during 2009.

We currently expect to collect total cash flows of $13.8 billion on purchased impaired loans, representing the $10.3 billion recorded investment at December 31, 2009 and the accretable net interest of $3.5 billion shown in the Accretable Net Interest table that follows.

Purchase Accounting Net Interest Accretion

Year ended December 31- in billions	**2009**
Non-impaired loans	**$.8**
Impaired loans	
Accretion	**.9**
Cash recoveries	**.2**
Total impaired loans	**1.1**
Reversal of contractual interest on impaired loans	**(.7)**
Net impaired loans	**.4**
Securities	**.1**
Deposits	**1.0**
Borrowings	**(.3)**
Total	**$2.0**

Accretable Net Interest

In billions	Dec. 31 2008	**Dec. 31 2009**
Non-impaired loans	$ 2.4	**$ 1.6**
Impaired loans (a)	3.7	**3.5**
Total loans (gross)	6.1	**5.1**
Securities	.2	**.1**
Deposits (b)	2.1	**1.0**
Borrowings	(1.5)	**(1.2)**
Total	$ 6.9	**$ 5.0**

(a) Adjustments to accretable net interest include purchase accounting accretion, reclassifications from non-accretable to accretable interest as a result of increases in estimated cash flows, and reductions in the accretable amount as a result of additional loan impairments.

(b) Adjustments to accretable net interest include the impact of branch divestitures.

Accretable Net Interest – Purchased Impaired Loans

In billions	
January 1, 2009	$3.7
Accretion	(1.1)
Adjustments resulting from changes in purchase price allocation	.3
Reclassifications from nonaccretable to accretable	.8
Disposals	(.2)
December 31, 2009	**$ 3.5**

Net unfunded credit commitments are comprised of the following:

Net Unfunded Credit Commitments

In millions	Dec. 31 2009	Dec. 31 2008
Commercial/commercial real estate (a)	**$ 60,143**	$ 60,020
Home equity lines of credit	**20,367**	23,195
Consumer credit card and other unsecured lines	**18,800**	20,207
Other	**1,485**	1,466
Total	**$100,795**	$104,888

(a)Less than 4% of these amounts relate to commercial real estate.

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 $13.2 billion at December 31, 2009 and $8.6 billion at December 31, 2008.

Unfunded liquidity facility commitments and standby bond purchase agreements totaled $6.2 billion at December 31, 2009 and $7.0 billion at December 31, 2008 and are included in the preceding table primarily within the "Commercial/commercial real estate" category.

In addition to credit commitments, our net outstanding standby letters of credit totaled $10.0 billion at December 31, 2009 and $10.3 billion at December 31, 2008. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

INVESTMENT SECURITIES

Details of Investment Securities

In millions	Amortized Cost	Fair Value
December 31, 2009		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
US Treasury and government agencies	**$ 7,548**	**$ 7,520**
Residential mortgage-backed		
Agency	**24,076**	**24,438**
Non-agency	**10,419**	**8,302**
Commercial mortgage-backed		
Agency	**1,299**	**1,297**
Non-agency	**4,028**	**3,848**
Asset-backed	**2,019**	**1,668**
State and municipal	**1,346**	**1,350**
Other debt	**1,984**	**2,015**
Corporate stocks and other	**360**	**360**
Total securities available for sale	**$53,079**	**$50,798**
SECURITIES HELD TO MATURITY		
Debt securities		
Commercial mortgage-backed (non-agency)	**$ 2,030**	**$ 2,225**
Asset-backed	**3,040**	**3,136**
Other debt	**159**	**160**
Total securities held to maturity	**$ 5,229**	**$ 5,521**
December 31, 2008		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
US Treasury and government agencies	$ 738	$ 739
Residential mortgage-backed		
Agency	22,744	23,106
Non-agency	13,205	8,831
Commercial mortgage-backed (non-agency)	4,305	3,446
Asset-backed	2,069	1,627
State and municipal	1,326	1,263
Other debt	563	559
Corporate stocks and other	575	571
Total securities available for sale	$45,525	$40,142
SECURITIES HELD TO MATURITY		
Debt securities		
Commercial mortgage-backed (non-agency)	$ 1,945	$ 1,896
Asset-backed	1,376	1,358
Other debt	10	10
Total securities held to maturity	$ 3,331	$ 3,264

The carrying amount of investment securities totaled $56.0 billion at December 31, 2009 and $43.5 billion at December 31, 2008 and represented 21% of total assets at December 31, 2009 compared with 15% of total assets at December 31, 2008. The increase in securities of $12.6 billion since December 31, 2008 primarily reflected the purchase of US Treasury and government agency securities as well as price appreciation in the available for sale portfolio, partially offset by maturities, prepayments and sales.

We evaluate our portfolio of investment securities in light of changing market conditions and other factors and, where appropriate, take steps intended to improve our overall positioning. Overall, we consider the portfolio to be well-diversified and high quality. US Treasury and government agencies, agency residential mortgage-backed securities and agency commercial mortgage-backed securities collectively represented 59% of the investment securities portfolio at December 31, 2009.

At December 31, 2009, the securities available for sale portfolio included a net unrealized loss of $2.3 billion, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2008 was a net unrealized loss of $5.4 billion. The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. The fair value of investment securities generally decreases when interest rates increase and vice versa. In addition, the fair value generally decreases when credit spreads widen and vice versa. The decline in the net unrealized loss from the prior year-end was primarily the result of improving fair values in non-agency residential mortgage-backed and non-agency commercial mortgage-backed securities. 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.

Unrealized gains and losses on available for sale securities do not impact liquidity or risk-based capital. However, reductions in the credit ratings of these securities would have an impact on the determination of risk-weighted assets which could reduce our regulatory capital ratios. In addition, the amount representing the credit-related portion of other-than-temporary impairments on available for sale securities would reduce our earnings and regulatory capital ratios.

The expected weighted-average life of investment securities (excluding corporate stocks and other) was 4.1 years at December 31, 2009 and 3.1 years at December 31, 2008.

We estimate that at December 31, 2009 the effective duration of investment securities was 2.9 years for an immediate 50 basis points parallel increase in interest rates and 2.5 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2008 were 3.7 years and 3.1 years, respectively.

The following table provides detail regarding the vintage, current credit rating, and FICO score of the underlying collateral at origination for residential mortgage-backed, commercial mortgage-backed and other asset-backed securities held in the available for sale and held to maturity portfolios:

	December 31, 2009				
	Agency		Non-agency		
Dollars in millions	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Residential Mortgage-Backed Securities	Commercial Mortgage-Backed Securities	Asset-Backed Securities
Fair Value – Available for Sale	$ 24,438	$ 1,297	$ 8,302	$ 3,848	$ 1,668
Fair Value – Held to Maturity				2,225	3,136
Total Fair Value	$ 24,438	$ 1,297	$ 8,302	$ 6,073	$ 4,804
% of Fair Value:					
By Vintage					
2009	40%	73%		2%	34%
2008	17%	2%			11%
2007	9%		16%	16%	17%
2006	11%	3%	23%	33%	18%
2005 and earlier	23%	22%	61%	49%	20%
Total	100%	100%	100%	100%	100%
By Credit Rating					
Agency	100%	100%			
AAA			12%	91%	74%
AA			7%	2%	5%
A			8%	3%	
BBB			12%	3%	1%
BB			16%	1%	5%
B			15%		5%
Lower than B			30%		8%
No rating					2%
Total	100%	100%	100%	100%	100%
By FICO Score					
>720			61%		4%
<720 and >660			30%		10%
<660					4%
No FICO score	N/A	N/A	9%	N/A	82%
Total			100%		100%

We conduct a comprehensive security-level impairment assessment quarterly on all securities in an unrealized loss position to determine whether the loss represents OTTI. Our assessment considers the security structure, recent security collateral performance metrics, external credit ratings, failure of the issuer to make scheduled interest or principal payments, our judgment and expectations of future performance, and relevant independent industry research, analysis and forecasts.

We also consider the severity of the impairment and the length of time that the security has been impaired in our assessment. Results of the periodic assessment are reviewed by a cross-functional senior management team representing Asset & Liability Management, Finance, and Balance Sheet Risk Management. The senior management team considers the results of the assessments, as well as other factors, in determining whether the impairment is other-than-temporary. New US GAAP issued in 2009 amended OTTI guidance for debt securities regarding recognition and disclosure. The major change in the guidance was the requirement to recognize only the credit portion of OTTI charges in current earnings for those debt securities where there is no intent to sell and it is not more likely than not that the entity would be required to sell the security prior to expected recovery. The remaining portion of OTTI charges is included in accumulated other comprehensive loss.

PNC adopted this guidance effective January 1, 2009. Upon adoption, we recorded a cumulative effect adjustment of $110 million to retained earnings at January 1, 2009 to reclassify the noncredit component of OTTI recognized in 2008 from retained earnings to accumulated other comprehensive loss. During 2009, we recognized OTTI losses of $1.9 billion, of which $577 million represented the credit portion of the losses recognized as a reduction of noninterest income on our Consolidated Income Statement. The remaining noncredit portion of the OTTI losses totaled $1.4 billion and was recognized in accumulated other comprehensive loss on the

Consolidated Balance Sheet at December 31, 2009. Included below is detail on the net unrealized losses and OTTI credit losses recorded on non-agency residential and commercial mortgage-backed and other asset-backed securities, which represent the portfolios that have generated the majority of the OTTI losses.

A summary of all OTTI credit losses recognized in 2009 by investment type is included in Note 7 Investment Securities in the Notes To Consolidated Financial Statements of this Report.

	December 31, 2009					
In millions	Residential Mortgage-Backed Securities		Commercial Mortgage-Backed Securities		Asset-Backed Securities (a)	
AVAILABLE FOR SALE SECURITIES NON-AGENCY	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)	Fair Value	Net Unrealized Gain (Loss)
By Credit Rating						
AAA	**$ 977**	**$ (143)**	**$3,314**	**$ (30)**	**$ 729**	**$ (23)**
Other Investment Grade (AA, A, BBB)	**2,259**	**(287)**	**492**	**(131)**	**76**	**(6)**
Total Investment Grade	**3,236**	**(430)**	**3,806**	**(161)**	**805**	**(29)**
BB	**1,306**	**(392)**	**38**	**(20)**	**203**	**(67)**
B	**1,260**	**(448)**	**4**	**1**	**235**	**(43)**
Lower than B	**2,497**	**(847)**			**388**	**(188)**
No Rating	**3**				**33**	**(24)**
Total Sub-Investment Grade	**5,066**	**(1,687)**	**42**	**(19)**	**859**	**(322)**
Total	**$8,302**	**$ (2,117)**	**$3,848**	**$ (180)**	**$1,664**	**$ (351)**
Investment Grade:						
OTTI has been recognized	**$ 152**	**$ (45)**				
No OTTI recognized to date	**3,084**	**(385)**	**$3,806**	**$ (161)**	**$ 805**	**$ (29)**
Total Investment Grade	**$3,236**	**$ (430)**	**$3,806**	**$ (161)**	**$ 805**	**$ (29)**
Sub-Investment Grade:						
OTTI has been recognized	**$2,491**	**$ (1,029)**			**$ 562**	**$ (221)**
No OTTI recognized to date	**2,575**	**(658)**	**$ 42**	**$ (19)**	**297**	**(101)**
Total Sub-Investment Grade	**$5,066**	**$ (1,687)**	**$ 42**	**$ (19)**	**$ 859**	**$ (322)**
SECURITIES HELD TO MATURITY NON-AGENCY						
By Credit Rating						
AAA			**$2,225**	**$ 195**	**$2,822**	**$ 95**
Other Investment Grade (AA, A, BBB)					**215**	**10**
Total Investment Grade			**2,225**	**195**	**3,037**	**105**
BB					**25**	**1**
B					**4**	
No Rating					**55**	**(10)**
Total Sub-Investment Grade					**84**	**(9)**
Total			**$2,225**	**$ 195**	**$3,121**	**$ 96**

(a) Table excludes $4 million and $15 million of available for sale and held to maturity agency asset-backed securities, respectively.

Residential Mortgage-Backed Securities

At December 31, 2009, our residential mortgage-backed securities portfolio was comprised of $24.4 billion fair value of US government agency-backed securities and $8.3 billion fair value of non-agency (private issuer) securities. The agency securities are generally collateralized by 1-4 family, conforming, fixed-rate residential mortgages**.** The non-agency securities are also generally collateralized by 1-4 family residential mortgages. The mortgage loans underlying the non-agency securities are generally non-conforming (i.e., original balances in excess of the amount qualifying for agency securities) and predominately have interest rates that are fixed for a period of time, after which the rate adjusts to a floating rate based upon a contractual spread that is indexed to a market rate (i.e., a "hybrid ARM"), or interest rates that are fixed for the term of the loan.

Substantially all of the securities are senior tranches in the securitization structure and have credit protection in the form of credit enhancement, over-collateralization and/or excess spread accounts.

During 2009, we recorded OTTI credit losses of $444 million on non-agency residential mortgage-backed securities. As of

December 31, 2009, $397 million of the credit losses related to securities rated below investment grade. As of December 31, 2009, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for non-agency residential mortgage-backed securities totaled $1.1 billion and the related securities had a fair value of $2.6 billion.

The fair value of sub-investment grade investment securities for which we have not recorded an OTTI credit loss as of December 31, 2009 totaled $2.6 billion, with unrealized net losses of $658 million. The results of our security-level assessments indicate that we will recover the entire cost basis of these securities. Note 7 Investment Securities in the Notes To Consolidated Financial Statements of this Report provides further detail regarding our process for assessing OTTI for these securities.

Commercial Mortgage-Backed Securities
The fair value of the non-agency commercial mortgage-backed securities portfolio was $6.1 billion at December 31, 2009 and consisted of fixed-rate, private-issuer securities collateralized by non-residential properties, primarily retail properties, office buildings, and multi-family housing. The agency commercial mortgage-backed securities portfolio was $1.3 billion fair value at December 31, 2009 consisting of multi-family housing. Substantially all of the securities are the most senior tranches in the subordination structure.

We recorded OTTI credit losses of $6 million on non-agency commercial mortgage-backed securities during 2009. The remaining fair value of the securities for which OTTI was recorded approximates zero. All of the credit-impaired securities were rated below investment grade.

Asset-Backed Securities
The fair value of the asset-backed securities portfolio was $4.8 billion at December 31, 2009 and consisted of fixed-rate and floating-rate, private-issuer securities collateralized primarily by various consumer credit products, including residential mortgage loans, credit cards, and automobile loans. Substantially all of the securities are senior tranches in the securitization structure and have credit protection in the form of credit enhancement, over-collateralization and/or excess spread accounts.

We recorded OTTI credit losses of $111 million on asset-backed securities during 2009. All of the securities were collateralized by first and second lien residential mortgage loans and were rated below investment grade. As of December 31, 2009, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for asset-backed securities totaled $221 million and the related securities had a fair value of $562 million.

For the sub-investment grade investment securities for which we have not recorded an OTTI loss through December 31, 2009, the remaining fair value was $381 million, with unrealized net losses of $110 million. The results of our security-level assessments indicate that we will recover the entire cost basis of these securities. Note 7 Investment Securities in the Notes To Consolidated Financial Statements of this Report provides further detail regarding our process for assessing OTTI for these securities.

If the current housing and economic conditions were to continue for the foreseeable future or worsen, if market volatility and illiquidity were to continue or worsen, or if market interest rates were to increase appreciably, the valuation of our investment securities portfolio could continue to be adversely affected and we could incur additional OTTI credit losses that would impact our Consolidated Income Statement.

Loans Held For Sale

In millions	**Dec. 31 2009**	Dec. 31 2008
Commercial mortgages at fair value	**$1,050**	$1,401
Commercial mortgages at lower of cost or market	**251**	747
Total commercial mortgages	**1,301**	2,148
Residential mortgages at fair value	**1,012**	1,824
Residential mortgages at lower of cost or market		138
Total residential mortgages	**1,012**	1,962
Other	**226**	256
Total	**$2,539**	$4,366

We stopped originating commercial mortgage loans held for sale designated at fair value during the first quarter of 2008 and intend to continue pursuing opportunities to reduce these positions at appropriate prices. For commercial mortgages held for sale carried at the lower of cost or market, strong origination volumes partially offset sales to government agencies of $5.4 billion during 2009.

We recognized net gains of $107 million in 2009 on the valuation and sale of commercial mortgage loans held for sale, net of hedges, carried at fair value and lower of cost or market compared with losses of $197 million in 2008. We sold $.3 billion and $.6 billion, respectively, of commercial mortgage loans held for sale carried at fair value in 2009 and 2008.

Residential mortgage loans held for sale decreased during 2009 despite strong refinancing volumes, especially in the first quarter. Loan origination volume was $19.1 billion. Substantially all such loans were originated to agency standards. We sold $19.8 billion of loans and recognized related gains of $435 million during 2009.

Net interest income on residential mortgage loans held for sale was $332 million for 2009.

Goodwill and Other Intangible Assets
Goodwill increased $637 million and other intangible assets increased $584 million at December 31, 2009 compared with December 31, 2008. Note 2 Acquisitions and Divestitures and Note 9 Goodwill and Other Intangible Assets in the Notes To Consolidated Financial Statements in Item 8 of this Report have further details on the National City-related items that were the primary drivers of these increases.

FUNDING AND CAPITAL SOURCES

Details Of Funding Sources

In millions	Dec. 31 2009	Dec. 31 2008
Deposits		
Money market	**$ 85,838**	$ 77,889
Demand	**40,406**	33,001
Retail certificates of deposit	**48,622**	58,315
Savings	**6,401**	6,056
Other time	**1,088**	13,620
Time deposits in foreign offices	**4,567**	3,984
Total deposits	**186,922**	192,865
Borrowed funds		
Federal funds purchased and repurchase agreements	**3,998**	5,153
Federal Home Loan Bank borrowings	**10,761**	18,126
Bank notes and senior debt	**12,362**	13,664
Subordinated debt	**9,907**	11,208
Other	**2,233**	4,089
Total borrowed funds	**39,261**	52,240
Total	**$226,183**	$245,105

Total funding sources decreased $18.9 billion at December 31, 2009 compared with December 31, 2008 driven by declines in other time deposits, retail certificates of deposit and Federal Home Loan Bank borrowings, partially offset by increases in money market and demand deposits.

Total deposits decreased $5.9 billion at December 31, 2009 compared with December 31, 2008. Relationship-growth driven increases in money market, demand and savings deposits were more than offset by declines in other time deposits, reflecting a planned run-off of brokered certificates of deposits, and non-relationship retail certificates of deposits. We anticipate that growth in relationship-based deposits will be offset by additional run-off of higher-cost retail time deposits in 2010.

Interest-bearing deposits represented 76% of total deposits at December 31, 2009 compared with 81% at December 31, 2008.

The $13.0 billion decline in borrowed funds since December 31, 2008 primarily resulted from repayments of Federal Home Loan Bank borrowings along with decreases in all other borrowed fund categories.

In March 2009, PNC issued $1.0 billion of floating rate senior notes guaranteed by the FDIC under the TLGP. In addition, PNC issued $1.5 billion of senior notes during the second and third quarters of 2009, which were not issued under the TLGP. The Liquidity Risk Management section of this Item 7 contains further details regarding actions we have taken which impacted our borrowed funds balances in 2009.

In February 2010, PNC issued $2.0 billion of senior notes as described further in the Liquidity Risk Management section of this Item 7.

Capital
We manage our capital position by making adjustments to our balance sheet size and composition, issuing debt, equity or hybrid instruments, executing treasury stock transactions, managing dividend policies and retaining earnings. On March 1, 2009, we took the proactive step to build capital and further strengthen our balance sheet when the Board of Directors decided to reduce PNC's quarterly common stock dividend from $0.66 to $0.10 per share. The reduction added $766 million in 2009, and is expected to add approximately $1 billion on an annualized basis, to PNC's common equity and cash positions, resulting in annual improvement in capital ratios of approximately 40 basis points.

Total shareholders' equity increased $4.5 billion, to $29.9 billion, at December 31, 2009 compared with December 31, 2008 primarily due to the following:

- A decline of $2.0 billion in accumulated other comprehensive loss primarily as a result of decreases in net unrealized securities losses as more fully described in the Investment Securities portion of this Consolidated Balance Sheet Review,
- An increase of $1.7 billion in retained earnings, and
- An increase of $.6 billion in capital surplus-common stock and other, primarily due to the May 2009 common stock issuance.

Common shares outstanding were 462 million at December 31, 2009 and 443 million at December 31, 2008. As described in the Executive Summary section of this Item 7, in May 2009 we raised $624 million in new common equity through the issuance of 15 million shares of common stock. The offering was related to our plan for increasing common equity following the results of the stress tests conducted under the Supervisory Capital Assessment Program by the Board of Governors of the Federal Reserve System and the OCC.

We expect to continue to increase our common equity as a proportion of total capital through growth in retained earnings and will consider other capital opportunities as appropriate. See Repurchase of Outstanding TARP Preferred Stock in the Executive Summary section and information regarding our February 2010 common stock offering in the Liquidity Risk Management section of this Report.

Our current common stock repurchase program permits us to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. This program will remain in effect until fully utilized or until modified, superseded or terminated. The extent and timing of 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 and contractual limitations, and the potential impact on our credit ratings. We did not purchase any shares during 2009 under this program.

Risk-Based Capital

Dollars in millions	**Dec. 31 2009**	Dec. 31 2008
Capital components		
Shareholders' equity		
Common	**$ 21,967**	$ 17,490
Preferred	**7,975**	7,932
Trust preferred capital securities	**2,996**	2,898
Noncontrolling interests	**1,611**	1,506
Goodwill and other intangible assets	**(10,652)**	(9,800)
Eligible deferred income taxes on goodwill and other intangible assets	**738**	594
Pension, other postretirement benefit plan adjustments	**542**	666
Net unrealized securities losses, after-tax	**1,575**	3,618
Net unrealized losses (gains) on cash flow hedge derivatives, after-tax	**(166)**	(374)
Other	**(63)**	(243)
Tier 1 risk-based capital	**26,523**	24,287
Subordinated debt	**5,356**	5,676
Eligible allowance for credit losses	**2,934**	3,153
Total risk-based capital	**$ 34,813**	$ 33,116
Tier 1 common capital		
Tier 1 risk-based capital	**$ 26,523**	$ 24,287
Preferred equity	**(7,975)**	(7,932)
Trust preferred capital securities	**(2,996)**	(2,898)
Noncontrolling interests	**(1,611)**	(1,506)
Tier 1 common capital	**$ 13,941**	$ 11,951
Assets		
Risk-weighted assets, including off- balance sheet instruments and market risk equivalent assets	**$232,257**	$251,106
Adjusted average total assets	**263,103**	138,689
Capital ratios		
Tier 1 risk-based	**11.4%**	9.7%
Tier 1 common	**6.0**	4.8
Total risk-based	**15.0**	13.2
Leverage	**10.1**	17.5

Federal banking regulators have stated that they expect all bank holding companies to have a level and composition of Tier 1 capital well in excess of the 4% regulatory minimum, and they have required the largest US bank holding companies, including PNC, to have a capital buffer sufficient to withstand losses and allow them to meet credit needs of their customers through the economic downturn. They have also stated their view that common equity should be the dominant form of Tier 1 capital. As a result, regulators are now emphasizing the Tier 1 common capital ratio in their evaluation of bank holding company capital levels, although this metric is not provided for in the regulations. We seek to manage our capital consistent with these regulatory principles, and believe that our year-end capital levels were aligned with them. Actions that we have taken since year-end that increase our Tier 1 common capital ratio on a pro forma basis are described below.

Capital levels were strengthened during 2009. Higher capital levels were net of dividend payments including $332 million paid to the US Department of the Treasury during 2009 on $7.6 billion of preferred stock. See Repurchase of Outstanding TARP Preferred Stock and Pending Sale of PNC Global Investment Servicing in the Executive Summary section of Item 7. Our Tier 1 risk-based capital ratio and our Tier 1 common capital ratio would have been 10.3% and 8.0%, respectively, at December 31, 2009 had they included the estimated net impact of the redemption of the outstanding TARP preferred stock, our February 2010 equity offering discussed further in the Liquidity Risk Management section of Item 7, and the pending sale of GIS. We provide a reconciliation of these ratios reflecting the impact of the TARP redemption, common equity offering and sale of GIS to the ratios set forth in the Risk-Based Capital table above in the Statistical Information (Unaudited) section in Item 8 of this Report.

PNC's Tier 1 risk-based capital ratio increased by 170 basis points to 11.4% at December 31, 2009 from 9.7% at December 31, 2008. The increase in the ratio was due to higher risk-based capital primarily from retained earnings and the May 2009 common equity issuance coupled with a decline in risk-weighted assets. Our Tier 1 common capital ratio was 6.0% at December 31, 2009 compared with 4.8% at December 31, 2008.

The leverage ratio at December 31, 2008 reflected the favorable impact on Tier 1 risk-based capital from the issuance of securities under TARP and the issuance of PNC common stock in connection with the National City acquisition, both of which occurred on December 31, 2008. In addition, the ratio as of that date did not reflect any impact of National City on PNC's adjusted average total assets.

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.

We merged the charter of PNC Bank Delaware into PNC Bank, N.A. during August 2009 and merged the charter of National City Bank into PNC Bank, N.A. in November 2009.

At December 31, 2009, PNC Bank, N.A., our domestic bank subsidiary, was considered "well capitalized" based on US regulatory capital ratio requirements. See the Supervision And Regulation section of Item 1 of this Report and Note 23 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information. We believe PNC Bank, N.A. will continue to meet these requirements during 2010.

OFF-BALANCE SHEET ARRANGEMENTS AND VIES

We engage in a variety of activities that involve unconsolidated entities including qualified special purpose entities (QSPEs) or that are otherwise not reflected on 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 10 Loan Sales and Securitizations and Note 25 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 that we have consolidated and those in which we hold a significant variable interest but have not consolidated into our financial statements as of December 31, 2009 and December 31, 2008.

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Liabilities
Tax credit investments (a)		
December 31, 2009	**$ 1,933**	**$ 808**
December 31, 2008	$ 1,690	$ 921
Credit Risk Transfer Transaction		
December 31, 2009	**$ 860**	**$ 860**
December 31, 2008	$ 1,070	$ 1,070

(a) Amounts reported primarily represent investments in low income housing projects.

Impact of New Accounting Guidance in 2010

We transfer loans to QSPEs sponsored by PNC or third parties in connection with loan sales and securitization transactions. These transactions effectively transfer the risk to the QSPE and permit the loans to be excluded from our Consolidated Balance Sheet. See Note 10 Loan Sales and Securitizations included in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

The FASB issued guidance during 2009 that removes the nonconsolidation exception for QSPEs and includes new criteria for determining the primary beneficiary of a VIE. The guidance also increases the frequency of required reassessments to determine whether an entity is the primary beneficiary of a VIE and requires enhanced disclosures. We adopted this guidance effective January 1, 2010. Based on the new guidance, we consolidated Market Street effective January 1, 2010. Accordingly, we recognized the assets, liabilities and noncontrolling interests of Market Street on our Consolidated Balance Sheet based on their respective carrying amounts as prescribed by the guidance. We also consolidated the QSPE associated with the securitization of credit card loans effective January 1, 2010. These changes had a minimal impact on our capital ratios. We are continuing to analyze other entities, including non-PNC sponsored securitization trusts where we provide loan servicing, for possible consolidation of the trusts.

The impact on total assets of adopting this new accounting standard on January 1, 2010 for those VIEs that were consolidated is as follows:

In millions	Incremental Assets
Market Street	$ 2,486
Credit card loans	1,480
Total	$ 3,966

Non-Consolidated VIEs – Significant Variable Interests

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss
December 31, 2009			
Market Street	**$ 3,698**	**$ 3,718**	**$ 6,155(a)**
Tax credit investments (b) (c)	**1,786**	**1,156**	**743**
Collateralized debt obligations	**23**		**2**
Total	**$ 5,507**	**$ 4,874**	**$ 6,900**
December 31, 2008			
Market Street	$ 4,916	$ 5,010	$ 6,965(a)
Tax credit investments (b) (c)	1,517	1,041	811
Collateralized debt obligations	20		2
Total	$ 6,453	$ 6,051	$ 7,778

(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, 2009. The comparable amounts were $6.4 billion and $.6 billion at December 31, 2008.
(b) Amounts reported primarily represent investments in low income housing projects.
(c) Aggregate assets and aggregate liabilities represent estimated balances due to limited availability of financial information associated with certain acquired National City partnerships.

Market Street

Market Street is a multi-seller asset-backed commercial paper conduit that is owned by an independent third party. Market Street's activities primarily involve purchasing assets or making loans secured by interests in pools of receivables from US corporations that desire access to the commercial paper market. Market Street funds the purchases of assets or loans by issuing commercial paper which has been rated A1/P1/F1 by Standard & Poor's, Moody's, and Fitch, respectively, and is supported by pool-specific credit enhancements, liquidity facilities and program-level credit enhancement. Generally, Market Street mitigates its potential interest rate risk by entering into agreements with its borrowers that reflect interest rates based upon its weighted average commercial paper cost of funds. During 2008 and 2009, Market Street met all of its funding needs through the issuance of commercial paper.

Market Street commercial paper outstanding was $3.1 billion at December 31, 2009 and $4.4 billion at December 31, 2008. The weighted average maturity of the commercial paper was 36 days at December 31, 2009 and 24 days at December 31, 2008.

Effective October 28, 2008, Market Street was approved to participate in the Federal Reserve's CPFF authorized under Section 13(3) of the Federal Reserve Act. The CPFF commitment to purchase up to $5.4 billion of three-month Market Street commercial paper expired on February 1, 2010. Market Street had no borrowings under this facility at December 31, 2009 or during the year then ended.

During 2009, PNC Capital Markets, acting as a placement agent for Market Street, held a maximum daily position in Market Street commercial paper of $135 million with an average balance of $19 million. This compares with a maximum daily position of $75 million with an average balance of $12 million during 2008. PNC Capital Markets owned no Market Street commercial paper at December 31, 2009 and December 31, 2008. PNC Bank, N.A. made no purchases of Market Street commercial paper during 2009.

PNC Bank, N.A. provides certain administrative services, the program-level credit enhancement and all of the liquidity facilities to Market Street in exchange for fees negotiated based on market rates. Program administrator fees related to PNC's portion of liquidity facilities were $43 million for 2009 and $21 million for 2008. Commitment fees related to PNC's portion of the liquidity facilities for 2009 and 2008 were insignificant.

The commercial paper obligations at December 31, 2009 and December 31, 2008 were effectively collateralized by Market Street's assets. While PNC may be obligated to fund under the $5.6 billion of liquidity facilities for events such as commercial paper market disruptions, borrower bankruptcies, collateral deficiencies or covenant violations, our credit risk under the liquidity facilities is secondary to the risk of first loss provided by the borrower or another third party in the form of deal-specific credit enhancement, such as 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 expected losses for the pool of assets and is sized to generally meet rating agency standards for comparably structured transactions. In addition, PNC would be required to fund $.4 billion of the liquidity facilities if the underlying assets are in default. See Note 25 Commitments And Guarantees included in the Notes To Consolidated Financial Statements of this Report for additional information.

PNC provides program-level credit enhancement to cover net losses in the amount of 10% of commitments, excluding explicitly rated AAA/Aaa facilities. PNC provides 100% of the enhancement in the form of a cash collateral account funded by a loan facility. This facility expires in March 2013.

Market Street has entered into a Subordinated Note Purchase Agreement (Note) with an unrelated third party. The Note provides first loss coverage whereby the investor absorbs losses up to the amount of the Note, which was $8.0 million as of December 31, 2009. Proceeds from the issuance of the Note are held by Market Street in a first loss reserve account that will 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.

Assets of Market Street (a)

In millions	Outstanding	Commitments	Weighted Average Remaining Maturity In Years
December 31, 2009			
Trade receivables	**$ 1,551**	**$ 4,105**	**2.01**
Automobile financing	**480**	**480**	**4.20**
Auto fleet leasing	**412**	**543**	**.85**
Collateralized loan obligations	**126**	**150**	**.36**
Residential mortgage	**13**	**13**	**26.01**
Other	**534**	**567**	**1.65**
Cash and miscellaneous receivables	**582**		
Total	**$ 3,698**	**$ 5,858**	**2.06**
December 31, 2008			
Trade receivables	$ 1,516	$ 3,370	2.34
Automobile financing	992	992	3.94
Auto fleet leasing	473	560	1.34
Collateralized loan obligations	306	405	1.58
Credit cards	400	400	.19
Residential mortgage	14	14	27.00
Other	695	765	2.06
Cash and miscellaneous receivables	520		
Total	$ 4,916	$ 6,506	2.34

(a) Market Street did not recognize an asset impairment charge or experience any material rating downgrades during 2008 or 2009.

Market Street Commitments by Credit Rating (a)

	December 31, 2009	December 31, 2008
AAA/Aaa	**14%**	19%
AA/Aa	**50**	6
A/A	**34**	72
BBB/Baa	**2**	3
Total	**100%**	100%

(a) The majority of our facilities are not explicitly rated by the rating agencies. All facilities are structured to meet rating agency standards for applicable rating levels.

We evaluated the design of Market Street, its capital structure, the Note, and relationships among the variable interest holders. Based on this analysis and under accounting guidance effective during 2009 and 2008, we are not the primary beneficiary and therefore the assets and liabilities of Market Street are not included on our Consolidated Balance Sheet.

We considered changes to the variable interest holders (such as new expected loss note investors and changes to program-level credit enhancement providers), terms of expected loss notes, and new types of risks related to Market Street as reconsideration events. We reviewed the activities of Market Street on at least a quarterly basis to determine if a reconsideration event has occurred.

Tax Credit Investments

We make certain equity investments in various limited partnerships or limited liability companies (LLCs) that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) pursuant to Sections 42 and 47 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 investments 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. We typically invest in these partnerships as a limited partner or non-managing member.

Also, we are a national syndicator of affordable housing equity (together with the investments described above, the “LIHTC investments”). In these syndication transactions, we create funds in which our subsidiaries are the general partner or managing member and sell limited partnership or non-managing member interests to third parties, and in some cases may also purchase a limited partnership or non-managing member interest in the fund. The purpose of this business is to generate income from the syndication of these funds, generate servicing fees by managing the funds, and earn tax credits to reduce our tax liability. General partner or managing member 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.

We evaluate our interests and third party interests in the limited partnerships/LLCs in determining whether we are the primary beneficiary. The primary beneficiary determination is based on which party absorbs a majority of the variability. The primary sources of variability in LIHTC investments are the tax credits, tax benefits due to passive losses on the investments and development and operating cash flows. We have consolidated LIHTC investments in which we absorb a majority of the variability and thus are considered the primary beneficiary. The assets are primarily included in Equity investments and Other assets on our Consolidated Balance Sheet with the liabilities classified in Other liabilities and third party investors’ interests included in the Equity section as Noncontrolling interests. Neither creditors nor equity investors in the LIHTC investments have any recourse to our general credit. The consolidated aggregate assets and liabilities of these LIHTC investments are provided in the Consolidated VIEs – PNC Is Primary Beneficiary table and reflected in the “Other” business segment.

We also have LIHTC investments in which we are not the primary beneficiary, but are considered to have a significant variable interest based on our interests in the partnership/LLC. These investments are disclosed in the Non-Consolidated VIEs – Significant Variable Interests table. The table also reflects our maximum exposure to loss. Our maximum exposure to loss is equal to our legally binding equity commitments adjusted for recorded impairment and partnership results. We use the equity and cost methods to account for our investment in these entities with the investments reflected in Equity investments on our Consolidated Balance Sheet. In addition, we increase our recognized investments and recognize a liability for all legally binding unfunded equity commitments. These liabilities are reflected in Other liabilities on our Consolidated Balance Sheet.

Credit Risk Transfer Transaction

National City Bank, (a former PNC subsidiary which merged into PNC Bank, N.A. in November 2009) sponsored a special purpose entity (SPE) and concurrently entered into a credit risk transfer agreement with an independent third party to mitigate credit losses on a pool of nonconforming mortgage loans originated by its former First Franklin business unit. The SPE was formed with a small equity contribution and was structured as a bankruptcy-remote entity so that its creditors have no recourse to us. In exchange for a perfected security interest in the cash flows of the nonconforming mortgage loans, the SPE issued to us asset-backed securities in the form of senior, mezzanine, and subordinated equity notes.

The SPE was deemed to be a VIE as its equity was not sufficient to finance its activities. We were determined to be the primary beneficiary of the SPE as we would absorb the majority of the expected losses of the SPE through our holding of the asset-backed securities. Accordingly, this SPE was consolidated and all of the entity’s assets, liabilities, and equity associated with the note tranches held by us are intercompany balances and are eliminated in consolidation. Nonconforming mortgage loans, including foreclosed properties, pledged as collateral to the SPE remain on the balance sheet at a net carrying value of $587 million at December 31, 2009.

In connection with the credit risk transfer agreement, we held the right to put the mezzanine notes to the independent third-party once credit losses in the mortgage loan pool exceeded the principal balance of the subordinated equity notes. During 2009, cumulative credit losses in the mortgage loan pool surpassed the principal balance of the subordinated equity notes which resulted in us exercising our put option on two of the subordinate mezzanine notes. Cash proceeds received from the third party for the exercise of these put options totaled $36 million. In addition, during 2009 we entered into an agreement with the third party to terminate each party's rights and obligations under the credit risk transfer agreement for the remaining mezzanine notes. We agreed to terminate our contractual right to put the remaining mezzanine notes to the third party for a cash payment of $126 million. A pretax gain of $10 million was recognized in noninterest income as a result of these transactions.

We assessed what impact the reconsideration events above had on determining whether we would remain the primary beneficiary of the SPE. Management concluded that we would remain the primary beneficiary and accordingly should continue to consolidate the SPE.

Perpetual Trust Securities

We issue certain hybrid capital vehicles that qualify as capital for regulatory and rating agency purposes.

In February 2008, PNC Preferred Funding LLC (the LLC), one of our indirect subsidiaries, sold $375 million of 8.700% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities of PNC Preferred Funding Trust III (Trust III) to third parties in a private placement. In connection with the private placement, Trust III acquired $375 million of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Securities of the LLC (the LLC Preferred Securities). The sale was similar to the March 2007 private placement by the LLC of $500 million of 6.113% Fixed-to-Floating Rate Non-Cumulative Exchangeable Trust Securities (the Trust II Securities) of PNC Preferred Funding Trust II (Trust II) in which Trust II acquired $500 million of LLC Preferred Securities and to the December 2006 private placement by PNC REIT Corp. of $500 million of 6.517% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities (the Trust I Securities) of PNC Preferred Funding Trust I (Trust I) in which Trust I acquired $500 million of LLC Preferred Securities.

Each Trust III Security is automatically exchangeable into a share of Series J Non-Cumulative Perpetual Preferred Stock of PNC, each Trust II Security is automatically exchangeable into a share of Series I Non-Cumulative Perpetual Preferred Stock of PNC (Series I Preferred Stock), and each Trust I Security is automatically exchangeable into a share of Series F Non-Cumulative Perpetual Preferred Stock of PNC Bank, N.A. (PNC Bank Preferred Stock), in each case under certain conditions relating to the capitalization or the financial condition of PNC Bank, N.A. and upon the direction of the Office of the Comptroller of the Currency.

We entered into a replacement capital covenant in connection with the closing of the Trust I Securities sale (the Trust RCC) whereby we agreed 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 unless such repurchases or redemptions are made from the proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the replacement capital covenant with respect to the Trust RCC.

We also entered into a replacement capital covenant in connection with the closing of the Trust II Securities sale (the Trust II RCC) whereby we agreed until March 29, 2017 that neither we nor our subsidiaries would purchase or redeem the Trust II Securities, the LLC Preferred Securities or the Series I Preferred Stock unless such repurchases or redemptions are made from the proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the replacement capital covenant with respect to the Trust RCC.

As of December 31, 2009, each of the Trust RCC and the Trust II RCC are for the benefit of holders of our $200 million of Floating Rate Junior Subordinated Notes issued in June 1998. We filed a copy of each of the Trust RCC and the Trust II RCC with the SEC as Exhibit 99.1 to PNC's Form 8-K filed on December 8, 2006 and as Exhibit 99.1 to PNC's Form 8-K filed on March 30, 2007, respectively.

PNC has contractually committed to Trust II and Trust III that if full dividends are not paid in a dividend period on the Trust II Securities or the Trust III Securities, as applicable, or the LLC Preferred Securities held by Trust II or Trust III, as applicable, PNC will not declare or pay dividends with respect to, or redeem, purchase or acquire, any of its equity capital securities during the next succeeding dividend period, other than: (i) purchases, redemptions or other acquisitions of shares of capital stock of PNC in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (ii) purchases of shares of common stock of PNC pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the extension period, including under a contractually binding stock repurchase plan, (iii) any dividend in connection with the implementation of a shareholders' rights plan, or the redemption or repurchase of any rights under any such plan, (iv) as a result of an exchange or conversion of any class or series of PNC's capital stock for any other class or series of PNC's capital stock, (v) the purchase of fractional interests in shares of PNC capital stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged or (vi) any stock dividends paid by PNC where the dividend stock is the same stock as that on which the dividend is being paid.

PNC Bank, N.A. has contractually committed to Trust I that if full dividends are not paid in a dividend period on the Trust I 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 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.

PNC Capital Trust E Trust Preferred Securities
In February 2008, PNC Capital Trust E issued $450 million of 7.75% Trust Preferred Securities due March 15, 2068 (the Trust E Securities). PNC Capital Trust E's only assets are $450 million of 7.75% Junior Subordinated Notes due March 15, 2068 and issued by PNC (the JSNs). The Trust E Securities are fully and unconditionally guaranteed by PNC. We may, at our option, redeem the JSNs at 100% of their principal amount on or after March 15, 2013.

In connection with the closing of the Trust E Securities sale, we agreed that, if we have given notice of our election to defer interest payments on the JSNs or a related deferral period is continuing, then PNC would be subject during such period to restrictions on dividends and other provisions protecting the status of the JSN debenture holder similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreements with Trust II and Trust III, as described above. PNC Capital Trusts C and D have similar protective provisions with respect to $500 million in principal amount of junior subordinated debentures. Also, in connection with the closing of the Trust E Securities sale, we entered into a replacement capital covenant, a copy of which was attached as Exhibit 99.1 to PNC's Form 8-K filed on February 13, 2008 and which is described in Note 14 Capital Securities of Subsidiary Trusts in Item 8 of this Report.

Acquired Entity Trust Preferred Securities
As a result of the National City acquisition, we assumed obligations with respect to $2.4 billion in principal amount of junior subordinated debentures issued by the acquired entity. As a result of the Mercantile, Yardville and Sterling acquisitions, we assumed obligations with respect to $158 million in principal amount of junior subordinated debentures issued by the acquired entities. Under the terms of these debentures, if there is an event of default under the debentures or PNC exercises its right to defer payments on the related trust preferred securities issued by the statutory trusts or there is a default under PNC's guarantee of such payment obligations, PNC would be subject during the period of such default or deferral to restrictions on dividends and other provisions protecting the status of the debenture holders similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreements with Trust II and Trust III, as described above.

We are subject to replacement capital covenants (RCCs) with respect to four tranches of junior subordinated debentures inherited from National City, copies of which RCCs were attached, respectively, as Exhibit 99.2 to the National City Form 8-K filed on February 4, 2008 and Exhibit 99.1 to the National City Forms 8-K filed on November 9, 2006, May 25, 2007 and August 30, 2007. See Note 14 Capital Securities of Subsidiary Trusts. Similarly, we are subject to a replacement capital covenant with respect to our Series L Preferred Stock, a copy of which was attached as Exhibit 99.1 to National City's Form 8-K filed on February 4, 2008. See Note 19 Equity in Item 8 of this Report.

FAIR VALUE MEASUREMENTS AND FAIR VALUE OPTION
In addition to the following, see Note 8 Fair Value in the Notes To Consolidated Financial Statements under Part II, Item 8 of this Report for further information regarding fair value. New GAAP was issued in 2009 for estimating fair values when the volume and level of activity for the asset or liability have significantly decreased. It also provides guidance on identifying circumstances that indicate a transaction is not orderly. As permitted, PNC adopted this guidance effective January 1, 2009.

Assets and liabilities measured at fair value on a recurring basis, including instruments for which PNC has elected the fair value option, are summarized below. As prescribed by GAAP, the assets and liabilities acquired from National City on December 31, 2008 are excluded from the following disclosures as of that date, but are included as of and for the year ended December 31, 2009.

At December 31, 2009, assets recorded at fair value represented 23% of total assets and fair value liabilities represented 2% of total liabilities compared with 13% of total assets and 2% of total liabilities as of December 31, 2008.

Fair Value Measurements – Summary

In millions	December 31, 2009 Level 1	Level 2	Level 3	Total Fair Value	December 31, 2008 (j) Level 1	Level 2	Level 3	Total Fair Value
Assets								
Securities available for sale	**$7,256**	**$33,609**	**$ 9,933**	**$50,798**	$ 347	$21,633	$4,837	$ 26,817
Financial derivatives (a)	**27**	**3,839**	**50**	**3,916**	16	5,582	125	5,723
Residential mortgage loans held for sale (b)		**1,012**		**1,012**				
Trading securities (c)	**1,736**	**299**	**89**	**2,124**	89	529	73	691
Residential mortgage servicing rights (d)			**1,332**	**1,332**			6	6
Commercial mortgage loans held for sale (b)			**1,050**	**1,050**			1,400	1,400
Equity investments			**1,188**	**1,188**			571	571
Customer resale agreements (e)		**990**		**990**		1,072		1,072
Loans (f)		**107**		**107**				
Other assets (g)		**207**	**509**	**716**		144		144
Total assets	**$9,019**	**$40,063**	**$14,151**	**$63,233**	$ 452	$28,960	$7,012	$ 36,424
Liabilities								
Financial derivatives (h)	**$ 2**	**$ 3,331**	**$ 295**	**$ 3,628**	$ 2	$ 4,387	$ 22	$ 4,411
Trading securities sold short (i)	**1,302**	**42**		**1,344**	182	207		389
Other liabilities		**6**		**6**		9		9
Total liabilities	**$1,304**	**$ 3,379**	**$ 295**	**$ 4,978**	$ 184	$ 4,603	$ 22	$ 4,809

(a) Included in other assets on the Consolidated Balance Sheet.
(b) Included in loans held for sale on the Consolidated Balance Sheet. PNC has elected the fair value option for certain commercial and residential mortgage loans held for sale.
(c) Included in trading securities on the Consolidated Balance Sheet. Fair value includes net unrealized gains of $9 million at December 31, 2009 compared with net unrealized losses of $28 million at December 31, 2008.
(d) Included in other intangible assets on the Consolidated Balance Sheet.
(e) Included in Federal funds sold and resale agreements on the Consolidated Balance Sheet. PNC has elected the fair value option for this item.
(f) Included in loans on the Consolidated Balance Sheet. PNC has elected the fair value option for residential mortgage loans originated for sale. Certain of these loans have been subsequently reclassified into portfolio loans.
(g) Includes BlackRock Series C Preferred Stock.
(h) Included in other liabilities on the Consolidated Balance Sheet.
(i) Included in other borrowed funds on the Consolidated Balance Sheet.
(j) Excludes assets and liabilities associated with the acquisition of National City.

Valuation Hierarchy

The following is an outline of the valuation methodologies used for measuring fair value for the major items above. GAAP focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants and establishes a reporting hierarchy to maximize the use of observable inputs. The fair value hierarchy (i.e., Level 1, Level 2, and Level 3) is described in detail in Note 8 Fair Value in the Notes To Consolidated Financial Statements under Part II, Item 8 of this Report.

We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads and where dealer quotes received do not vary widely and are based on current information. Inactive markets are typically characterized by low transaction volumes, price quotations which vary substantially among market participants or are not based on current information, wide bid/ask spreads, a significant increase in implied liquidity risk premiums, yields, or performance indicators for observed transactions or quoted prices compared to historical periods, a significant decline or absence of a market for new issuance, or any combination of the above factors. We also consider nonperformance risks including credit risk as part of our valuation methodology for all assets and liabilities measured at fair value.

Any models used to determine fair values or to validate dealer quotes based on the descriptions below are subject to review and independent testing as part of our model validation and internal control testing processes. Our Model Validation Committee tests significant models on at least an annual basis. In addition, we have teams, independent of the traders, verify marks and assumptions used for valuations at each period end.

Securities Available for Sale and Trading Securities

Securities measured at fair value include both the available for sale and trading portfolios. We use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. Approximately 60% of our positions are valued using prices obtained from pricing services provided by the Barclay's Capital Index, formerly known as the Lehman Index, and Interactive Data Corp. (IDC). For approximately 15% or more of our positions, we use prices obtained from the pricing services as the primary input into the valuation process. Barclay's Capital Index prices are set with reference to market activity for highly liquid assets such as agency mortgage-backed securities, and matrix pricing for other assets, such as CMBS and asset-backed securities. IDC primarily uses pricing models considering adjustments for ratings, spreads, matrix pricing and prepayments for the instruments we value using this service, such as non-agency residential mortgage-backed securities, agency adjustable rate mortgage securities, agency CMOs and municipal bonds. Dealer quotes received are typically non-binding and corroborated with other dealers' quotes, by reviewing valuations of comparable instruments, or by comparison to internal valuations. In circumstances where relevant market prices are limited or unavailable, valuations may require significant management judgments or adjustments to determine fair value. In these cases, the securities are classified as Level 3.

The valuation techniques used for securities classified as Level 3 include using a discounted cash flow approach or, in certain instances, identifying a proxy security, market transaction or index. For certain security types, primarily non-agency residential securities, the fair value methodology incorporates values obtained from a discounted cash flow model. The modeling process incorporates assumptions management believes willing market participants would use to value the security under current market conditions. The assumptions used include prepayment projections, credit loss assumptions, and discount rates, which include a risk premium due to liquidity and uncertainty that are based on both observable and unobservable inputs. We use the discounted cash flow analysis, in conjunction with other relevant pricing information obtained from either pricing services or broker quotes to establish the fair value that management believes is representative under current market conditions. For purposes of determining fair value at December 31, 2009, the relevant pricing service information was the predominant input.

In the proxy approach, the proxy selected generally has similar credit, tenor, duration, pricing and structuring attributes to the PNC position. The price, market spread, or yield on the proxy is then used to calculate an indicative market price for the security. Depending on the nature of the PNC position and its attributes relative to the proxy, management may make additional adjustments to account for market conditions, liquidity, and nonperformance risk, based on various inputs including recent trades of similar securities, single dealer quotes, and/or other observable and unobservable inputs.

Financial Derivatives
Exchange-traded derivatives are valued using quoted market prices and are classified as Level 1. However, the majority of derivatives that we enter into are executed over-the-counter and are valued using internal techniques. Readily observable market inputs to these models can be validated to external sources, including industry pricing services, or corroborated through recent trades, dealer quotes, yield curves, implied volatility or other market-related data. Certain derivatives, such as total rate of return swaps, are corroborated to the CMBX index. These derivatives are classified as Level 2.

Derivatives priced using significant management judgment or assumptions are classified as Level 3.

The fair values of our derivatives are adjusted for nonperformance risk including credit risk as appropriate. Our nonperformance risk adjustment is computed using new loan pricing and considers externally available bond spreads, in conjunction with internal historical recovery observations. The credit risk adjustment is not currently material to the overall derivatives valuation.

Residential Mortgage Loans Held for Sale
We account for residential mortgage loans originated for sale on a recurring basis at fair value. Residential mortgage loans are valued based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. These loans are regularly traded in active markets and observable pricing information is available from market participants. The prices are adjusted as necessary to include the embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans that are priced based on the pricing of similar loans. These adjustments represent unobservable inputs to the valuation but are not considered significant to the fair value of the loans. Accordingly, residential mortgage loans held for sale are classified as Level 2.

Residential Mortgage Servicing Rights
Residential mortgage servicing rights (MSRs) are carried at fair value on a recurring basis. These residential MSRs do not trade in an active open market with readily observable prices. Although sales of servicing assets do occur, the precise terms and conditions typically would not be available. Accordingly, management determines the fair value of its residential MSRs using a discounted cash flow model incorporating assumptions about loan prepayment rates, discount rates, servicing costs, and other economic factors. As part of the pricing process, management compares its fair value estimates to third-party valuations on a quarterly basis to assess the reasonableness of the fair values calculated by its internal valuation models. Due to the nature of the valuation inputs, residential MSRs are classified as Level 3.

Commercial Mortgage Loans Held for Sale
We account for certain commercial mortgage loans classified as held for sale at fair value. The election of the fair value option aligns the accounting for the commercial mortgages with the related hedges. At origination, these loans were intended for securitization.

Due to inactivity in the CMBS securitization market in 2009 and 2008, we determine the fair value of commercial mortgage loans held for sale by using a whole loan methodology. Fair value is determined using assumptions that management believes a market participant would use in pricing the loans. When available, valuation assumptions included observable inputs based on whole loan sales. Adjustments are made to these assumptions to account for situations when uncertainties exist, including market conditions and liquidity. Credit risk is included as part of our valuation process for these loans by considering expected rates of return for market participants for similar loans in the marketplace. Based on the significance of unobservable inputs, we classify this portfolio as Level 3.

Equity Investments

The valuation of direct and indirect private equity investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such investments. The carrying values of direct and affiliated partnership interests reflect the expected exit price and are based on various techniques including publicly traded price, multiples of adjusted earnings of the entity, independent appraisals, anticipated financing and sale transactions with third parties, or the pricing used to value the entity in a recent financing transaction. In September 2009, the FASB issued ASU 2009-12 – Fair Value Measurements and Disclosures (Topic 820) – Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). Based on the guidance, we value indirect investments in private equity funds based on net asset value as provided in the financial statements that we receive from their managers. Due to the time lag in our receipt of the financial information and based on a review of investments and valuation techniques applied, adjustments to the manager-provided value are made when available recent portfolio company information or market information indicates a significant change in value from that provided by the manager of the fund. These investments are classified as Level 3.

Customer Resale Agreements

We account for structured resale agreements, which are economically hedged using free-standing financial derivatives, at fair value. The fair value for structured resale agreements is determined using a model which includes observable market data such as interest rates as inputs. Readily observable market inputs to this model can be validated to external sources, including yield curves, implied volatility or other market-related data. These instruments are classified as Level 2.

BlackRock Series C Preferred Stock

Effective February 27, 2009, we elected to account for the approximately 2.9 million shares of the BlackRock Series C Preferred Stock received in a stock exchange with BlackRock at fair value. The Series C Preferred Stock economically hedges the BlackRock LTIP liability that is accounted for as a derivative. The fair value of the Series C Preferred Stock is determined using a third-party modeling approach, which includes both observable and unobservable inputs. This approach considers expectations of a default/liquidation event and the use of liquidity discounts based on our inability to sell the security at a fair, open market price in a timely manner. Due to the significance of unobservable inputs, this security is classified as Level 3.

Level 3 Assets and Liabilities

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable.

Level 3 Assets and Liabilities

Dollars in millions	Total Level 3 Assets	Total Level 3 Liabilities	% of Total Assets at Fair Value	% of Total Liabilities at Fair Value	% of Consolidated Assets	% of Consolidated Liabilities
December 31, 2009	**$14,151**	**$ 295**	**22%**	**6%**	**5%**	**< 1%**
December 31, 2008	7,012	22	19%	< 1%	2%	< 1%

During 2009, securities transferred into Level 3 from Level 2 exceeded securities transferred out by $4.4 billion. Total securities measured at fair value and classified in Level 3 at December 31, 2009 and December 31, 2008 included securities available for sale and trading securities consisting primarily of non-agency residential mortgage-backed securities and asset-backed securities where management determined that the volume and level of activity for these assets had significantly decreased. There have been no recent new “private label” issues in the residential mortgage-backed securities market. The lack of relevant market activity for these securities resulted in management modifying its valuation methodology for the instruments transferred in 2009. Other Level 3 assets include certain commercial mortgage loans held for sale, certain equity securities, auction rate securities, corporate debt securities, private equity investments, residential mortgage servicing rights and other assets.

BUSINESS SEGMENTS REVIEW

In the first quarter of 2009, we made changes to our business organization structure and management reporting in conjunction with the acquisition of National City.

Business segment results for 2008 have been reclassified to reflect current methodologies and current business and management structure and to present prior periods on the same basis. As a result of its pending sale, GIS is no longer a reportable business segment.

Results for 2009 for all of our business segments except BlackRock include revenues and expenses associated with businesses acquired with National City.

Business segment results, including inter-segment revenues, and a description of each business are included in Note 27 Segment Reporting included in the Notes To Consolidated Financial Statements of this Report. Certain revenue and expense amounts included in this Item 7 differ from the amounts shown in Note 27 primarily due to the presentation in this Item 7 of business net interest revenue on a taxable-equivalent basis.

Results of individual businesses are presented based on our management accounting practices and management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our 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. We typically update key cost allocation components annually. Certain prior period amounts have been reclassified to reflect current methodologies and our current business and management structure. Financial results are presented, to the extent practicable, as if each business operated on a stand-alone basis. We have aggregated the business results for certain similar 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 servicing businesses using our risk-based economic capital model. We have assigned capital equal to 6% of funds to Retail Banking to approximate market comparables for this business.

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 business segment loan portfolios. Our allocation of the costs incurred by operations and other shared support areas not directly aligned with the businesses is primarily based on the use of services.

Total business segment financial results differ from consolidated results from continuing operations. The impact of these differences is reflected in the "Other" category. "Other" for purposes of this Business Segments Review and the Business Segment Highlights in the Executive Summary includes residual activities that do not meet the criteria for disclosure as a separate reportable business, such as gains or losses related to BlackRock transactions including LTIP share distributions and obligations, earnings and gains related to Hilliard Lyons for the first quarter of 2008, integration costs, asset and liability management activities including net securities gains or losses and certain trading activities, exited businesses, equity management activities, tax credit investments, alternative investments, intercompany eliminations, most corporate overhead, and differences between business segment performance reporting and financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests.

Period-end Employees

	Dec. 31 2009	Dec. 31 2008
Full-time employees		
Retail Banking	**21,416**	22,461
Corporate & Institutional Banking	**3,746**	4,264
Asset Management Group	**2,960**	3,204
Residential Mortgage Banking	**3,267**	3,637
Distressed Assets Portfolio	**175**	106
Other		
Operations & Technology	**9,275**	9,350
Staff Services and other (a)	**8,922**	9,586
Total Other	**18,197**	18,936
Total full-time employees	**49,761**	52,608
Retail Banking part-time employees	**4,737**	5,448
Other part-time employees	**1,322**	1,539
Total part-time employees	**6,059**	6,987
Total	**55,820**	59,595

(a) Includes employees of Global Investment Servicing totaling 4,450 at December 31, 2009 and 4,934 at December 31, 2008.

Employee data as reported by each business segment in the table above reflects staff directly employed by the respective businesses and excludes operations, technology and staff services employees reported in the Other segment. In addition to reductions of full-time and part-time employees since the closing of the National City acquisition, we significantly reduced outside contract programmers related to National City systems scheduled for conversion to PNC systems.

Results Of Businesses – Summary

Year ended December 31 - in millions	Earnings		Revenue		Average Assets (a)	
	2009	2008	**2009**	2008	**2009**	2008
Retail Banking (b)	**$ 136**	$328	**$ 5,721**	$2,731	**$ 65,320**	$ 32,922
Corporate & Institutional Banking	**1,190**	215	**5,266**	1,859	**84,689**	47,050
Asset Management Group	**105**	119	**919**	559	**7,341**	3,001
Residential Mortgage Banking	**435**		**1,328**		**8,420**	
Distressed Assets Portfolio	**84**		**1,153**		**22,844**	
BlackRock	**207**	207	**262**	261	**6,249**	4,240
Total business segments	**2,157**	869	**14,469**	5,410	**194,863**	87,213
Other (b) (c) (d)	**201**	(73)	**1,579**	886	**82,013**	54,807
Results from continuing operations	**$2,358**	$796	**$16,228**	$6,296	**$ 276,876**	$ 142,020

(a) Period-end balances for BlackRock.

(b) Amounts for 2009 include the results of the 61 branches divested by early September 2009. Amounts for 2008 reflect the reclassification of the results of Hilliard Lyons, which we sold on March 31, 2008, and the related gain on sale, from Retail Banking to "Other."

(c) "Other" earnings and revenue for 2009 include a $687 million after-tax ($1.076 billion pretax) gain related to the BlackRock/BGI transaction and "Other" earnings for 2009 also includes $274 million of after-tax ($421 million pretax) integration costs primarily related to National City. "Other" earnings for 2008 includes $422 million of after-tax ($649 million pretax) integration costs, including conforming provision for credit losses, primarily related to National City.

(d) "Other" average assets include securities available for sale associated with asset and liability management activities.

RETAIL BANKING
(Unaudited)

Year ended December 31 Dollars in millions	2009 (a)	2008
INCOME STATEMENT		
Net interest income	**$ 3,522**	$ 1,594
Noninterest income		
Service charges on deposits	**930**	359
Brokerage	**245**	152
Consumer services	**886**	416
Other	**138**	210
Total noninterest income	**2,199**	1,137
Total revenue	**5,721**	2,731
Provision for credit losses	**1,330**	388
Noninterest expense	**4,169**	1,789
Pretax earnings	**222**	554
Income taxes	**86**	226
Earnings	**$ 136**	$ 328
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	**$ 27,403**	$13,263
Indirect	**4,036**	2,050
Education	**5,625**	2,012
Credit cards	**2,239**	264
Other consumer	**1,791**	468
Total consumer	**41,094**	18,057
Commercial and commercial real estate	**12,306**	5,029
Floor plan	**1,264**	992
Residential mortgage	**2,064**	2,029
Total loans	**56,728**	26,107
Goodwill and other intangible assets	**5,842**	5,192
Other assets	**2,750**	1,623
Total assets	**$ 65,320**	$32,922
Deposits		
Noninterest-bearing demand	**$ 16,308**	$ 9,191
Interest-bearing demand	**18,357**	8,073
Money market	**39,394**	17,220
Total transaction deposits	**74,059**	34,484
Savings	**6,610**	2,681
Certificates of deposit	**53,145**	15,800
Total deposits	**133,814**	52,965
Other liabilities	**51**	333
Capital	**8,497**	3,334
Total liabilities and equity	**$142,362**	$56,632
PERFORMANCE RATIOS		
Return on average capital	**2%**	10%
Noninterest income to total revenue	**38**	42
Efficiency	**73**	66

Year ended December 31 Dollars in millions	2009 (a)	2008
OTHER INFORMATION (b)		
Credit-related statistics:		
Commercial nonperforming assets	**$ 324**	$ 122
Consumer nonperforming assets	**284**	68
Total nonperforming assets (c)	**$ 608**	$ 190
Impaired loans (d)	**$ 1,056**	$ 1,297
Commercial lending net charge-offs	**$ 415**	$ 139
Consumer lending net charge-offs	**611**	118
Total net charge-offs	**$ 1,026**	$ 257
Commercial lending annualized net charge-off ratio	**3.06%**	2.31%
Consumer lending annualized net charge-off ratio	**1.42%**	.59%
Total annualized net charge-off ratio	**1.81%**	.98%

At December 31 Dollars in millions, except as noted	2009 (a)	2008
OTHER INFORMATION (CONTINUED) (b)		
Other statistics:		
ATMs	**6,473**	4,041
Branches (e)	**2,512**	1,141
Home equity portfolio credit statistics:		
% of first lien positions (f)	**35%**	37%
Weighted average loan-to-value ratios (f)	**74%**	73%
Weighted average FICO scores (g)	**727**	726
Annualized net charge-off ratio	**.75%**	.49%
Loans 30 – 89 days past due	**.78%**	.68%
Loans 90 days past due	**.76%**	.62%
Customer-related statistics (h):		
Retail Banking checking relationships	**5,042,000**	2,402,000
Retail online banking active customers	**2,771,000**	1,215,000
Retail online bill payment active customers	**766,000**	379,000
Brokerage statistics:		
Financial consultants (i)	**704**	414
Full service brokerage offices	**40**	23
Brokerage account assets (billions)	**$ 32**	$ 15
Managed credit card loans:		
Loans held in portfolio	**$ 2,556**	$ 330
Loans securitized	**1,622**	
Total managed credit card loans	**$ 4,178**	$ 330
Net charge-offs:		
Securitized credit card loans	**$ 131**	
Managed credit card loans	**$ 340**	$ 11
Net charge-offs as a % of average loans (annualized):		
Securitized credit card loans	**7.31%**	
Managed credit card loans	**8.46%**	4.17%

(a) Includes the impact of National City, which we acquired on December 31, 2008.
(b) Presented as of December 31 except for net charge-offs and annualized net charge-off ratios.
(c) Includes nonperforming loans of $597 million at December 31, 2009 and $176 million at December 31, 2008.
(d) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.
(e) Excludes certain satellite branches that provide limited products and/or services.
(f) Includes loans from acquired portfolios for which lien position and loan-to-value information was not available.
(g) Represents the most recent FICO scores we have on file.
(h) Amounts for 2009 include the impact of National City prior to the completion of all application system conversions. These amounts may be refined subsequent to system conversions.
(i) Financial consultants provide services in full service brokerage offices and traditional bank branches.

Retail Banking's earnings were $136 million for 2009 compared with $328 million for 2008. Results were challenged in this environment by increased credit costs, lower interest credits assigned to the segment's deposits, reduced consumer spending and increased FDIC insurance costs. Pre-tax, pre-provision earnings were $1.6 billion for 2009, a 65% increase over 2008. Retail Banking continues to maintain its focus on customer, loan and deposit growth, employee and customer satisfaction, investing in the business for future growth, as well as disciplined expense management during this period of market and economic uncertainty.

Highlights of Retail Banking's performance for 2009:

- The acquisition of National City added approximately $29 billion of loans and $81 billion of deposits to Retail Banking. Other salient points related to this acquisition include the following:
  - Added over 1,400 branches,
  - Expanded our ATMs by over 2,100 locations,
  - Established or significantly increased our branch presence in Ohio, Kentucky, Indiana, Illinois, Pennsylvania, Michigan, Wisconsin, Missouri and Florida – giving PNC one of the largest branch distribution networks among banks in the country,
  - Expanded our customer base with the addition of approximately 2.7 million checking relationships, and
  - Added $12 billion in brokerage account assets.

  We successfully completed the required divestiture of 61 branches and 73 ATMs from the National City acquisition by early September and the first major conversion of National City customers to the PNC platform in November 2009, with three remaining conversions on schedule to be completed by June 2010.
- Retail Banking expanded the number of customers it serves and grew checking relationships. Excluding relationships added from acquisitions and the impact of the required divestitures, net new consumer and business checking relationships for legacy PNC grew by 119,000 since December 31, 2008 compared with 70,000 during the same period last year.
- Our investment in online banking capabilities continued to pay off. Excluding customers added from acquisitions and the impact of the required divestitures, active online bill pay and active online banking customers have increased 18% and 17%, respectively, since December 31, 2008. We continue to seek customer growth by expanding our use of technology, such as our "Virtual Wallet" online banking product. We leveraged our understanding of this market along with our extensive university banking program and launched a new product in the second quarter of 2009 for college students and their parents, called "Virtual Wallet Student."
- Employee engagement and customer satisfaction/loyalty results are tracking at all time highs. In 2009, we received the "Gallup Great Workplace Award" in recognition of our extraordinary ability to create an engaged workplace culture.
- At December 31, 2009, Retail Banking had 2,512 branches and an ATM network of 6,473 machines giving PNC one of the largest distribution networks among US banks. We continued to invest in the branch network, albeit at a slower pace than in prior years given the current economic conditions. We are optimizing our network by opening new branches in high growth areas, relocating branches to areas of higher market opportunity, and consolidating branches in areas of declining opportunity. In 2009, we opened 27 traditional branches and 45 in-store branches, added 313 ATMs, and divested 61 branches and 73 ATMs. To continue to optimize our network, we also consolidated 79 and relocated 11 branches in 2009. The in-store branches and the ATMs were primarily opened under our previously reported exclusive banking services agreement with Giant Food LLC supermarkets.

Total revenue for 2009 was $5.7 billion compared with $2.7 billion in 2008. Net interest income of $3.5 billion increased $1.9 billion compared with 2008. The increase in net interest income was driven by the National City acquisition and was partially offset by declines in legacy net interest income as a result of the negative impact of lower interest credits assigned to the segment's deposits in this low rate environment.

Noninterest income for 2009 was $2.2 billion, an increase of $1.1 billion over the prior year. The National City acquisition was the major factor for the increase, partially offset by a $95 million gain from the redemption of Visa common shares in the first quarter of 2008. In addition, core growth in brokerage account activities and consumer related fees have been negatively impacted by current economic conditions. The Market Risk Management – Equity and Other Investment Risk section of this Item 7 includes further information regarding our investment in Visa.

In 2010, Retail Banking revenue will be negatively impacted in a more significant manner by 1) the new rules set forth in Regulation E related to overdraft charges and 2) the Credit CARD Act. Current estimates are that 2010 earnings will be impacted by approximately $115 million related to Regulation E and by approximately $40 million attributable to the Credit CARD Act. These estimates do not include any additional negative impact to revenue for other changes that may be made in 2010 responding to market conditions or other/additional regulatory requirements, or any offsetting impact of changes to products and/or pricing.

In 2009, the provision for credit losses was $1.3 billion compared with $388 million in 2008. Net charge-offs were $1.0 billion for 2009 and $257 million last year. The increases in provision and net charge-offs were primarily a result of a loan portfolio that has increased 117%, including a significantly larger credit card portfolio, and the continued credit deterioration in both the commercial and consumer loan portfolios which has required an increase to loan loss reserves.

Noninterest expense for 2009 totaled $4.2 billion, an increase of $2.4 billion over last year. The increase was primarily attributable to the impact of acquisitions, as well as increased FDIC insurance costs and continued investments in the business.

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. Furthermore, core checking accounts are critical to our strategy of expanding our payments business. The deposit strategy of Retail Banking is to remain disciplined on pricing, target specific products and markets for growth, and focus on the retention and growth of balances for relationship customers. Average total deposits increased $80.8 billion compared with 2008.

- Average money market deposits increased $22.2 billion over 2008. This increase was primarily due to the National City acquisition and core money market growth as customers generally prefer more liquid deposits in a low rate environment.
- In 2009, average certificates of deposit increased $37.3 billion over the prior year. The increase was due to the National City acquisition, which was partially offset by a decrease in legacy certificates of deposits. The legacy decline is a result of a focus on relationship customers rather than pursuing higher-rate single service customers. A continued decline in certificates of deposit is expected in 2010 due to the planned run off of higher rate certificates of deposits that were primarily acquired through acquisition.
- Average demand deposits increased $17.4 billion over 2008. This increase was driven by acquisitions and organic growth.

Currently, we are predominately focused on a relationship-based lending strategy that targets specific customer sectors (mass consumers, homeowners, students, small businesses and auto dealerships). In 2009, average total loans were $56.7 billion, an increase of $30.6 billion over 2008. In the current environment, consumer and commercial loan demand is being outpaced by refinances, paydowns, and charge-offs.

- Average commercial and commercial real estate loans grew $7.3 billion compared with 2008. The increase was primarily due to the National City acquisition.
- Average home equity loans grew $14.1 billion over 2008. The majority of the increase is attributable to the National City acquisition. Our home equity loan portfolio is relationship based, with 96% of the portfolio attributable to borrowers in our primary geographic footprint. The nonperforming assets and charge-offs that we have experienced are within our expectations given current market conditions.
- Average education loans grew $3.6 billion compared with 2008. The increase was due to the National City acquisition and an increase in the core business. The core business increase was primarily a result of the transfer of approximately $1.8 billion of education loans previously held for sale to the loan portfolio during the first quarter of 2008.
  The education lending business may be adversely impacted by the proposed legislation surrounding guaranteed education loans issued under the current Federal program.
- Average credit card balances increased $2.0 billion over 2008. The increase was primarily the result of the National City acquisition and also reflected legacy growth of 71% over 2008. Effective January 2010, we will consolidate in our financial statements the securitized portfolio of approximately $1.6 billion of credit card loans. See Impact of New Accounting Guidance in 2010 in the Off-Balance Sheet Arrangements and VIEs section of Item 7.

CORPORATE & INSTITUTIONAL BANKING

(Unaudited)

Year ended December 31 Dollars in millions except as noted	2009 (a)	2008
INCOME STATEMENT		
Net interest income	**$ 3,833**	$ 1,323
Noninterest income		
Corporate service fees	**915**	583
Other	**518**	(47)
Noninterest income	**1,433**	536
Total revenue	**5,266**	1,859
Provision for credit losses	**1,603**	575
Noninterest expense	**1,800**	945
Pretax earnings	**1,863**	339
Income taxes	**673**	124
Earnings	**$ 1,190**	$ 215
AVERAGE BALANCE SHEET		
Loans		
Commercial	**$41,132**	$20,439
Commercial real estate	**15,489**	5,584
Commercial – real estate related	**3,772**	3,049
Asset-based lending	**6,344**	5,274
Equipment lease financing	**5,390**	1,482
Total loans	**72,127**	35,828
Goodwill and other intangible assets	**3,583**	3,149
Loans held for sale	**1,679**	2,053
Other assets	**7,300**	6,020
Total assets	**$84,689**	$47,050
Deposits		
Noninterest-bearing demand	**$19,948**	$ 8,388
Money market	**9,697**	5,817
Other	**7,911**	3,129
Total deposits	**37,556**	17,334
Other liabilities	**9,118**	5,357
Capital	**7,837**	3,087
Total liabilities and equity	**$54,511**	$25,778
PERFORMANCE RATIOS		
Return on average capital	**15%**	7%
Noninterest income to total revenue	**27**	29
Efficiency	**34**	51
COMMERCIAL MORTGAGE SERVICING PORTFOLIO (in billions)		
Beginning of period	**$ 270**	$ 243
Acquisitions/additions	**50**	51
Repayments/transfers	**(33)**	(24)
End of period	**$ 287**	$ 270
OTHER INFORMATION		
Consolidated revenue from: (b)		
Treasury Management	**$ 1,137**	$ 567
Capital Markets	**$ 533**	$ 336
Commercial mortgage loans held for sale (c)	**$ 205**	$ (115)
Commercial mortgage loan servicing (d)	**280**	180
Total commercial mortgage banking activities	**$ 485**	$ 65
Total loans (e)	**$66,206**	$38,063
Credit-related statistics:		
Nonperforming assets (e) (f)	**$ 3,167**	$ 1,173
Impaired loans (e) (g)	**$ 1,075**	$ 1,816
Net charge-offs	**$ 1,052**	$ 267
Net carrying amount of commercial mortgage servicing rights (e)	**$ 921**	$ 654

(a) Includes the impact of National City, which we acquired on December 31, 2008.
(b) Represents consolidated PNC amounts.
(c) Includes valuations on commercial mortgage loans held for sale and related commitments, derivative valuations, origination fees, gains on sale of loans and net interest income on loans held for sale.
(d) Includes net interest income and noninterest income from loan servicing and ancillary services.
(e) At December 31.
(f) Includes nonperforming loans of $3.0 billion at December 31, 2009 and $1.2 billion at December 31, 2008.
(g) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.

Corporate & Institutional Banking earned $1.2 billion in 2009 compared with $215 million in 2008. The acquisition of National City positively impacted operating results as revenues nearly tripled while expenses approximately doubled in the comparison. As a result, operating leverage of $2.6 billion more than offset a $1.0 billion increase in the provision for credit losses.

Highlights of Corporate & Institutional Banking performance during 2009 include:

- Net interest income for 2009 was $3.8 billion, an increase of $2.5 billion from 2008 driven primarily by the National City acquisition, higher deposit levels and improved loan spreads.
- Corporate service fees were $915 million for 2009, an increase of $332 million over 2008. The major components of corporate service fees are treasury management, corporate finance fees and commercial mortgage servicing revenue.
- We continued to invest in our healthcare initiative which is designed to help provide our customers opportunities to reduce operating costs. Healthcare-related revenues in 2009 increased 23% from 2008, to $85 million.
- The commercial real estate servicing portfolio remained relatively flat except for the impact of the National City acquisition. At Midland Loan Services, growth within the agency servicing portfolio offset the impact of the downturn in the CMBS market during 2008 and 2009. Rising commercial real estate delinquencies and defaults have resulted in growth in the special servicing portfolio, which increased from $2.9 billion at year-end 2008, to $12.1 billion at December 31, 2009.
- Midland Loan Services is the only company in the industry to hold the highest US CMBS primary, master and special servicer ratings from both Fitch and Standard & Poor's.
- In a challenging business environment, our multi-family origination activities for FNMA and FHMLC remained robust with 2009 originations of $4.2 billion.
- Our PNC Loan Syndications business led financings for over 160 middle market clients during 2009.
- Merger and advisory revenues declined $68 million from 2008 reflecting the impact of the difficult economic environment on acquisition activity.

- Other noninterest income was $518 million for 2009, an increase of $565 million from 2008 primarily due to the National City acquisition.
  - Operating lease revenues were $106 million in 2009, largely due to the National City acquisition. The combined leasing operations are the 5th largest bank-affiliated leasing company.
  - Valuation and sale income related to our commercial mortgage loans held for sale, net of hedges, were $107 million in 2009 compared with losses of $197 million in 2008. Inventory carried at fair value at December 31, 2009 was $1.1 billion, reduced from $1.4 billion at December 31, 2008.
  - Gains on sales of loans related to our portfolio management activities were $95 million in 2009. We sold approximately $1.4 billion of commitments during 2009.

Provision for credit losses was $1.6 billion in 2009, an increase of $1.0 billion from 2008, driven by general credit deterioration, primarily in the real estate, middle market and transportation related portfolios, and the National City acquisition. The increases in net charge-offs and nonperforming assets were primarily due to the National City acquisition as well as increasing difficulties experienced by middle market customers.

Noninterest expense was $1.8 billion for 2009, an increase of $855 million from 2008, due to the National City acquisition. Otherwise, expenses were essentially flat as lower compensation-related costs offset higher credit-related and FDIC insurance costs.

Average loans were $72.1 billion for 2009, an increase of $36.3 billion from 2008, driven by the National City acquisition. We continue to experience declines in utilization rates across our middle market and large corporate customer groups. We continue to pursue new customers that meet our risk profile. We added approximately 500 new corporate clients during 2009. Our PNC Business Credit business increased new lending commitments over 11%, to $15 billion, during 2009.

Average deposits were $37.6 billion for 2009, an increase of $20.2 billion over 2008 primarily due to the National City acquisition. PNC continued to experience deposit growth during 2009, including the return of deposits from National City customers who had previously moved funds to other institutions.

Harris Williams, our middle market merger and acquisitions advisory firm, recently opened its first overseas office in London under the name Harris Williams Limited. This office provides direct access to European investors.

See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities on page 28.

ASSET MANAGEMENT GROUP

(Unaudited)

Year ended December 31 Dollars in millions except as noted	2009 (a)	2008 (b)
INCOME STATEMENT		
Net interest income	**$ 308**	$ 130
Noninterest income	**611**	429
Total revenue	**919**	559
Provision for credit losses	**97**	6
Noninterest expense	**654**	363
Pretax earnings	**168**	190
Income taxes	**63**	71
Earnings	**$ 105**	$ 119
AVERAGE BALANCE SHEET		
Loans		
Consumer	**$3,957**	$2,136
Commercial and commercial real estate	**1,648**	577
Residential mortgage	**1,078**	66
Total loans	**6,683**	2,779
Goodwill and other intangible assets	**407**	39
Other assets	**251**	183
Total assets	**$7,341**	$3,001
Deposits		
Noninterest-bearing demand	**$1,091**	$ 859
Interest-bearing demand	**1,582**	700
Money market	**3,208**	1,855
Total transaction deposits	**5,881**	3,414
Certificates of deposit and other	**1,076**	589
Total deposits	**6,957**	4,003
Other liabilities	**111**	12
Capital	**575**	255
Total liabilities and equity	**$7,643**	$4,270
PERFORMANCE RATIOS		
Return on average capital	**18%**	47%
Noninterest income to total revenue	**66**	77
Efficiency	**71**	65
OTHER INFORMATION		
Total nonperforming assets (c) (d)	**$ 155**	$ 5
Impaired loans (c) (e)	**$ 198**	$ 225
Total net charge-offs	**$ 63**	$ 2
ASSETS UNDER ADMINISTRATION (in billions) (c) (f) (g)		
Personal	**$ 94**	$ 61
Institutional	**111**	83
Total	**$ 205**	$ 144
ASSET TYPE		
Equity	**$ 100**	$ 60
Fixed Income	**58**	38
Liquidity/Other	**47**	46
Total	**$ 205**	$ 144
Discretionary assets under management		
Personal	**$ 67**	$ 38
Institutional	**36**	19
Total	**$ 103**	$ 57
ASSET TYPE		
Equity	**$ 49**	$ 26
Fixed Income	**34**	19
Liquidity/Other	**20**	12
Total	**$ 103**	$ 57
Nondiscretionary assets under administration		
Personal	**$ 27**	$ 23
Institutional	**75**	64
Total	**$ 102**	$ 87
ASSET TYPE		
Equity	**$ 51**	$ 34
Fixed Income	**24**	19
Liquidity/Other	**27**	34
Total	**$ 102**	$ 87

(a) Includes the impact of National City, which we acquired on December 31, 2008.
(b) Includes the legacy PNC wealth management business previously included in Retail Banking.
(c) As of December 31.
(d) Includes nonperforming loans of $149 million at December 31, 2009 and $5 million at December 31, 2008.
(e) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.
(f) Excludes brokerage account assets.
(g) Amounts at December 31, 2008 exclude the impact of National City. Including National City, assets under administration totaled $228 billion at December 31, 2008, including discretionary assets under management of $103 billion and nondiscretionary assets under administration of $125 billion.

Asset Management Group earned $105 million for 2009 compared with $119 million for 2008. Assets under administration were $205 billion as of December 31, 2009. Asset Management Group achieved strong total revenue of $919 million for 2009, with $308 million in net interest income and $611 million in noninterest income. The business increased pretax, pre-provision earnings by $69 million or 35% over 2008, as the business grew clients, managed expenses and successfully executed the National City integration. The earnings decline from 2008 was primarily driven by a $91 million increase in provision for credit losses reflective of a weakened economy.

Highlights of Asset Management Group's performance during 2009 include the following:

- Strong sales and client retention,
- Increased client satisfaction, and
- Disciplined expense management.

Assets under administration of $205 billion at December 31, 2009 increased $61 billion compared with the balance at December 31, 2008. Including National City, assets under administration were $228 billion at December 31, 2008. Discretionary assets under management of $103 billion at December 31, 2009 increased $46 billion compared with the prior year-end balance. The increase in discretionary assets under management is attributable to the National City acquisition.

Nondiscretionary assets under administration of $102 billion at December 31, 2009 increased $15 billion compared with the balance at December 31, 2008. This increase was driven by the National City acquisition, somewhat mitigated by a decline in institutional assets related to the exit of a noncore product offering and other National City integration impacts.

Total revenue for 2009 was $919 million compared with $559 million for 2008. Net interest income of $308 million reflected additional revenue from the National City loan and deposit portfolios and strong yields from the loan portfolio. The year-over-year increase in net interest income was partially offset by lower interest credits assigned to the segment's deposits in this low interest rate environment. Noninterest income of $611 million increased $182 million compared with 2008 primarily in asset management fees. The growth was attributable to the National City acquisition, client retention and new business development activities.

The provision for credit losses of $97 million increased from $6 million in 2008 as loan loss reserves were increased beyond charge-offs due to credit quality deterioration. Net charge-offs were $63 million for 2009 and $2 million for 2008.

Noninterest expense of $654 million increased $291 million in 2009 compared with 2008. The increase is attributable to the National City acquisition. Implementation of various integration-related initiatives has mitigated this increase in expenses. Expense management remains a key focal point for this business and the implementation of efficiency initiatives will continue throughout 2010.

Balance sheet activity for 2009 reflected both core and acquisition-related growth. Average loans of $6.7 billion increased $3.9 billion compared with 2008. Average total deposits of $7.0 billion increased $3.0 billion compared with 2008. During the economic downturn, customers shifted from riskier equity investments into safer deposit products, resulting in solid money market and demand deposit growth.

RESIDENTIAL MORTGAGE BANKING

(Unaudited)

Year ended December 31 Dollars in millions, except as noted	2009
INCOME STATEMENT	
Net interest income	$ 332
Noninterest income	
Loan servicing revenue	
Servicing fees	222
Net MSR hedging gains	355
Loan sales revenue	435
Other	(16)
Total noninterest income	996
Total revenue	1,328
Provision for (recoveries of) credit losses	(4)
Noninterest expense	632
Pretax earnings	700
Income taxes	265
Earnings	$ 435
AVERAGE BALANCE SHEET	
Portfolio loans	$1,957
Loans held for sale	2,204
Mortgage servicing rights (MSR)	1,297
Other assets	2,962
Total assets	$8,420
Deposits	$4,135
Borrowings and other liabilities	2,924
Capital	1,359
Total liabilities and equity	$8,418
PERFORMANCE RATIOS	
Return on average capital	32%
Efficiency	48%
OTHER INFORMATION	
Servicing portfolio for others (in billions) (a)	$ 145
Fixed rate	88%
Adjustable rate/balloon	12%
Weighted average interest rate	5.82%
MSR capitalized value (in billions)	$ 1.3
MSR capitalization value (in basis points)	91
Weighted average servicing fee (in basis points)	30
Loan origination volume (in billions)	$ 19.1
Percentage of originations represented by:	
Agency and government programs	97%
Refinance volume	72%
Total nonperforming assets (a) (b)	$ 370
Impaired loans (a) (c)	$ 369

(a)As of December 31.
(b)Includes nonperforming loans of $215 million.
(c)Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.

Residential Mortgage Banking earned $435 million in 2009 driven by strong loan origination activity and net mortgage servicing rights hedging gains. This business segment consists primarily of activities acquired with National City.

Residential Mortgage Banking overview:

- As a step to improve the quality and efficiency of our mortgage operations, during 2009 we consolidated approximately 90 existing operations sites into two locations – Chicago and Pittsburgh.
- Total loan originations were $19.1 billion for 2009, reflecting strong loan refinance activity consistent with industry trends. However, rising mortgage rates during the second half of 2009 reduced incoming application volume. Loans were primarily originated through direct channels under agency (FNMA, FHLMC, FHA/VA) guidelines. Investors may request PNC to indemnify them against losses on certain loans or to repurchase loans that they believe do not comply with applicable representations. During 2009, the frequency of such requests increased in relation to prior years. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided. At December 31, 2009 this liability for Residential Mortgage Banking was $229 million. See Note 25 Commitments and Guarantees in the Notes to Consolidated Financial Statements in Item 8 of this Report for additional information.
- Residential mortgage loans serviced for others totaled $145 billion at December 31, 2009 compared with $173 billion at January 1, 2009, as payoffs exceeded new direct loan origination volume during the year. In addition, $7.9 billion of servicing was sold in the fourth quarter.
- Noninterest income was $996 million for 2009, driven by loan sales revenue of $435 million that resulted from strong loan origination refinance volume and net mortgage servicing rights hedging gains of $355 million. In 2010, we do not expect a significant level of servicing hedge gains. Additionally, we do not expect refinance and application volumes to be as strong in 2010 as they were for 2009.
- Net interest income was $332 million for 2009 resulting from residential mortgage loans held for sale associated with strong loan origination refinance volumes during the year.
- Noninterest expense was $632 million for 2009 and included incremental staffing costs associated with strong origination volumes and an increased focus on loan underwriting and loss mitigation activities.
- The carrying value of mortgage servicing rights was $1.3 billion at December 31, 2009 compared with $1.0 billion at January 1, 2009. The increase was primarily attributable to a higher fair value of the asset resulting from lower prepayment expectations due to rising interest rates during the period.

BLACKROCK

Information related to our equity investment in BlackRock follows:

	2009	2008
Business segment earnings (in millions) (a)	**$207**	$207
PNC's share of BlackRock earnings (b)	**23%**	33%
Carrying value of PNC's investment in BlackRock (in billions) (b)	**$ 5.8**	$ 4.2

(a) Includes PNC's share of BlackRock's reported GAAP earnings and additional income taxes on those earnings incurred by PNC.
(b) At December 31.

BLACKROCK/BARCLAYS GLOBAL INVESTORS TRANSACTION

On December 1, 2009, BlackRock acquired BGI from Barclays Bank PLC in exchange for approximately $6.65 billion in cash and 37,566,771 shares of BlackRock common and participating preferred stock.

In connection with the BGI transaction, BlackRock entered into amendments to stockholder agreements with PNC and its other major shareholder. These amendments, which changed certain shareholder rights, including composition of the BlackRock Board of Directors and share transfer restrictions, became effective upon closing of the BGI transaction. Also in connection with the BGI transaction, BlackRock entered into a stock purchase agreement with PNC in which we purchased 3,556,188 shares of BlackRock's Series D Preferred Stock at a price of $140.60 per share, or $500 million, to partially finance the transaction. On January 31, 2010, the Series D Preferred Stock was converted to Series B Preferred Stock.

Upon closing of the BGI transaction, the carrying value of our investment in BlackRock increased significantly, reflecting our portion of the increase in BlackRock's equity resulting from the value of BlackRock shares issued in connection with their acquisition of BGI. PNC recognized this increase in value as a $1.076 billion pretax gain in the fourth quarter of 2009. At December 31, 2009, our percentage ownership of BlackRock common stock was approximately 35%.

BLACKROCK LTIP PROGRAMS AND EXCHANGE AGREEMENTS

PNC's noninterest income included pretax gains of $98 million in 2009 and $243 million in 2008 related to our BlackRock LTIP shares obligation. These gains represented the mark-to-market adjustment related to our remaining BlackRock LTIP common shares obligation and resulted from the decrease in the market value of BlackRock common shares in those periods.

As previously reported, PNC entered into an Exchange Agreement with BlackRock on December 26, 2008. The transactions that resulted from this agreement restructured PNC's ownership of BlackRock equity without altering, to any meaningful extent, PNC's economic interest in BlackRock. PNC continues to be subject to the limitations on its voting rights in its existing agreements with BlackRock. Also on December 26, 2008, BlackRock entered into an Exchange Agreement with Merrill Lynch in anticipation of the consummation of the merger of Bank of America Corporation and Merrill Lynch that occurred on January 1, 2009. The PNC and Merrill Lynch Exchange Agreements restructured PNC's and Merrill Lynch's respective ownership of BlackRock common and preferred equity.

The exchange contemplated by these agreements was completed on February 27, 2009. On that date, PNC's obligation to deliver BlackRock common shares was replaced with an obligation to deliver shares of BlackRock's new Series C Preferred Stock. PNC acquired 2.9 million shares of Series C Preferred Stock from BlackRock in exchange for common shares on that same date. PNC accounts for these preferred shares at fair value, which offsets the impact of marking-to-market the obligation to deliver these shares to BlackRock as we aligned the fair value marks on this asset and liability. The fair value of the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in Other assets. Additional information regarding the valuation of the BlackRock Series C Preferred Stock is included in Note 8 Fair Value in the Notes To Consolidated Financial Statements included in Item 8 of this Report.

PNC accounts for its remaining investment in BlackRock under the equity method of accounting, with its share of BlackRock's earnings reduced primarily due to the exchange of BlackRock common stock for BlackRock Series C Preferred Stock. The Series C Preferred Stock is not taken into consideration in determining PNC's share of BlackRock earnings under the equity method. PNC's percentage ownership of BlackRock common stock increased as a result of the substantial exchange of Merrill Lynch's BlackRock common stock for BlackRock preferred stock. As a result of the BlackRock preferred stock held by Merrill Lynch and the new BlackRock preferred stock issued to Merrill Lynch and PNC under the Exchange Agreements, PNC's share of BlackRock common stock is higher than its overall share of BlackRock's equity and earnings. The transactions related to the Exchange Agreements do not affect our right to receive dividends declared by BlackRock.

DISTRESSED ASSETS PORTFOLIO

(Unaudited)

Year ended December 31 *Dollars in millions, except as noted*	2009
INCOME STATEMENT	
Net interest income	$ 1,079
Noninterest income	74
Total revenue	1,153
Provision for credit losses	771
Noninterest expense	246
Pretax earnings	136
Income taxes	52
Earnings	$ 84
AVERAGE BALANCE SHEET	
COMMERCIAL LENDING:	
Commercial	$ 155
Commercial real estate	
Real estate projects	2,780
Commercial mortgage	97
Equipment lease financing	818
Total commercial lending	3,850
CONSUMER LENDING:	
Consumer:	
Home equity lines of credit	4,952
Home equity installment loans	2,134
Other consumer	15
Total consumer	7,101
Residential real estate:	
Residential mortgage	8,729
Residential construction	1,436
Total residential real estate	10,165
Total consumer lending	17,266
Total portfolio loans	21,116
Other assets	1,728
Total assets	$22,844
Deposits	$ 39
Other liabilities	92
Capital	1,574
Total liabilities and equity	$ 1,705
OTHER INFORMATION	
Nonperforming assets (a) (b)	$ 1,787
Impaired loans (a) (c)	$ 7,577
Net charge-offs (d)	$ 544
Net charge-offs as a percentage of portfolio loans (d)	2.58%
LOANS (IN BILLIONS) (a)	
Commercial	
Residential development	$ 2.6
Cross-border leases	.8
Consumer	
Brokered home equity	6.4
Retail mortgages	5.2
Non-prime mortgages	1.7
Residential completed construction	1.3
Residential construction	.5
Total loans	$ 18.5

(a) As of December 31.
(b) Includes nonperforming loans of $1.456 billion.
(c) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.
(d) For the year ended December 31.

This business segment consists primarily of assets acquired with National City. The Distressed Assets Portfolio had earnings of $84 million for 2009. Earnings were largely driven by net interest income of $1.1 billion. The provision for credit losses was $771 million in 2009, which reflected credit quality deterioration, particularly in the commercial residential development and consumer residential construction portfolios. Noninterest expense was $246 million for 2009, comprised primarily of costs associated with foreclosed assets and servicing costs.

Distressed Assets Portfolio overview:

- Total loans were $18.5 billion at December 31, 2009 compared with $27 billion at January 1, 2009. The reduction in loans during 2009 was primarily due to net paydowns and charge-offs.
- The loan portfolio included commercial residential development loans, cross border leases, consumer brokered home equity loans, retail mortgages, non-prime mortgages and residential construction loans.
- Certain loans in this business segment may require special servicing given current loan performance and market conditions. Consequently, the business activities of this segment are focused on maximizing the value of the portfolios assigned to it while mitigating risk. Business intent drives the inclusion of assets in this business segment. Not all impaired loans are included in this business segment, nor are all of the loans included in this business segment considered impaired.
- The $18.5 billion of loans held in this portfolio are stated inclusive of a fair value mark at acquisition. Taking the mark and loan loss allowance into account, the net carrying basis of this loan portfolio is 75% of customer outstandings.
- The commercial residential development portfolio has undergone a loan review of the project collateral, including certain site visits. A team of asset managers has been assembled to address workout strategies. Actions taken on the portfolio included reducing unfunded loan exposure, foreclosing on residential real estate development properties, and selling loans.
- Brokered home equity loans include closed-end second liens and open-end home equity lines of credit. Our focus for managing these portfolios is to maximize the value of the portfolio. We have implemented several modification programs to assist the loss mitigation teams that manage this risk. Additionally, we have initiated several voluntary and involuntary programs to reduce and/or block line availability on home equity lines of credit.
- Retail mortgages are primarily jumbo and ALT-A first lien mortgages originated for sale in the second half of 2007 for which firm commitments to lend had been extended but there was no market to sell the production. As part of our loss mitigation strategy,

we have transferred a small portfolio to a third party servicer. Additionally, given the low level of mortgage rates relative to where these loans were originated, we have implemented several internal and external refinance programs to proactively work with the borrowers to explore refinance alternatives that would allow them to qualify for a conforming mortgage loan which would be originated and sold by the company or the third party originator.

- Active construction loans remain available as a part of some construction phases of the real estate development and have not been fully funded. Properties are reviewed by a dedicated team to assess the appropriate strategy for optimizing the return on these assets while mitigating risk. To the extent we believe that completion of the construction on a particular project will maximize value, additional advances under the construction facility may be considered. The goal for these projects would be to move such project toward completion. Otherwise, the property is to be managed on an "as is" basis or returned to raw land for sale.
- Completed construction loans are comprised of loans on which all phases of property construction are complete and the loan has been funded as needed to allow for construction completion. We are managing completed construction loans consistent with the strategies for residential real estate loans.

The fair value marks taken upon our acquisition of National City, along with the team assembled to provide specific focus on this business segment, put us in a good position to manage these assets. Additionally, our capital and liquidity position provide us flexibility to be prudent in terms of continuing to hold these assets or selling them to another investor to obtain the optimum return.

CRITICAL ACCOUNTING ESTIMATES 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.

Fair Value Measurements

We must use estimates, assumptions, and judgments when assets and liabilities are required to be recorded at, or adjusted to reflect, fair value. This includes the initial measurement at fair value of the assets acquired and liabilities assumed in acquisitions qualifying as business combinations under GAAP, Business Combinations (Topic 805). The valuation of both financial and nonfinancial assets and liabilities in these transactions requires numerous assumptions and estimates and the use of third-party sources including appraisers and valuation specialists.

Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Assets and liabilities measured at fair value on a recurring basis, including those elected under Financial Instruments (Topic 825), include available for sale and trading securities, financial derivatives, certain commercial and residential mortgage loans held for sale, customer resale agreements, private equity investments, and residential mortgage servicing rights. 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.

Effective January 1, 2008, PNC adopted Fair Value Measurements and Disclosures (Topic 820). This guidance defines fair value as the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the measurement date. This guidance established a three level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used in the measurement are observable or unobservable.

The following sections of this Report provide further information on this type of activity:

- Fair Value Measurements and Fair Value Option included within this Item 7, and
- Note 8 Fair Value included in Notes To Consolidated Financial Statements in Item 8 of this Report.

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 incurred 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:

- Probability of default,
- Loss given default,
- Exposure at date of default,

- Amounts and timing of expected future cash flows on impaired loans,
- Value of collateral,
- Historical loss exposure, and
- Amounts for changes in economic conditions that may not be reflected in historical results.

In determining the adequacy of the allowance for loan and lease losses, we make specific allocations to impaired loans, allocations to pools of watchlist and non-watchlist loans, and allocations 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 factors. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Commercial lending is the largest category of credits and is the most sensitive to changes in assumptions and judgments underlying the determination of the allowance for loan and lease losses. We have allocated approximately $3.4 billion, or 66%, of the allowance for loan and lease losses at December 31, 2009 to the commercial lending category. Consumer and residential mortgage loan allocations are made at a total portfolio level based on historical loss experience adjusted for portfolio activity. Approximately $1.7 billion, or 34%, of the allowance for loan and lease losses at December 31, 2009 have been allocated to these consumer lending categories.

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
- Note 5 Asset Quality in the Notes To Consolidated Financial Statements and Allocation Of Allowance For Loan And Lease Losses in the Statistical Information (Unaudited) section of Item 8 of this Report.

Estimated Cash Flows on Purchased Impaired Loans

FASB ASC—Receivables (Topic 310) – Loans and Debt Securities Acquired with Deteriorated Credit Quality formerly SOP 03-3, provides the GAAP guidance for accounting for certain loans that have experienced a deterioration of credit quality from origination to acquisition for which it is probable that the investor will be unable to collect all contractually required payments receivable, including both principal and interest.

In our assessment of credit quality deterioration, we must make numerous assumptions, interpretations and judgments, using internal and third-party credit quality information to determine whether it is probable that we will be able to collect all contractually required payments. This is a point in time assessment and inherently subjective due to the nature of the available information and judgment involved.

Those loans that qualify under Topic 310 are recorded at fair value at acquisition, which involves estimating the expected cash flows to be received. Measurement of the fair value of the loan is based on the provisions of Topic 820. Also, GAAP prohibits the carryover or establishment of an allowance for loan losses on the acquisition date.

Subsequent to the acquisition of the loan, GAAP requires that we continue to estimate cash flows expected to be collected over the life of the loan. The measurement of expected cash flows involves assumptions and judgments as to credit risk, interest rate risk, prepayment risk, default rates, loss severity, payment speeds and collateral values. All of these factors are inherently subjective and can result in significant changes in the cash flow estimates over the life of the loan. Such changes in expected cash flows could increase future earnings volatility due to increases or decreases in the accretable yield (i.e., the difference between the undiscounted expected cash flows and the recorded investment in the loan). The accretable yield is recognized as interest income on a constant effective yield method over the life of the loan. In addition, changes in expected cash flows could result in the recognition of impairment through provision for credit losses if the decline in expected cash flows is attributable to a decline in credit quality.

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 Retail Banking, Corporate & Institutional Banking and Global Investment Servicing 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 by customers to our services.

As such, the value of goodwill is ultimately supported by earnings, which is driven by transaction volume 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 current period charge to earnings. At least annually, management reviews the current operating environment and strategic direction of each reporting unit taking into consideration any events or changes in circumstances that may have an effect on the unit. A reporting unit is defined as an operating segment or one level below an operating segment. This input is then used to calculate the fair value of the reporting unit, including goodwill, which is compared to its carrying value. If the fair value of the reporting unit exceeds its carrying amount, then the goodwill of that reporting unit is not considered impaired. During the fourth quarter 2008, and the first quarter of 2009, PNC considered whether the decline in the fair value of our market capitalization due to market conditions is an indicator of declines in the fair value of the reporting units. Although the fair values of the reporting units decreased, their estimated fair values are still considered to be in excess of their respective carrying values.

Of the $9.5 billion of goodwill recorded on our consolidated balance sheet as of December 31, 2009, approximately $43 million was associated with the Residential Mortgage Banking reporting unit acquired as part of the National City acquisition. As of October 1, 2009, the date of PNC's annual goodwill impairment testing, the fair value of the Residential Mortgage Banking reporting unit exceeded its carrying value by approximately 11%. Since 11% is a narrow percentage, this reporting unit may be considered the most likely to become impaired in the future. The fair value of this reporting unit had been determined using a discounted cash flow (DCF) valuation model. We used the discounted cash flow median of the comparables, which we believe approximates the fair market value of the unit. The statistical information underlying the comparables and the resulting DCF valuation are highly sensitive to market changes. Therefore, any future deterioration in the residential mortgage market environment may have an adverse impact on the valuation which could result in a reduction of the excess over carrying value and possible impairment of the goodwill.

Based on the results of our analysis, there have been no impairment charges related to 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.

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 provide support for 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. Residual values are reviewed for impairment on a quarterly basis.

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. Revenue earned on interest-earning assets including the accretion of fair value adjustments on discounts for purchased loans is recognized based on the effective yield of the financial instrument.

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.

Residential Mortgage Servicing Rights – In conjunction with the acquisition of National City, PNC acquired servicing rights for residential real estate loans. We have elected to measure these mortgage servicing rights (MSRs) at fair value. MSRs are established and valued using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and numerous other factors.

PNC employs a risk management strategy designed to protect the value of MSRs from changes in interest rates. MSR values are economically hedged with securities and a portfolio of derivatives, including interest-rate swaps, options, forward mortgage-backed, and futures contracts. As interest rates change, these financial instruments are expected to have changes in fair value which are negatively correlated to the change in fair value of the hedged MSR portfolio. The hedge relationships are actively managed in response to changing market conditions over the life of the MSR assets. Selecting appropriate financial instruments to hedge this risk requires significant management judgment to assess how mortgage rates and prepayment speeds could affect the future values of MSRs. Hedging results can frequently be volatile in the short term, but over longer periods of time are expected to protect the economic value of the MSR portfolio.

The fair value of residential MSRs and significant inputs to the valuation model as of December 31, 2009 are shown in the table below. The expected and actual rates of mortgage loan prepayments are the most significant factors driving the fair value. Management uses an internal proprietary model to estimate future loan prepayments. This model uses empirical data drawn from the historical performance of our managed portfolio, as adjusted for current market conditions. Future interest rates are another important factor in the valuation of MSRs. Management utilizes market implied forward interest rates to estimate the future direction of mortgage and discount rates. The forward rates utilized are derived from the current yield curve for US dollar interest rate swaps and are consistent with pricing of capital markets instruments. Changes in the shape and slope of the forward curve in future periods may result in volatility in the fair value estimate.

Dollars in millions	December 31 2009
Fair value	$ 1,332
Weighted-average life (in years)	4.5
Weighted-average constant prepayment rate	19.92%
Spread over forward interest rate swap rates	12.16%

A sensitivity analysis of the hypothetical effect on the fair value of MSRs to adverse changes in key assumptions is presented below. Changes in fair value generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the MSRs is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in mortgage interest rates, which drive changes in prepayment rate estimates, could result in changes in the interest rate spread), which could either magnify or counteract the sensitivities.

Dollars in millions	December 31 2009
Prepayment rate:	
Decline in fair value from 10% adverse change	$ 56
Decline in fair value from 20% adverse change	$ 109
Spread over forward interest rate swap rates:	
Decline in fair value from 10% adverse change	$ 55
Decline in fair value from 20% adverse change	$ 106

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.

Additional information regarding our Critical Accounting Policies and Judgments is found elsewhere in this Item 7 and in the Notes To Consolidated Financial Statements in Item 8 of this Report.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 Accounting Policies in the Notes To Consolidated Financial Statements in Item 8 of this Report for information on new accounting pronouncements that were effective in 2008, 2009 or became effective on January 1, 2010.

In addition, the following Accounting Standards Update (ASU) was issued in early 2010:

- In January 2010, the FASB issued ASU 2010-6, Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures About Fair Value Measurements. This guidance provides amendments to require new disclosures as follows: transfers in and out of Levels 1 and 2 and the reasons for the transfers, and additional breakout of asset and liability categories. This guidance will be effective for PNC for the first quarter 2010 reporting. This guidance also requires purchases, sales, issuances and settlements to be reported separately in the Level 3 rollforward. This additional guidance will be effective for PNC beginning with the first quarter 2011 reporting.

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 cash balance formulas 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. Consistent with our investment strategy, plan assets are primarily invested in equity investments and fixed income instruments. Plan fiduciaries determine and review the plan's investment policy, which is described more fully in Note 15 Employee Benefit Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

We calculate the expense associated with the pension plan and the assumptions and methods that we use include 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, the rate of compensation increase and the expected return on plan assets. The discount rate and compensation increase assumptions do not significantly affect pension expense.

However, the expected long-term return on assets assumption does significantly affect pension expense. Our expected long-term return on plan assets for determining net periodic pension expense has been 8.25% for the past three years. The expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes. While this analysis gives appropriate consideration to recent asset performance and historical returns, the assumption represents a long-term prospective return. We review this assumption at each measurement date and adjust it if warranted.

For purposes of setting and reviewing this assumption, "long-term" refers to the period over which the plan's projected benefit obligation will be disbursed. While year-to-year annual returns can vary significantly (rates of return for the reporting years of 2009, 2008, and 2007 were +20.61%, -32.91%, and +7.57%, respectively), the assumption represents our estimate of long-term average prospective returns. Our selection process references certain historical data and the current environment, but primarily utilizes qualitative judgment regarding future return expectations. Recent annual returns may differ but, recognizing the volatility and unpredictability of investment returns, we generally do not change the assumption unless we modify our investment strategy or identify events that would alter our expectations of future returns.

To evaluate the continued reasonableness of our assumption, we examine a variety of viewpoints and data. Various studies have shown that portfolios comprised primarily of US equity securities have returned approximately 10% over long periods of time, while US debt securities have returned approximately 6% annually over long periods. Application of these historical returns to the plan's allocation of equities and bonds produces a result between 8% and 8.5% and is one point of reference, among many other factors, that is taken into consideration. We also examine the plan's actual historical returns over various periods. Recent experience is considered in our evaluation with appropriate consideration that, especially for short time periods, recent returns are not reliable indicators of future returns, and in many cases low returns in recent time periods are followed by higher returns in future periods (and vice versa).

Acknowledging the potentially wide range for this assumption, we also annually examine the assumption used by other companies with similar pension investment strategies, so that we can ascertain whether our determinations markedly differ from other observers. In all cases, however, this data simply informs our process, which places the greatest emphasis on our qualitative judgment of future investment returns, given the conditions existing at each annual measurement date.

The expected long-term return on plan assets for determining net periodic pension cost for 2009 was 8.25%, unchanged from 2008. During 2010, we intend to decrease the midpoint of the plan's target allocation range for equities by approximately five percentage points. As a result of this change and taking into account all other factors described above, PNC will change the expected long-term return on plan assets to 8.00% for determining net periodic pension cost for 2010. 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 subsequent years to change by up to $8 million as the impact is amortized into results of operations.

The table below reflects the estimated effects on pension expense of certain changes in annual assumptions, using 2010 estimated expense as a baseline.

Change in Assumption(a)	Estimated Increase to 2010 Pension Expense (In millions)
.5% decrease in discount rate	$ 10
.5% decrease in expected long-term return on assets	$ 18
.5% increase in compensation rate	$ 3

(a) The impact is the effect of changing the specified assumption while holding all other assumptions constant.

We currently estimate a pretax pension expense of $41 million in 2010 compared with pretax expense of $117 million in 2009. This year-over-year reduction was primarily due to the amortization impact of the favorable 2009 investment returns as compared with the expected long-term return assumption.

Our pension plan contribution requirements are not particularly sensitive to actuarial assumptions. Investment performance has the most impact on contribution requirements and 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. We expect that the minimum required contributions under the law will be zero for 2010.

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 15 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 describes our risk management philosophy, principles, governance and various aspects of our corporate-level risk management program. We also provide an overview of 2009 enterprise-wide risk, followed by an analysis of 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 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.

Risk Management Philosophy

PNC's risk management philosophy is to manage to an overall moderate level of risk to capture opportunities and optimize shareholder value. We dynamically set our strategies and make distinct risk taking decisions with consideration for the impact to our aggregate risk profile. While, due to the National City acquisition and the overall state of the economy, our enterprise risk profile does not currently meet our desired moderate risk level, we are making progress in returning to that level.

Risk Management Principles

- Designed to only take risks consistent with our strategy and within our capability to manage,
- Limit risk-taking by a set of boundaries,
- Practice disciplined capital and liquidity management,
- Help ensure that risks and earnings volatility are appropriately understood, measured and rewarded,
- Avoid excessive concentrations, and
- Help support external stakeholder confidence in PNC.

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 Committee (EC), 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.

Corporate-Level Risk Management Program

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,
- Help identify and implement risk management best practices, as appropriate, and
- Work with the lines of business to shape and define PNC's business risk limits.

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 losses associated with declining volumes, margins and/or fees, and the fixed cost structure of the business. We estimate credit and market risks at pool and exposure levels 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

Risk management is not about eliminating risks, but about identifying and accepting risks and then working to effectively manage them so as to optimize shareholder value.

We centrally manage policy development and exception approval and oversight through corporate-level risk management. Some of these policies express our risk appetite through limits to the acceptable level of risk. We are in excess of certain limits and are progressively managing to bring our risks within policy. We are also reviewing and revising certain policies to better reflect our larger and more complex organization. Corporate risk management is authorized to take action to either prevent or mitigate unapproved 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 EC provide guidance on actions to address key risk issues as identified in these reports.

2009 Overview of Enterprise-Wide Risk
Our enterprise risk profile reflects continued deterioration in credit quality, albeit at a slower pace. Contributing factors include the adverse economy and higher credit risk portfolios acquired from other institutions, primarily National City.

Significant effort was expended during 2009 to embed PNC's risk management governance, processes, and culture. The combined enterprise is under PNC's risk management philosophy, principles, governance and corporate-level risk management program.

We also made investments and strengthened risk management governance and practices in areas where we did not have a significant presence prior to the National City acquisition, such as credit card, residential first mortgage lending, and residential mortgage servicing.

Credit risk management actions undertaken across the combined enterprise include further refinement of underwriting standards, continued reductions in credit exposure where appropriate and increased frequency of credit risk monitoring and management activities. However, we continue to originate and renew loans and lines of credit within the boundaries of our risk management framework.

To further mitigate credit risk and reduce the pace of deterioration, we continue to exit certain lending areas and liquidate certain loan portfolios. Where we have chosen not to retain the risk, it is either because it did not fit within our desired moderate risk profile, or because we are not being adequately compensated for such risk. Our exit and liquidation strategy is to effectively mitigate risk while optimizing shareholder return.

We also designated certain purchased loans as impaired, and reduced their carrying value to the net present value of the amounts we believe we can collect. As of December 31, 2009, we had $15.2 billion unpaid principal balance of purchased impaired loans, carried on our balance sheet at $10.3 billion.

Although approximately 11% of our $56 billion securities portfolio is sub-investment grade, we believe the risk of loss is manageable given credit impairment charges taken to date, continued monitoring and management, and stress testing.

Our earnings enabled us to further bolster reserves to cover anticipated credit losses, as well as strengthen capital to further insulate us from unanticipated losses. New common equity issued in 2009 and subsequently in 2010, provides cushion against the risk that economic conditions worsen over the next several years.

Relative to the prior two years, there was less volatility in the capital markets, stabilization of security prices, and the return of market liquidity during 2009. Nonetheless we maintained a heightened sense of alert by reducing market risk and are in compliance with all of our market risk limits.

Operational risk at the enterprise level is primarily driven by the continued integration of National City and the risks associated with the significant increase in our size and complexity resulting from this acquisition. Integration objectives have been met to date, due to effective management and integration governance. We will continue to evaluate the effectiveness of key processes, technologies and controls to help assure performance at expected levels post-integration.

Given our increased size and complexity, modifications to our enterprise-wide risk management governance and practices are in process. We also view Basel II as an opportunity to enhance our risk management practices, and we have dedicated a significant amount of resources for the next several years to this initiative.

Industry events have resulted in heightened risk management governance and practices in areas such as incentive compensation plans. Additionally, the pace and breadth of recent and anticipated regulatory changes has increased our emphasis on regulatory compliance, particularly with respect to consumer products and services such as mortgage, consumer lending, investments, and credit card.

Our liquidity, which we increased with recent equity and debt issuances and expect will be further bolstered by the planned sale of GIS in the third quarter of 2010, allowed us to redeem our Series N Preferred Stock within 14 months and provides a cushion should volatility and illiquidity return to the capital markets.

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 and certain guarantee contracts. Credit risk 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 problem loans, acceptable levels of total borrower exposure, 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. Corporate Credit personnel also participate in loan underwriting and approval processes to help ensure that newly approved loans meet policy and portfolio objectives.

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 reports to the Chief Risk Officer. Corporate Audit also provides an independent assessment of the effectiveness of the credit risk management process. We also manage credit risk in accordance with regulatory guidance.

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 of each of the past five years. In addition, certain performing assets have interest payments that are past due or have the potential for future repayment problems.

Credit quality deterioration continued during 2009 as expected, reflecting further economic weakening and resulting in net additions to loan loss reserves. However, past due loans appear to be stabilizing and while nonperforming loans increased in the fourth quarter of 2009, the growth rate was lower than in prior 2009 quarters.

Nonperforming assets increased $4.1 billion to $6.3 billion at December 31, 2009 compared with $2.2 billion at December 31, 2008. The increase resulted from recessionary conditions in the economy and reflected a $2.6 billion increase in commercial lending nonperforming loans and a $1.4 billion increase in consumer lending nonperforming loans. The increase in nonperforming commercial lending was primarily from real estate, including residential real estate development and commercial real estate exposure; manufacturing; and service providers. The increase in nonperforming consumer lending was mainly due to residential mortgage loans. While nonperforming assets increased across all applicable business segments during 2009, the largest increases were $2.0 billion in Corporate & Institutional Banking and $854 million in Distressed Assets Portfolio.

Purchased impaired loans are excluded from nonperforming loans. Any decrease in expected cash flows of individual commercial or pooled consumer purchased impaired loans would result in a charge to the provision for loan losses in the period in which the change becomes probable. Any increase in the expected cash flows of purchased impaired loans would first result in a recovery of previously recorded allowance for loan losses and then an increase to accretable interest income for the remaining life of the impaired loans. See Note 6 Purchased Impaired Loans Related to National City in the Notes To Consolidated Financial Statements in Item 8 for additional information.

The portion of the allowance for loan and lease losses allocated to commercial lending nonperforming loans was 29% at December 31, 2009 and 34% at December 31, 2008. Approximately 60% of these nonperforming loans are secured by collateral that is expected to reduce credit losses and require less reserves in the event of default. Additionally, the allowance for loan and lease losses was reduced by $112 million during 2009 relating to additional loans deemed to be within the scope of FASB ASC 310-30 as of December 31, 2008.

Nonperforming assets were 3.99% of total loans and foreclosed and other assets at December 31, 2009 compared with 1.24% at December 31, 2008.

Nonperforming Assets By Type

In millions	Dec. 31 2009	Dec. 31 2008
Nonaccrual loans		
Commercial		
Retail/wholesale	**$ 231**	$ 88
Manufacturing	**423**	141
Other service providers	**394**	114
Real estate related (a)	**419**	151
Financial services	**117**	23
Health care	**41**	37
Other	**181**	22
Total commercial	**1,806**	576
Commercial real estate		
Real estate projects	**1,754**	659
Commercial mortgage	**386**	107
Total commercial real estate	**2,140**	766
Equipment lease financing	**130**	97
TOTAL COMMERCIAL LENDING	**4,076**	1,439
Consumer		
Home equity	**356**	66
Other	**36**	4
Total consumer	**392**	70
Residential real estate		
Residential mortgage	**955**	139
Residential construction	**248**	14
Total residential real estate	**1,203**	153
TOTAL CONSUMER LENDING	**1,595**	223
Total nonperforming loans	**5,671**	1,662
Foreclosed and other assets		
Commercial lending	**266**	50
Consumer lending	**379**	469
Total foreclosed and other assets	**645**	519
Total nonperforming assets (b)	**$6,316**	$2,181

(a) Includes loans related to customers in the real estate and construction industries.
(b) Amounts at December 31, 2009 and December 31, 2008 included $3.8 billion and $738 million, respectively, of nonperforming assets related to National City, excluding those loans that we impaired.

Change In Nonperforming Assets

In millions	2009	2008
January 1	**$ 2,181**	$ 495
Transferred from accrual	**8,501**	1,981
Charge-offs and valuation adjustments	**(1,770)**	(491)
Principal activity including payoffs	**(1,127)**	(381)
Asset sales	**(798)**	(43)
Returned to performing	**(671)**	(127)
National City acquisition		738
Sterling acquisition		9
December 31	**$ 6,316**	$2,181

Total nonperforming loans and nonperforming assets in the tables above are significantly lower than they would have been otherwise due to the accounting treatment for purchased impaired loans. This treatment also results in lower ratios of nonperforming loans to total loans and allowance for loan and lease losses to nonperforming loans. We recorded such loans at estimated fair value of $12.7 billion at December 31, 2008, including an impairment mark for life of loan credit losses. These loans are considered performing, even if contractually past due (or if we do not expect to receive payment in full based on the original contractual terms), as we are currently accreting interest income over the expected life of the loans. The accretable interest/yield represents the excess of expected cash flows on the loans at the measurement date over the recorded investment. See Note 6 Purchased Impaired Loans Related to National City in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information on those loans.

At December 31, 2009, our largest nonperforming asset was approximately $49 million and our average nonperforming loan associated with commercial lending was approximately $1 million.

The amount of nonperforming loans that were current as to principal and interest was $1.7 billion at December 31, 2009 and $555 million at December 31, 2008.

Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties where we do not receive adequate compensation are considered troubled debt restructurings. Troubled debt restructurings typically result from our loss mitigation activities and could include rate reductions, principal forgiveness, forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. Troubled debt restructurings completed during 2009 and included in nonperforming loans totaled $440 million at December 31, 2009. Purchased impaired loans are excluded from troubled debt restructurings.

Accruing Loans Past Due 30 To 89 Days (a)

	Amount		Percent of Outstandings	
Dollars in millions	**Dec. 31 2009**	Dec. 31 2008	**Dec. 31 2009**	Dec. 31 2008
Commercial	**$ 684**	$ 489	**1.26%**	.72%
Commercial real estate	**666**	400	**3.10**	1.68
Equipment lease financing	**128**	74	**2.06**	1.15
Consumer	**438**	451	**.87**	.93
Residential real estate	**472**	506	**3.12**	3.23
Total (b)	**$2,388**	$1,920	**1.62**	1.18

Accruing Loans Past Due 90 Days Or More (a)

	Amount		Percent of Outstandings	
Dollars in millions	**Dec. 31 2009**	Dec. 31 2008	**Dec. 31 2009**	Dec. 31 2008
Commercial	**$ 188**	$ 90	**.35%**	.13%
Commercial real estate	**150**	52	**.70**	.22
Equipment lease financing	**6**	2	**.10**	.03
Consumer	**226**	154	**.45**	.32
Residential real estate	**314**	97	**2.07**	.62
Total (c)	**$ 884**	$ 395	**.60**	.24

(a) Excludes loans that are government insured/guaranteed, primarily residential mortgages.
(b) Excludes impaired loans acquired from National City totaling $.8 billion at December 31, 2009 and $1.6 billion at December 31, 2008. These loans are excluded as they were recorded at estimated fair value when acquired and are currently considered performing loans due to the accretion of interest in purchase accounting.
(c) Excludes impaired loans acquired from National City totaling $2.7 billion at December 31, 2009 and $2.0 billion at December 31, 2008. These loans are excluded as they were recorded at estimated fair value when acquired and are currently considered performing loans due to the accretion of interest in purchase accounting.

Loans that are not included in nonperforming or past due categories and which we are uncertain about the borrower's ability to comply with existing repayment terms over the next six months totaled $811 million at December 31, 2009 and $745 million at December 31, 2008.

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 estimated probable credit losses incurred 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. There were no significant changes during 2009 to the process and procedures we follow to determine our allowance of loan and lease losses.

We increased the allowance for loan and lease losses to $5.1 billion at December 31, 2009 compared with $3.9 billion at December 31, 2008. The allowance as a percent of nonperforming loans was 89% and as a percent of total loans was 3.22% at December 31, 2009. The comparable percentages at December 31, 2008 were 236% and 2.23%.

Although the allowance declined as a percentage of nonperforming loans at December 31, 2009 as compared with December 31, 2008, coverage is considered adequate given the mix of the loan portfolio. The majority of the commercial portfolio is secured by collateral, including loans to asset-based lending customers that continue to show demonstrably lower loss given default. Further, the large high investment grade portion of the loan portfolio has performed well and has not been subject to significant deterioration.

The allowance for loan and lease losses is significantly lower than it would have been otherwise due to the accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of allowance for loan and lease losses to total loans. Loan loss reserves on the purchased impaired loans were not carried over on the date of acquisition. In addition, these loans were recorded net of $9.2 billion of fair value marks as of December 31, 2008. As a result, the ratio of allowance for loan and lease losses to total loans is lower than it would be otherwise.

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 5 Asset Quality and Note 6 Purchased Impaired Loans Related to National City 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 GAAP. All impaired loans except leases and large groups of smaller-balance homogeneous loans which may include but are not limited to credit card, residential mortgage, and consumer installment loans are subject to individual analysis. Specific allowances for individual loans 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.

Allocations to commercial and commercial real estate loans (pool reserve methodology) 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 primarily based on historical default analyses and is derived from the borrower's internal PD credit risk rating;
- 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 $104 million. Additionally, other factors such as the rate of migration in the severity of problem loans will contribute to the final pool reserve allocations.

We make consumer (including residential mortgage) loan reserve allocations within our business structure by consumer product line based on historical loss experience. We compute the allocation loss rates using the roll-rate, historical loss or other appropriate loss calculation methodologies.

We expect to see credit cost improvements in line with the pace of economic recovery in 2010.

Charge-Offs And Recoveries

Year ended December 31 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2009				
Commercial	**$1,276**	**$ 181**	**$1,095**	**1.79%**
Commercial real estate	**510**	**38**	**472**	**1.91**
Equipment lease financing	**149**	**27**	**122**	**1.97**
Consumer	**961**	**105**	**856**	**1.63**
Residential real estate	**259**	**93**	**166**	**.79**
Total	**$3,155**	**$ 444**	**$2,711**	**1.64**
2008				
Commercial	$ 301	$ 53	$ 248	.79%
Commercial real estate	165	10	155	1.65
Equipment lease financing	3	1	2	.08
Consumer	143	15	128	.62
Residential real estate	6		6	.07
Total	$ 618	$ 79	$ 539	.74

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, the following:

- 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
- timing of available information.

Total net charge-offs are significantly lower than they would have been otherwise due to the accounting treatment for purchased impaired loans. This treatment also results in a lower ratio of net charge-offs to average loans. Customer balances related to these impaired loans were reduced by the fair value marks of $9.2 billion as of December 31, 2008. However, as a result of further credit deterioration on purchased impaired commercial loans, we recorded $90 million of net charge-offs in 2009.

CREDIT DEFAULT SWAPS

From a credit risk management perspective, we buy and sell credit loss protection via the use of credit derivatives. When we buy loss protection by purchasing a credit default swap (CDS), we pay a fee to the seller, or CDS counterparty, in return for the right to receive a payment if a specified credit event occurs for a particular obligor or reference entity. We purchase CDSs to mitigate the risk of economic loss on a portion of our loan exposures and for trading purposes.

We also sell loss protection to mitigate the net premium cost and the impact of fair value accounting on the CDS in cases where we buy protection to hedge the loan portfolio and for trading purposes. These activities represent additional risk positions rather than hedges of risk.

We approve counterparty credit lines for all of our trading activities, including CDSs. Counterparty credit lines are approved based on a review of credit quality in accordance with our traditional credit quality standards and credit policies. The credit risk of our counterparties is monitored in the normal course of business. In addition, all counterparty credit lines are subject to collateral thresholds and exposures above these thresholds are secured.

CDSs are included in the Free-Standing Derivatives table in the Financial Derivatives section of this Risk Management discussion. Net losses from CDSs for proprietary trading positions, reflected in other noninterest income on our Consolidated Income Statement, totaled $7 million for 2009 compared with net gains of $45 million for 2008.

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,
- Misuse of sensitive information, 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 oversees day-to-day operational risk management activities.

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 is 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.

We believe our current operational risk level is in line with a moderate risk profile. As we complete the integration of National City and have doubled in size from a year ago, we are regularly evaluating key processes, technologies, and controls to help ensure they are performing at expected levels, and can support growing business and product requirements in a stable, well controlled manner.

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 a subsidiary company, Alpine Indemnity Limited, provides insurance coverage for its general liability, automobile liability, management liability, fidelity, employment practices liability, special crime, workers' compensation, property and terrorism programs. PNC's risks associated with its participation as an insurer for these programs are mitigated through policy limits and annual aggregate limits. Risks in excess of Alpine's 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 at the bank and parent company to help ensure that we can obtain cost-effective funding to meet current and future obligations under both normal "business as usual" and stressful circumstances.

Our largest source of liquidity on a consolidated basis is the deposit base that comes from our retail and corporate banking businesses. 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, trading securities, and interest-earning deposits with banks) and securities available for sale. At December 31, 2009, our liquid assets totaled $59.8 billion, with $23.4 billion pledged as collateral for borrowings, trust, and other commitments.

Bank Level Liquidity

Spot and forward funding gap analyses are the primary metrics used to measure and monitor bank liquidity risk. Funding gaps represent the difference in projected sources of liquidity available to offset projected uses. We calculate funding gaps for the overnight, thirty day, ninety day, one-hundred eighty day and one year time intervals. Risk limits are established within the Liquidity Risk policy. Compliance is regularly reviewed by management's Asset and Liability Committee.

PNC Bank, N.A. can borrow from the Federal Reserve Bank of Cleveland's (Federal Reserve Bank) discount window to meet short-term liquidity requirements. These borrowings are secured by securities and commercial loans. PNC Bank, N.A. is also a member of the Federal Home Loan Bank (FHLB)-Pittsburgh and as such has access to advances from FHLB-Pittsburgh secured generally by residential mortgage and other mortgage-related loans. At December 31, 2009, our unused secured borrowing capacity was $26.0 billion with the Federal Reserve Bank and $9.3 billion with FHLB-Pittsburgh.

Total FHLB borrowings were $10.8 billion at December 31, 2009 compared with $18.1 billion at December 31, 2008.

We can also obtain funding through traditional forms of borrowing, including Federal funds purchased, repurchase agreements, and short and long-term debt issuances. PNC Bank, N.A. has the ability to offer up to $20 billion in senior and subordinated unsecured debt obligations with maturities of more than nine months. Through December 31, 2009, PNC Bank, N.A. had issued $6.9 billion of debt under this program.

PNC Bank, N.A. also has the ability to offer up to $3.0 billion of its commercial paper. As of December 31, 2009, there were no issuances outstanding under this program.

As of December 31, 2009, there were $6.2 billion of bank short- and long-term debt issuances with maturities of less than one year.

In December 2009, as required by the FDIC, we prepaid deposit insurance assessments covering the period October 1, 2009 through December 31, 2012. The amount of the prepayment was $1.1 billion. While the resulting prepaid asset does not require risk-based capital, it impacts our available bank liquidity.

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 our funding requirements over the succeeding 24-month period. Risk limits for parent company liquidity are established within the Enterprise Capital Management Policy. Compliance is regularly reviewed by the Board of Director's Joint Risk Committee.

The principal source of parent company cash flow is the dividends it receives from its subsidiary bank, which may be impacted by the following:

- Bank-level 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. See Note 23 Regulatory Matters in the Notes To Consolidated Financial Statements in Item 8 of this Report for a further discussion of these limitations.

Dividends may also be impacted by the bank's capital needs and by contractual restrictions. We provide additional information on certain contractual restrictions under the "Perpetual Trust Securities," "PNC Capital Trust E Trust Preferred Securities," and "Acquired Entity Trust Preferred Securities" sections of the Off-Balance Sheet Arrangements And Variable Interest Entities section of this Item 7. The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately $378 million at December 31, 2009.

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, 2009, the parent company had approximately $4.7 billion in funds available from its cash and short-term investments.

We can also generate liquidity for the parent company and PNC's non-bank subsidiaries through the issuance of debt and equity securities in public or private markets.

PNC Funding Corp issued the following securities during 2009:

- September – $500 million of senior notes due September 2015; interest paid semiannually at a fixed rate of 4.25%.
- June – $600 million of senior notes due June 2019; interest paid semiannually at a fixed rate of 6.7%.
- June – $400 million of senior notes due June 2014; interest paid semiannually at a fixed rate of 5.4%.
- March – $1.0 billion of floating rate senior notes due April 2012 under the TLGP-Debt Guarantee Program. Interest will be reset quarterly to 3-month LIBOR plus 20 basis points and paid quarterly. These senior notes are guaranteed by the parent company and by the FDIC and are backed by the full faith and credit of the United States of America through maturity.

As further described in the Executive Summary and Consolidated Balance Sheet sections of this Item 7, in May 2009 we raised $624 million in common equity through the issuance of 15 million shares of common stock.

PNC Bank, N.A., through its subsidiary PNC Funding Corp, has the ability to offer up to $3.0 billion of commercial paper to provide the parent company with additional liquidity. As of December 31, 2009, there were no issuances outstanding under this program.

As of December 31, 2009, there were $1.1 billion of parent company contractual obligations with maturities of less than one year.

We have effective shelf registration statements pursuant to which we can issue additional debt and equity securities, including certain hybrid capital instruments.

February 2010 Actions

On February 8, 2010, we raised $3.0 billion in new common equity through the issuance of 55.6 million shares of common stock in an underwritten offering at $54 per share. On March 4, 2010, the underwriters exercised their option to purchase an additional 8.3 million shares of common stock at the offering price of $54 per share, totaling approximately $450 million, to cover over-allotments. We expect to complete this issuance on March 11, 2010.

Also on February 8, 2010 PNC Funding Corp issued the following securities:

- $1 billion of senior notes due February 2015; interest will be paid semiannually at a fixed rate of 3.625%.
- $1 billion of senior notes due February 2020; interest will be paid semiannually at a fixed rate of 5.125%.

As approved by the Federal Reserve Board, US Treasury and our other banking regulators, on February 10, 2010, we redeemed all 75,792 shares of our Fixed Rate Cumulative Perpetual Preferred Shares, Series N (Series N Preferred Stock) issued to the US Treasury on December 31, 2008 totaling $7.6 billion. We used the net proceeds from the common stock and senior notes offerings described above and other parent company funds to redeem the Series N Preferred Stock.

Dividends of $89 million were paid on February 10, 2010 when the Series N Preferred Stock was redeemed. PNC paid total dividends of $421 million to the US Treasury while the Series N Preferred Stock was outstanding.

In connection with the redemption of the Series N Preferred Stock, we accelerated the accretion of the remaining issuance discount on the Series N Preferred Stock and recorded a corresponding reduction in retained earnings of $250.0 million. This resulted in a one-time, noncash reduction in net income available to common stockholders and related basic and diluted earnings per share. This transaction will be reflected in our consolidated financial statements for the first quarter of 2010.

We did not exercise our right to seek to repurchase the related warrant to purchase common shares at the time we redeemed the Series N Preferred Stock.

See Note 19 Equity in the Notes To Consolidated Financial Statements in Item 8 of this Report for more details regarding the issuance of Series N Preferred Stock, related issuance discount and the warrant to purchase common shares to the US Treasury under the TARP Capital Purchase Program.

Status of Credit Ratings

The cost and availability of short- and long-term funding, as well as collateral requirements for certain derivative instruments, is influenced by debt ratings. A decrease, or potential decrease, in credit ratings could impact access to the capital markets and/or increase the cost of debt, and thereby adversely affect liquidity and financial condition.

Credit ratings as of December 31, 2009 follow:

	Moody's	Standard & Poor's	Fitch
The PNC Financial Services Group, Inc.			
Senior debt	A3	A	A+
Subordinated debt	Baa1	A-	A
Preferred stock (a)	Baa2	BBB	A
PNC Bank, N.A.			
Subordinated debt	A2	A	A
Long-term deposits	A1	A+	AA-
Short-term deposits	P-1	A-1	F1+

(a) Effective February 17, 2010, Moody's revised the rating on preferred stock to Baa3 from Baa2.

Commitments

The following tables set forth contractual obligations and various other commitments representing required and potential cash outflows as of December 31, 2009.

Contractual Obligations

		Payment Due By Period			
December 31, 2009 - in millions	Total	Less than one year	One to three years	Four to five years	After five years
Remaining contractual maturities of time deposits	**$54,277**	**$37,001**	**$ 13,998**	**$2,065**	**$ 1,213**
Borrowed funds	**39,261**	**12,951**	**10,385**	**5,544**	**10,381**
Minimum annual rentals on noncancellable leases	**2,575**	**423**	**560**	**436**	**1,156**
Nonqualified pension and postretirement benefits	**539**	**64**	**120**	**110**	**245**
Purchase obligations (a)	**975**	**428**	**329**	**164**	**54**
Total contractual cash obligations	**$97,627**	**$50,867**	**$ 25,392**	**$8,319**	**$13,049**

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

At December 31, 2009, the liability for uncertain tax positions, excluding associated interest and penalties, was $227 million. This liability represents an estimate of tax positions that we have taken in our tax returns which may ultimately not be sustained upon examination by taxing authorities. Since the ultimate amount and timing of any future cash settlements cannot be predicted with reasonable certainty, this estimated liability has been excluded from the contractual obligations table.

Other Commitments (a)

		Amount Of Commitment Expiration By Period			
December 31, 2009 - in millions	Total Amounts Committed	Less than one year	One to three years	Four to five years	After five years
Net unfunded credit commitments	**$100,795**	**$60,017**	**$ 35,878**	**$ 4,476**	**$ 424**
Standby letters of credit (b)	**10,026**	**4,669**	**4,166**	**1,055**	**136**
Reinsurance agreements	**1,736**	**147**	**247**	**86**	**1,256**
Other commitments (c)	**1,032**	**334**	**486**	**185**	**27**
Total commitments	**$113,589**	**$65,167**	**$ 40,777**	**$ 5,802**	**$ 1,843**

(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 $6.1 billion of standby letters of credit that support remarketing programs for customers' variable rate demand notes.

(c) Includes unfunded commitments related to private equity investments of $453 million and other investments of $66 million which are not on our Consolidated Balance Sheet. Also includes commitments related to tax credit investments of $490 million and other direct equity investments of $23 million which are included in other liabilities on the Consolidated Balance Sheet.

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 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 and the level of our noninterest-bearing funding sources. Due to the 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 also the economic values of these assets and liabilities.

Asset and Liability Management centrally manages interest rate risk within limits and guidelines set forth in our risk management policies approved by management's Asset and Liability Committee and the Joint Risk Committee of the Board. Sensitivity results and market interest rate benchmarks for the fourth quarters of 2009 and 2008 follow:

Interest Sensitivity Analysis

	Fourth Quarter 2009	Fourth Quarter 2008
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	**1.1%**	(0.7)%
100 basis point decrease (a)	**(2.0)%**	(0.5)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	**1.4%**	1.9%
100 basis point decrease (a)	**(6.0)%**	(3.1)%
Duration of Equity Model (a)		
Base case duration of equity (in years):	**(1.2)**	(5.2)
Key Period-End Interest Rates		
One month LIBOR	**.23%**	.44%
Three-year swap	**2.06%**	1.76%

(a) Not meaningful. Given the inherent limitations in certain of these measurement tools and techniques, results become less meaningful as interest rates approach zero.

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.

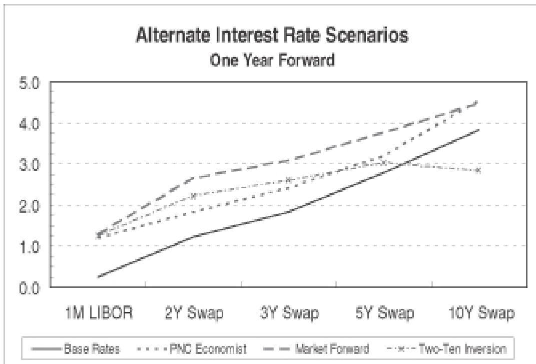
Net Interest Income Sensitivity To Alternative Rate Scenarios (Fourth Quarter 2009)

	PNC Economist	Market Forward	Two-Ten Inversion
First year sensitivity	**.9%**	**.6%**	**.9%**
Second year sensitivity	**(1.4)%**	**(1.3)%**	**.3%**

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 on- and off-balance sheet 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 then current market rates.

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



The results of the interest sensitivity analyses reflect our current best estimates of the impact of integrating National City's balance sheet, including the effects of purchase accounting, balance sheet repositioning, and deposit pricing strategies. Going forward as these estimates and strategies are revised, the results of our analyses may change. The fourth quarter 2008 analyses also reflect the impact of the rapid decline in market interest rates that occurred during that quarter, in which period-end one-month LIBOR and three-year swap rates declined 349 basis points and 197 basis points, respectively.

The fourth quarter 2009 interest sensitivity analyses indicate that our Consolidated Balance Sheet is positioned to benefit from an increase in interest rates. We believe that we have the deposit funding base and balance sheet flexibility to adjust, where appropriate and permissible, to changing interest rates and market conditions.

MARKET RISK MANAGEMENT – TRADING RISK

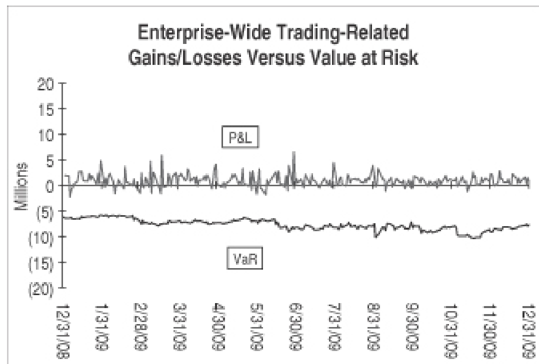
Our trading activities include customer-driven trading in fixed income securities, equities, derivatives, and foreign exchange contracts. They also include the underwriting of fixed income and equity securities and proprietary trading.

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

During 2009, our VaR ranged between $5.8 million and $10.4 million, averaging $7.7 million. During 2008, our VaR ranged between $5.4 million and $18.4 million, averaging $10.8 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. Under typical market conditions, we would expect an average of two to three instances a year in which actual losses exceeded the prior day VaR measure at the enterprise-wide level. There were no such instances during 2009. As a result of increased volatility in certain markets, there were 10 such instances during 2008.

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



Total trading revenue was as follows:

Year end December 31 – in millions	**2009**	2008	2007
Net interest income	**$ 61**	$ 72	$ 7
Noninterest income	**170**	(55)	104
Total trading revenue	**$231**	$ 17	$111
Securities underwriting and trading (a)	**$ 75**	$(17)	$ 41
Foreign exchange	**73**	73	58
Financial derivatives	**83**	(39)	12
Total trading revenue	**$231**	$ 17	$111

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

Trading revenue excludes the impact of economic hedging activities, which related primarily to residential mortgage servicing rights and residential and commercial real estate loans.

Improved valuations resulted in better trading results in 2009 compared with 2008. Lower trading revenue in 2008 was primarily related to our proprietary trading activities and reflected the negative impact of a very illiquid market on the assets that we held during the first quarter of 2008.

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 a one year horizon to a level commensurate with a financial institution with an A rating by the credit rating agencies. 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.

BlackRock

PNC owns approximately 44 million common stock equivalent shares of BlackRock equity, accounted for under the equity method. Our investment in BlackRock was $5.8 billion at December 31, 2009 compared with $4.2 billion at December 31, 2008. The market value of our investment in BlackRock was $10.1 billion at December 31, 2009. The primary risk measurement, similar to other equity investments, is economic capital.

The discussion of BlackRock within the Business Segments Review section of this Item 7 includes information about changes in our ownership structure of BlackRock during 2009 and BlackRock's December 1, 2009 acquisition of BGI.

Tax Credit Investments

Included in our equity investments are tax credit investments. These investments, as well as equity investments held by consolidated partnerships, totaled $2.5 billion at December 31, 2009 and $2.3 billion at December 31, 2008. Investments accounted for under the equity method totaled $2.0 billion while investments accounted for under the cost method totaled $488 million at December 31, 2009. The comparable amounts at December 31, 2008 were $1.7 billion and $648 million.

Visa

At December 31, 2009, our investment in Visa Class B common shares totaled approximately 23 million shares. Considering the adjustment to the conversion ratio due to settled litigation reported by Visa, these shares would convert to approximately 13.6 million of the publicly traded Visa Class A common shares. As of December 31, 2009, we had recognized $456 million of our Visa ownership, which we acquired with National City, on our Consolidated Balance Sheet. Based on the December 31, 2009 closing price of $87.46 for the Visa shares the market value of our investment was $1.2 billion. The Visa Class B common shares we own generally will not be transferable, except under limited circumstances, until they can be converted into shares of the publicly traded class of stock, which cannot happen until the later of three years after the IPO or settlement of all of the specified litigation. It is expected that Visa will continue to adjust the conversion ratio of Visa Class B to Class A shares in connection with settlements in excess of any amounts then in escrow for that purpose and will also reduce the conversion ratio to the extent that it adds any funds to the escrow in the future.

In July 2009, Visa funded $700 million to the litigation escrow account and reduced the conversion ratio of Visa B to A shares. We consequently recognized our estimated $66 million share of the $700 million as a reduction of our indemnification liability and a reduction of noninterest expense.

Note 25 Commitments and Guarantees in the Notes To Consolidated Financial Statements in Item 8 of this Report has further information on our Visa indemnification obligation.

Private Equity

The private equity portfolio is an illiquid portfolio comprised of equity and mezzanine 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 investments, the valuations incorporate 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 Note 1 Accounting Policies and Note 8 Fair Value in the Notes To Consolidated Financial Statements in Item 8 of this Report for additional information.

Private equity investments carried at estimated fair value totaled $1.2 billion at both December 31, 2009 and December 31, 2008. As of December 31, 2009, $595 million was invested directly in a variety of companies and $589 million was invested indirectly through various private equity funds. Included in direct investments are investment activities of two private equity funds that are consolidated for financial reporting purposes. The noncontrolling interests of these funds totaled $135 million as of December 31, 2009. The indirect private equity funds are not redeemable, but PNC receives distributions over the life of the partnership from liquidation of the underlying investments by the investee.

Our unfunded commitments related to private equity totaled $453 million at December 31, 2009 compared with $540 million at December 31, 2008.

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. At December 31, 2009, other investments totaled $824 million compared with $853 million at December 31, 2008. We recognized net losses related to these investments of $37 million during 2009. Given the nature of these investments and if current market conditions affecting their valuation were to continue or worsen, we could incur future losses.

Our unfunded commitments related to other investments totaled $66 million at December 31, 2009 and $178 million at December 31, 2008.

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, swaptions, 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, total return swaps and futures contracts, only periodic cash payments and, with respect to swaptions and interest rate caps and floors, 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 is presented in Note 1 Accounting Policies and Note 17 Financial Derivatives in the Notes To Consolidated Financial Statements in Item 8 of this Report and is incorporated here by reference.

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 changes, among other reasons.

The following tables provide the notional or contractual amounts and estimated net fair value of financial derivatives used for risk management and designated as accounting hedges as well as free-standing derivatives at December 31, 2009 and December 31, 2008.

Financial Derivatives

In millions	December 31, 2009 Notional/ Contractual Amount	December 31, 2009 Estimated Net Fair Value	December 31, 2008 Notional/ Contractual Amount	December 31, 2008 Estimated Net Fair Value
Accounting Hedges				
Interest rate risk management				
Asset rate conversion				
Interest rate swaps (a)				
Receive fixed (c)	**$ 13,055**	**$ (64)**	$ 5,618	$ 527
Forward purchase commitments	**350**	**1**		
Liability rate conversion				
Interest rate swaps (a)				
Receive fixed	**13,048**	**707**	9,888	888
Total interest rate risk management	**26,453**	**644**	15,506	1,415
Total accounting hedges (b)	**$ 26,453**	**$ 644**	$ 15,506	$ 1,415
Free-Standing Derivatives				
Customer-related				
Interest rate contracts				
Swaps	**$ 91,090**	**$ (54)**	$ 97,337	$ (162)
Caps/floors				
Sold (c)	**3,457**	**(15)**	3,976	(13)
Purchased	**2,114**	**14**	2,647	22
Swaptions	**1,996**	**11**	3,058	160
Futures	**2,271**		8,839	
Foreign exchange contracts	**7,743**	**16**	8,877	(3)
Equity contracts	**351**		1,023	(4)
Total customer-related	**109,022**	**(28)**	125,757	
Various instruments used to hedge the value of residential mortgage servicing Interest rate contracts				
Swaps (c)	**38,596**	**(152)**	20,930	373
Caps/floors				
Purchased	**5,200**	**50**	6,500	18
Futures	**41,439**		4,000	
Future options	**18,230**	**23**	6,000	(29)
Swaptions	**24,145**	**(22)**	12,600	(274)
Commitments related to residential mortgage assets (c)	**3,857**	**(15)**	2,950	21
Total residential mortgage servicing	**131,467**	**(116)**	52,980	109
Other risk management and proprietary				
Interest rate contracts				
Swaps (c)	**6,615**	**(12)**	24,432	656
Caps/floors				
Sold	**100**		624	(1)
Purchased	**250**	**6**	740	3
Swaptions (c)	**720**	**(9)**	276	17
Futures	**315**		8,359	
Commitments related to residential mortgage assets	**5,758**	**20**	15,659	(20)
Commitments related to commercial mortgage assets	**1,733**	**8**	2,624	7
Foreign exchange contracts (c)	**301**	**(1)**	144	11
Credit contracts				
Credit default swaps	**1,588**	**50**	2,937	205
Risk participation agreements	**2,819**	**1**	3,290	
Other contracts (c) (d)	**211**	**(275)**	438	44
Total other risk management and proprietary	**20,410**	**(212)**	59,523	922
Total free-standing derivatives	**$260,899**	**$ (356)**	$238,260	$ 1,031
Total gross derivatives	**$287,352**	**$ 288**	$253,766	$ 2,446

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 57% were based on 1-month LIBOR and 43% on 3-month LIBOR at December 31, 2009 compared with 55% and 45%, respectively, at December 31, 2008.

(b) Fair value amount includes net accrued interest receivable of $162 million at December 31, 2009 and $147 million at December 31, 2008.

(c) The increases in the negative fair values from December 31, 2008 to December 31, 2009 for interest rate contracts, foreign exchange, equity contracts and other contracts were due to the changes in fair values of the existing contracts along with new contracts entered into during 2009 and contracts terminated.

(d) Includes PNC's obligation to fund a portion of certain BlackRock LTIP programs.

2008 VERSUS 2007

CONSOLIDATED INCOME STATEMENT REVIEW

Summary Results
Net income for 2008 was $914 million or $2.44 per diluted share and for 2007 was $1.491 billion or $4.32 per diluted share.

Net Interest Income
Net interest income was $3.9 billion for 2008 compared with $2.9 billion for 2007, an increase of $907 million, or 31%. The 31% increase in net interest income for 2008 compared with 2007 was favorably impacted by the $16.5 billion, or 17%, increase in average interest-earning assets and a decrease in funding costs. The 2008 net interest margin was positively affected by declining rates paid on deposits and borrowings compared with the prior year. The net interest margin was 3.37% in 2008 and 3.00% for 2007, an increase of 37 basis points.

Noninterest Income
Summary
Noninterest income was $2.4 billion for 2008 and $2.9 billion for 2007.

Noninterest income for 2008 included the following:

- Gains of $246 million related to the mark-to-market adjustment on our BlackRock LTIP shares obligation,
- Losses related to our commercial mortgage loans held for sale of $197 million, net of hedges,
- Impairment and other losses related to alternative investments of $156 million,
- Income from Hilliard Lyons totaling $164 million, including the first quarter gain of $114 million from the sale of this business,
- Net securities losses of $206 million,
- A first quarter gain of $95 million related to the redemption of a portion of our Visa Class B common shares related to Visa's March 2008 initial public offering,
- A third quarter $61 million reversal of a legal contingency reserve established in connection with an acquisition due to a settlement,
- Trading losses of $55 million,
- A $35 million impairment charge on commercial mortgage servicing rights, and
- Equity management losses of $24 million.

Noninterest income for 2007 included the following:

- The impact of $82 million gain recognized in connection with our transfer of BlackRock shares to satisfy a portion of PNC's LTIP obligation and a $209 million net loss on our LTIP shares obligation,
- Income from Hilliard Lyons totaling $227 million,
- Trading income of $104 million, and
- Equity management gains of $102 million.

Apart from the impact of these items, noninterest income decreased $89 million in 2008 compared with 2007.

Additional analysis
Asset management fees totaled $686 million in 2008, a decline of $98 million compared with 2007. The effect on fees of lower equity earnings from BlackRock, a $12 billion decrease in assets managed due to equity values related to wealth management, and the Hilliard Lyons divestiture were reflected in the decline compared with 2007. Excluding $53 billion of assets acquired on December 31, 2008 resulting from our acquisition of National City, assets managed at December 31, 2008 totaled $57 billion compared with $74 billion at December 31, 2007. The Hilliard Lyons sale and the impact of comparatively lower equity markets in 2008 drove the decline in assets managed.

Consumer services fees declined $69 million, to $623 million, for 2008 compared with 2007. The sale of Hilliard Lyons more than offset the benefits of increased volume-related fees, including debit card, credit card, bank brokerage and merchant revenues.

Corporate services revenue totaled $704 million in 2008 compared with $713 million in 2007. Higher revenue from treasury management and other fees were more than offset by lower merger and acquisition advisory fees and commercial mortgage servicing fees, net of amortization.

Service charges on deposits grew $24 million, to $372 million, in 2008 compared with 2007. The impact of our expansion into new markets contributed to the increase during 2008.

Net gains on sales of securities totaled $106 million in 2008 compared with $1 million in 2007.

Other noninterest income totaled $263 million for 2008 compared with $412 million for 2007. Other noninterest income for 2008 included gains of $246 million related to our BlackRock LTIP shares adjustment, the $114 million gain from the sale of Hilliard Lyons, the $95 million gain from the redemption of a portion of our investment in Visa related to its March 2008 initial public offering, and the $61 million reversal of a legal contingency reserve referred to above. The impact of these items was partially offset by losses related to our commercial mortgage loans held for sale of $197 million, net of hedges, trading losses of $55 million and equity management losses of $24 million.

Other noninterest income for 2007 included a net loss related to our BlackRock investment of $127 million (the net of the two items described within the Summary section above), trading income of $104 million, equity management gains of $102 million and gains related to our commercial mortgage loans held for sale, net of hedges, of $3 million.

Provision For Credit Losses

The provision for credit losses totaled $1.5 billion for 2008 compared with $315 million for 2007. Of the total 2008 provision, $990 million was recorded in the fourth quarter, including $504 million of additional provision recorded on December 31, 2008 to conform the National City loan reserving methodology with ours. The differences in methodology include granularity of loss computations, statistical and quantitative factors rather than qualitative assessment, and the extent of current appraisals and risk assessments.

In addition to the impact of National City, the higher provision in 2008 compared with the prior year was driven by general credit quality migration, including residential real estate development and commercial real estate exposure, an increase in net charge-offs, and growth in nonperforming loans. Growth in our total credit exposure also contributed to the higher provision amounts in both comparisons.

Noninterest Expense

Total noninterest expense was $3.685 billion for 2008 and $3.652 billion for 2007, an increase of $33 million, or 1%. Higher noninterest expense in 2008 compared with 2007 primarily resulted from investments in growth initiatives, including acquisitions, partially offset by the impact of the sale of Hilliard Lyons and disciplined expense management.

Integration costs included in noninterest expense totaled $115 million for 2008, including $79 million in the fourth quarter, and $102 million for 2007. Fourth quarter 2008 integration costs included $71 million related to our National City acquisition.

Noninterest expense for 2008 included the benefit of the reversal of $46 million of the $82 million Visa indemnification liability that we established in the fourth quarter of 2007.

EFFECTIVE TAX RATE

Our effective tax rate was 27.2% for 2008 and 29.2% for 2007.

CONSOLIDATED BALANCE SHEET REVIEW

Loans

Loans increased $107.2 billion as of December 31, 2008 compared with December 31, 2007. Our National City acquisition added $99.7 billion of loans, including $34.3 billion of commercial, $16.0 billion of commercial real estate, $30.5 billion of consumer and $10.6 billion of residential mortgage loans.

Investment Securities

Total investment securities at December 31, 2008 were $43.5 billion compared with $30.2 billion at December 31, 2007. Securities added with the National City acquisition at December 31, 2008 totaled $13.3 billion and were primarily US government agency residential mortgage-backed securities. Securities represented 15% of total assets at December 31, 2008 and 22% of total assets at December 31, 2007.

At December 31, 2008, the investment securities balance included a net unrealized loss of $5.4 billion, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2007 was a net unrealized loss of $265 million. The expected weighted-average life of investment securities (excluding corporate stocks and other) was 3 years and 1 month at December 31, 2008 and 3 years and 6 months at December 31, 2007.

Loans Held For Sale

Loans held for sale totaled $4.4 billion at December 31, 2008 compared with $3.9 billion at December 31, 2007. The acquisition of National City added approximately $2.2 billion of loans held for sale at December 31, 2008, primarily 1-4 family conforming residential mortgages.

Loans held for sale included education loans held for sale of $1.5 billion at December 31, 2007. We transferred these loans at lower of cost or market value from held for sale to the loan portfolio in February 2008 due to the impact at that time of liquidity issues on the secondary markets for education loans.

Asset Quality

Total nonperforming assets at December 31, 2008 increased $1.7 billion, to $2.2 billion, from the balance at December 31, 2007. Our nonperforming assets represented .75% of total assets at December 31, 2008 compared with .36% at December 31, 2007. The increase in nonperforming assets reflected higher nonaccrual residential real estate development loans and loans in related sectors, and the addition of $738 million of nonperforming assets related to National City.

At December 31, 2008, our largest nonperforming asset was approximately $36 million and our average nonperforming loan associated with commercial lending was less than $1 million.

Goodwill and Other Intangible Assets

The sum of goodwill and other intangible assets increased $2.1 billion at December 31, 2008 compared with the prior year end, to $11.7 billion. We added $.6 billion of core deposit and other relationship intangible assets and $1.2 billion of mortgage servicing rights in connection with the National City acquisition at December 31, 2008. In addition, our Sterling acquisition added $.6 billion of goodwill during 2008. Our Hilliard Lyons divestiture reduced goodwill by $.1 billion in 2008.

Funding Sources
Total funding sources were $245.1 billion at December 31, 2008 and $113.6 billion at December 31, 2007. Funding sources increased $131.5 billion as total deposits increased $110.2 billion and total borrowed funds increased $21.3 billion.

Our acquisition of National City added $104.0 billion of deposits and $18.2 billion of borrowed funds at December 31, 2008. In addition, borrowed funds at that date included $2.9 billion of senior notes issued in December 2008 and guaranteed under the FDIC's TLGP-Debt Guarantee Program.

Shareholders' Equity
Total shareholders' equity increased $10.6 billion, to $25.4 billion, at December 31, 2008 compared with December 31, 2007 and reflected the following:

- The December 2008 issuance of $7.6 billion of preferred stock and a common stock warrant to the US Department of Treasury under the TARP Capital Purchase Program,
- The December 2008 issuance of $5.6 billion of common stock in connection with the National City acquisition,
- The May 2008 issuance of $500 million of Series K preferred stock,
- The April 2008 issuance of $312 million of common stock in connection with the Sterling acquisition, and
- The December 2008 issuance of $150 million of Series L preferred stock in connection with the National City acquisition.

These factors were partially offset by the $3.8 billion increase from December 31, 2007 in accumulated other comprehensive loss which included $3.5 billion of net unrealized securities losses.

Regulatory capital ratios at December 31, 2008 were 17.5% for leverage, 9.7% for Tier 1 risk-based and 13.2% for total risk-based capital. At December 31, 2007, the regulatory capital ratios were 6.2% for leverage, 6.8% for Tier 1 risk-based and 10.3% for total risk-based capital.

The leverage ratio at December 31, 2008 reflected the favorable impact on Tier I risk-based capital from the issuance of securities under TARP and the issuance of PNC common stock in connection with the National City acquisition, both of which occurred on December 31, 2008. In addition, the ratio as of that date did not reflect any impact of National City on PNC's adjusted average total assets.

Glossary of Terms

Accretable net interest - The excess of cash flows expected to be collected on a purchased impaired loan over the carrying value of the loan. The accretable net interest is recognized into interest income over the remaining life of the loan using the constant effective yield method.

Accretable yield - The excess of a loan's cash flows expected to be collected over the carrying value of the loan. The accretable yield is recognized in interest income over the remaining life of the loan using the constant effective yield method.

Adjusted average total assets - Primarily comprised of total average quarterly (or annual) assets plus (less) unrealized losses (gains) on investment 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.

Cash recoveries - Cash recoveries used in the context of purchased impaired loans represent cash payments from customers that exceeded the recorded investment of the designated impaired loan.

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 carrying amount to the fair value of the loan, if fair value is less than carrying amount.

Client-related noninterest income - Total noninterest income included on our Consolidated Income Statement less amounts for net gains (losses) on sales of securities, net other-than-temporary impairments, and other noninterest income.

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, primarily credit default swaps, 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.

Credit spread - The difference in yield between debt issues of similar maturity. The excess of yield attributable to credit spread is often used as a measure of relative creditworthiness, with a reduction in the credit spread reflecting an improvement in the borrower's perceived creditworthiness.

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 but not limited to 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; trading securities; interest-earning deposits with banks; other short-term investments; loans held for sale; loans; investment securities; and certain other assets.

Economic capital - Represents the amount of resources that a business segment should hold to guard against potentially large losses that could cause insolvency. It is based on a measurement of economic risk, as opposed to risk as defined by regulatory bodies. The economic capital measurement process involves converting a risk distribution to the capital that is required to support the risk, consistent with 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.

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 (GAAP basis) and noninterest income.

Fair value - The price that would be received to sell an asset or the price that would be paid to transfer a liability on the measurement date using the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants.

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 a business segment. 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 protection seller to the protection 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.

Investment securities - Collectively, securities available for sale and securities held to maturity.

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

LIBOR - Acronym for London InterBank Offered Rate. LIBOR is the average interest rate charged when banks in the London wholesale money market (or interbank market) borrow unsecured funds from each other. LIBOR rates are used as a benchmark for interest rates on a global basis.

Net interest income from loans and deposits - A management accounting assessment, using funds transfer pricing methodology, of the net interest contribution from loans and deposits.

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

Nonaccretable difference - Contractually required payments receivable on a purchased impaired loan in excess of the cash flows expected to be collected.

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

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

Nonperforming assets - Nonperforming assets include nonaccrual loans, troubled debt restructured loans, 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 and construction customers as well as troubled debt restructured loans. Nonperforming loans do not include 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 dollar or percentage change in total revenue (GAAP basis) less the dollar or percentage change in noninterest expense. A positive variance indicates that revenue growth exceeded expense growth (*i.e.,* positive operating leverage) while a negative variance 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 specified period or at a specified date in the future.

Other-than-temporary impairment (OTTI) - When the fair value of a security is less than its amortized cost basis, an assessment is performed to determine whether the impairment is other-than-temporary. If we intend to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current-period credit loss, an other-than-temporary impairment is considered to have occurred. In such cases, an other-than-temporary impairment is recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. Further, if we do not expect to recover the entire amortized cost of the security, an other-than-temporary impairment is considered to have occurred. However for debt securities, if we do not intend to sell the security and it is not more likely than not that we will be required to sell the security before its recovery, the other-than-temporary loss is separated into (a) the amount representing the credit loss, and (b) the amount related to all other factors. The other-than-temporary impairment related to credit losses is recognized in earnings while the amount related to all other factors is recognized in other comprehensive income, net of tax.

Pretax, pre-provision earnings - Total revenue less noninterest expense.

Purchase accounting accretion - Accretion of the discounts and premiums on acquired assets and liabilities. The purchase accounting accretion is recognized in net interest income over the weighted average life of the financial instruments using the constant effective yield method.

Purchased impaired loans - Acquired loans determined to be credit impaired under FASB ASC 310-30 (AICPA SOP 03-3). Loans are determined to be impaired if there is evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected.

Recorded investment - The initial investment of a purchased impaired loan plus interest accretion and less any cash payments and writedowns to date. The recorded investment excludes any valuation allowance which is included in our allowance for loan and lease losses.

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.

Residential development loans - Project-specific loans to commercial customers for the construction or development of residential real estate including land, single family homes, condominiums and other residential properties. This would exclude loans to commercial customers where proceeds are for general corporate purposes whether or not such facilities are secured.

Residential mortgage servicing rights hedge gains / (losses), net - We have elected to measure acquired or originated residential mortgage servicing rights (MSRs) at fair value under GAAP. We employ a risk management strategy designed to protect the economic value of MSRs from changes in interest rates. This strategy utilizes securities and a portfolio of derivative instruments to hedge changes in the fair value of MSRs arising from changes in interest rates. These financial instruments are expected to have changes in fair value which are negatively correlated to the change in fair value of the MSR portfolio. Net MSR hedge gains/ (losses) represent the change in the fair value of MSRs, exclusive of changes due to time decay and payoffs, combined with the change in the fair value of the associated derivative instruments.

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

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

Return on average common shareholders' equity- Annualized net income less preferred stock dividends, including preferred stock discount accretion, divided by average common shareholders' equity.

Risk-weighted assets - 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.

Servicing rights - An intangible asset or liability created by an obligation to service assets for others. Typical servicing rights include the right to receive a fee for collecting and forwarding payments on loans and related taxes and insurance premiums held in escrow.

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 specified period or at a specified date in the future.

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 taxable investments. To provide more meaningful comparisons of yields and margins for all interest-earning assets, we use interest income on a taxable-equivalent basis in calculating average yields and net interest margins by increasing the interest income earned on tax-exempt assets to make it fully equivalent to interest income earned on other taxable investments. This adjustment is not permitted under GAAP on the Consolidated Income Statement.

Tier 1 common capital - Tier 1 risk-based capital, less preferred equity, less trust preferred capital securities, and less noncontrolling interests.

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

Tier 1 risk-based capital - Total shareholders' equity, plus trust preferred capital securities, plus certain noncontrolling interests that are held by others; less goodwill and certain other intangible assets (net of eligible deferred taxes relating to taxable and nontaxable combinations), less equity investments in nonfinancial companies less ineligible servicing assets 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 equity – Total shareholders' equity plus noncontrolling interests.

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 noncontrolling interest not qualified as Tier 1, eligible gains on available for sale equity securities and the allowance for loan and lease losses, subject to certain limitations.

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

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

Troubled debt restructuring – A restructuring of debt whereby the lender for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider.

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.

Watchlist - A list of criticized loans, credit exposure or other assets compiled for internal monitoring purposes. We define criticized exposure for this purpose as exposure with an internal risk rating of other assets especially mentioned, substandard, doubtful or loss.

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, capital levels, liquidity levels, asset quality 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," "plan," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "will," "project" and other similar words and expressions.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements. Actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements, and future results could differ materially from our historical performance.

Our forward-looking statements are subject to the following principal risks and uncertainties. We provide greater detail regarding 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 businesses and financial results are affected by business and economic conditions, both generally and specifically in the principal markets in which we operate. In particular, our businesses and financial results may be impacted by:
  - Changes in interest rates and valuations in the debt, equity and other financial markets.
  - Disruptions in the liquidity and other functioning of financial markets, including such disruptions in the markets for real estate and other assets commonly securing financial products.
  - Actions by the Federal Reserve and other government agencies, including those that impact money supply and market interest rates.
  - Changes in our customers', suppliers' and other counterparties' performance in general and their creditworthiness in particular.
  - Changes in levels of unemployment.
  - Changes in customer preferences and behavior, whether as a result of changing business and economic conditions, climate-related physical changes or legislative and regulatory initiatives, or other factors.
- A continuation of recent turbulence in significant portions of the US and global financial markets, particularly if it worsens, could impact our performance, both directly by affecting our revenues and the value of our assets and liabilities and indirectly by affecting our counterparties and the economy generally.
- Our business and financial performance could be impacted as the financial industry restructures in the current environment, both by changes in the creditworthiness and performance of our counterparties and by changes in the competitive and regulatory landscape.
- Given current economic and financial market conditions, our forward-looking financial statements are subject to the risk that these conditions will be substantially different than we are currently expecting. These statements are based on our current expectations that interest rates will remain low in the first half of 2010 but will move upward in the second half of the year and our view that the modest economic recovery that began last year will extend through 2010.
- 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:
  - Changes resulting from legislative and regulatory responses to the current economic and financial industry environment.
  - Other legislative and regulatory reforms, including broad-based restructuring of financial industry regulation as well as changes to laws and regulations involving tax, pension, bankruptcy, consumer protection, and other aspects of the financial institution industry.
  - Increased litigation risk from recent regulatory and other governmental developments.
  - Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental inquiries.
  - The results of the regulatory examination and supervision process, including our failure to satisfy the requirements of agreements with governmental agencies.
  - Changes in accounting policies and principles.
  - Changes resulting from legislative and regulatory initiatives relating to climate change that have or may have a negative impact on our customers' demand for or use of our products and services in general and their creditworthiness in particular.
  - Changes to regulations governing bank capital, including as a result of the so-called "Basel 3" initiatives.

- 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, derivatives, and capital management techniques, and by our ability to meet evolving regulatory capital standards.
- 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 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.
- Our ability to implement our business initiatives and strategies could affect our financial performance over the next several years.
- 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 business and operating results can also be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and capital and other financial 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. BlackRock's SEC filings are accessible on the SEC's website and on or through BlackRock's website at www.blackrock.com. This material is referenced for informational purposes only and should not be deemed to constitute a part of this Report.

In addition, our acquisition of National City Corporation (National City) on December 31, 2008 presents us with a number of risks and uncertainties related both to the acquisition itself and to the integration of the acquired businesses into PNC. These risks and uncertainties include the following:

- The anticipated benefits of the transaction, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.
- Our ability to achieve anticipated results from this transaction is dependent on the state going forward of the economic and financial markets, which have been under significant stress recently. Specifically, we may incur more credit losses from National City's loan portfolio than expected. Other issues related to achieving anticipated financial results include the possibility that deposit attrition or attrition in key client, partner and other relationships may be greater than expected.
- Legal proceedings or other claims made and governmental investigations currently pending against National City, as well as others that may be filed, made or commenced relating to National City's business and activities before the acquisition, could adversely impact our financial results.
- Our ability to achieve anticipated results is also dependent on our ability to bring National City's systems, operating models, and controls into conformity with ours and to do so on our planned time schedule. The integration of National City's business and operations into PNC, which includes conversion of National City's different systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to National City's or PNC's existing businesses. PNC's ability to integrate National City successfully may be adversely affected by the fact that this transaction has resulted in PNC entering several markets where PNC did not previously have any meaningful retail presence.

In addition to the National City transaction, we grow our business from time to time by acquiring other financial services companies. Acquisitions in general present us with risks, in addition to those presented by the nature of the business acquired, similar to some or all of those described above relating to the National City acquisition.

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.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in equity, and cash flows present fairly, in all material respects, the financial position of The PNC Financial Services Group, Inc. and its subsidiaries (the "Company") at December 31, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for other-than-temporary impairments on debt securities classified as either available for sale or held to maturity in 2009.

A company's internal control over financial reporting is a process designed 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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with 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 (iii) 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
March 10, 2010

CONSOLIDATED INCOME STATEMENT
THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except per share data	Year ended December 31 2009	2008	2007
Interest Income			
Loans	**$ 8,919**	$4,138	$4,232
Investment securities	**2,688**	1,746	1,429
Other	**479**	417	483
Total interest income	**12,086**	6,301	6,144
Interest Expense			
Deposits	**1,741**	1,485	2,053
Borrowed funds	**1,262**	962	1,144
Total interest expense	**3,003**	2,447	3,197
Net interest income	**9,083**	3,854	2,947
Noninterest Income			
Asset management	**858**	686	784
Consumer services	**1,290**	623	692
Corporate services	**1,021**	704	713
Residential mortgage	**990**		
Service charges on deposits	**950**	372	348
Net gains on sales of securities	**550**	106	1
Other-than-temporary impairments	**(1,935)**	(312)	(6)
Less: Noncredit portion of other-than-temporary impairments (a)	**(1,358)**		
Net other-than-temporary impairments	**(577)**	(312)	(6)
Gain on BlackRock/BGI transaction	**1,076**		
Other	**987**	263	412
Total noninterest income	**7,145**	2,442	2,944
Total revenue	**16,228**	6,296	5,891
Provision For Credit Losses	**3,930**	1,517	315
Noninterest Expense			
Personnel	**4,119**	1,766	1,815
Occupancy	**713**	331	318
Equipment	**695**	280	247
Marketing	**233**	123	113
Other	**3,313**	1,185	1,159
Total noninterest expense	**9,073**	3,685	3,652
Income from continuing operations before income taxes and noncontrolling interests	**3,225**	1,094	1,924
Income taxes	**867**	298	561
Income from continuing operations before noncontrolling interests	**2,358**	796	1,363
Income from discontinued operations (net of income taxes of $54, $63 and $66)	**45**	118	128
Net income	**2,403**	914	1,491
Less: Net income (loss) attributable to noncontrolling interests	**(44)**	32	24
Preferred stock dividends	**388**	21	
Preferred stock discount accretion	**56**		
Net income attributable to common shareholders	**$ 2,003**	$ 861	$1,467
Earnings Per Common Share			
From continuing operations			
Basic	**$ 4.30**	$ 2.15	$ 4.02
Diluted	**$ 4.26**	$ 2.10	$ 3.94
From net income			
Basic	**$ 4.40**	$ 2.49	$ 4.40
Diluted	**$ 4.36**	$ 2.44	$ 4.32
Average Common Shares Outstanding			
Basic	**454**	344	331
Diluted	**455**	346	334

(a) Included in accumulated other comprehensive loss.
See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except par value	December 31 2009	December 31 2008
Assets		
Cash and due from banks	**$ 4,288**	$ 4,471
Federal funds sold and resale agreements (includes $990 and $1,072 measured at fair value) (a)	**2,390**	1,856
Trading securities	**2,124**	1,725
Interest-earning deposits with banks	**4,488**	14,859
Loans held for sale (includes $2,062 and $1,400 measured at fair value) (a)	**2,539**	4,366
Investment securities	**56,027**	43,473
Loans (includes $88 measured at fair value at December 31, 2009) (a)	**157,543**	175,489
Allowance for loan and lease losses	**(5,072)**	(3,917)
Net loans	**152,471**	171,572
Goodwill	**9,505**	8,868
Other intangible assets	**3,404**	2,820
Equity investments	**10,254**	8,554
Other (includes $486 measured at fair value at December 31, 2009) (a)	**22,373**	28,517
Total assets	**$ 269,863**	$ 291,081
Liabilities		
Deposits		
Noninterest-bearing	**$ 44,384**	$ 37,148
Interest-bearing	**142,538**	155,717
Total deposits	**186,922**	192,865
Borrowed funds		
Federal funds purchased and repurchase agreements	**3,998**	5,153
Federal Home Loan Bank borrowings	**10,761**	18,126
Bank notes and senior debt	**12,362**	13,664
Subordinated debt	**9,907**	11,208
Other	**2,233**	4,089
Total borrowed funds	**39,261**	52,240
Allowance for unfunded loan commitments and letters of credit	**296**	344
Accrued expenses	**3,590**	3,949
Other	**7,227**	14,035
Total liabilities	**237,296**	263,433
Equity		
Preferred stock (b)		
Common stock – $5 par value		
Authorized 800 shares, issued 471 and 452 shares	**2,354**	2,261
Capital surplus – preferred stock	**7,974**	7,918
Capital surplus – common stock and other	**8,945**	8,328
Retained earnings (c)	**13,144**	11,461
Accumulated other comprehensive loss (c)	**(1,962)**	(3,949)
Common stock held in treasury at cost: 9 and 9 shares	**(513)**	(597)
Total shareholders' equity	**29,942**	25,422
Noncontrolling interests	**2,625**	2,226
Total equity	**32,567**	27,648
Total liabilities and equity	**$ 269,863**	$ 291,081

(a) Amounts represent items for which the Corporation has elected the fair value option.
(b) Par value less than $.5 million at each date.
(c) Retained earnings at January 1, 2009 was increased $110 million representing the after-tax noncredit portion of other-than-temporary impairment losses recognized in net income during 2008 that has been reclassified to accumulated other comprehensive loss.

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

THE PNC FINANCIAL SERVICES GROUP, INC.

	Shareholders' Equity								
In millions	Shares Outstanding Common Stock	Common Stock	Capital Surplus - Preferred Stock	Capital Surplus - Common Stock and Other	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interests	Total Equity
Balance at January 1, 2007 (a)	293	$ 1,764		$ 1,651	$ 10,985	$ (235)	$ (3,377)	$ 885	$11,673
Net income					1,467			24	1,491
Net unrealized securities losses						(76)			(76)
Net unrealized gains on cash flow hedge derivatives						188			188
Pension, other postretirement and postemployment benefit plan adjustments						(29)			(29)
Other						5			5
Comprehensive income								24	1,579
Cash dividends declared – common					(806)				(806)
Net effect of adopting FASB ASC 840-35					(149)				(149)
Treasury stock issued for acquisitions	56			872			3,147		4,019
Treasury stock activity – all other	(8)			(17)			(648)		(665)
Tax benefit of stock option plans				18					18
Stock options granted				28					28
Effect of BlackRock equity transactions				53					53
Restricted stock/unit and incentive/performance unit share transactions				13					13
Other								745	745
Balance at December 31, 2007 (a)	341	$ 1,764		$ 2,618	$ 11,497	$ (147)	$ (878)	$ 1,654	$16,508
Net effect of adopting FASB ASC 715-60					(12)				(12)
Net effect of adopting FASB ASC 820 and FASB ASC 825-10					17				17
Balance at January 1, 2008	341	$ 1,764		$ 2,618	$ 11,502	$ (147)	$ (878)	$ 1,654	$16,513
Net income					882			32	914
Other comprehensive income (loss), net of tax									
Net unrealized securities losses						(3,459)			(3,459)
Net unrealized gains on cash flow hedge derivatives						199			199
Pension, other postretirement and postemployment benefit plan adjustments						(490)			(490)
Other						(52)			(52)
Comprehensive income (loss)								32	(2,888)
Cash dividends declared									
Common					(902)				(902)
Preferred					(21)				(21)
Common stock activity – acquisition	99	497		5,419					5,916
Treasury stock activity	3			(110)			281		171
Preferred stock issuance – Series K			$ 493						493
Preferred stock issuance – Series L			150						150
Preferred stock issuance – Series N (b)			7,275						7,275
TARP Warrant (b)				304					304
Tax benefit of stock option plans				17					17
Stock options granted				22					22
Effect of BlackRock equity transactions				43					43
Restricted stock/unit and incentive/ performance unit share transactions				15					15
Other								540	540
Balance at December 31, 2008 (a)	443	$ 2,261	$ 7,918	$ 8,328	$ 11,461	$ (3,949)	$ (597)	$ 2,226	$27,648
Cumulative effect of adopting FASB ASC 320-10					110	(110)			
Balance at January 1, 2009	443	$ 2,261	$ 7,918	$ 8,328	$ 11,571	$ (4,059)	$ (597)	$ 2,226	$27,648
Net income					**2,447**			**(44)**	**2,403**
Other comprehensive income (loss), net of tax									
Other-than-temporary losses on debt securities						**(706)**			**(706)**
Net unrealized securities gains						**2,866**			**2,866**
Net unrealized losses on cash flow hedge derivatives						**(208)**			**(208)**
Pension, other postretirement and postemployment benefit plan adjustments						**125**			**125**
Other						**20**			**20**
Comprehensive income (loss)								**(44)**	**4,500**
Cash dividends declared									
Common					**(430)**				**(430)**
Preferred					**(388)**				**(388)**
Preferred stock discount accretion			**56**		**(56)**				
Supervisory Capital Assessment Program issuance	**15**	**75**		**549**					**624**
Common stock activity	**4**	**18**		**147**					**165**
Treasury stock activity (c)				**(158)**			**84**		**(74)**
Other				**79**				**443**	**522**
Balance at December 31, 2009 (a)	**462**	**$ 2,354**	**$ 7,974**	**$ 8,945**	**$ 13,144**	**$ (1,962)**	**$ (513)**	**$ 2,625**	**$32,567**

(a) The par value of our preferred stock outstanding was less than $.5 million at each date and, therefore, is excluded from this presentation.
(b) Issued to the US Department of Treasury on December 31, 2008 under the TARP Capital Purchase Program.
(c) Net treasury stock activity totaled less than .5 million shares issued.
See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions	Year ended December 31 2009	2008	2007
Operating Activities			
Net income	**$ 2,403**	$ 914	$ 1,491
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Provision for credit losses	**3,930**	1,517	315
Depreciation and amortization	**978**	463	391
Deferred income taxes (benefit)	**932**	(261)	78
Net gains on sales of securities	**(550)**	(106)	(1)
Net other-than-temporary impairments	**577**	312	6
Gain on BlackRock/BGI transaction	**(1,076)**		
Net losses (gains) related to BlackRock LTIP shares adjustment	**(103)**	(246)	127
Undistributed earnings of BlackRock	**(144)**	(129)	(207)
Visa redemption gain		(95)	
Excess tax benefits from share-based payment arrangements	**(1)**	(13)	(15)
Net change in			
Trading securities and other short-term investments	**61**	1,459	(552)
Loans held for sale	**1,110**	303	(1,441)
Other assets	**5,485**	(1,974)	37
Accrued expenses and other liabilities	**(8,118)**	5,140	(498)
Other	**269**	130	(147)
Net cash provided (used) by operating activities	**5,753**	7,414	(416)
Investing Activities			
Sales			
Securities available for sale	**18,861**	10,283	6,056
Visa shares		95	
Loans	**644**	76	329
Repayments/maturities			
Securities available for sale	**7,291**	4,225	4,374
Securities held to maturity	**495**	21	
Purchases			
Securities available for sale	**(34,078)**	(19,381)	(15,884)
Securities held to maturity	**(2,367)**	(101)	
Loans	**(970)**	(249)	(2,747)
Net change in			
Federal funds sold and resale agreements	**(560)**	1,301	(1,147)
Interest-earning deposits with Federal Reserve	**10,124**	(6,234)	
Loans	**13,863**	(4,595)	(2,160)
Net cash received from (paid for) acquisition and divestiture activity	**(3,396)**	2,761	(2,543)
Purchases of corporate and bank-owned life insurance		(350)	(117)
Other	**(428)**	(838)	(800)
Net cash provided (used) by investing activities	**9,479**	(12,986)	(14,639)
Financing Activities			
Net change in			
Noninterest-bearing deposits	**7,169**	1,719	230
Interest-bearing deposits	**(9,849)**	2,065	1,769
Federal funds purchased and repurchase agreements	**(1,173)**	(8,081)	4,057
Federal Home Loan Bank short-term borrowings	**280**	(2,000)	2,000
Other short-term borrowed funds	**(1,726)**	840	514
Sales/issuances			
Federal Home Loan Bank long-term borrowings	**2,092**	5,050	4,750
Bank notes and senior debt	**2,461**	3,626	4,523
Subordinated debt		759	943
Other long-term borrowed funds	**234**	96	250
Perpetual trust securities		369	490
Preferred stock – TARP		7,275	
Preferred stock – Other		492	
TARP Warrant		304	
Supervisory Capital Assessment Program—common stock	**624**		
Common and treasury stock	**247**	375	253
Repayments/maturities			
Federal Home Loan Bank long-term borrowings	**(9,671)**	(1,158)	(232)
Bank notes and senior debt	**(3,887)**	(3,815)	(1,590)
Subordinated debt	**(1,000)**	(140)	(887)
Other long-term borrowed funds	**(211)**	(156)	(217)
Excess tax benefits from share-based payment arrangements	**1**	13	15
Acquisition of treasury stock	**(188)**	(234)	(963)
Preferred stock cash dividends paid	**(388)**	(21)	
Common stock cash dividends paid	**(430)**	(902)	(806)
Net cash provided (used) by financing activities	**(15,415)**	6,476	15,099
Net Increase (Decrease) In Cash And Due From Banks	**(183)**	904	44
Cash and due from banks at beginning of period	**4,471**	3,567	3,523
Cash and due from banks at end of period	**$ 4,288**	$ 4,471	$ 3,567
Supplemental Disclosures			
Interest paid	**$ 3,151**	$ 2,145	$ 2,973
Income taxes paid	**66**	797	662
Income taxes refunded	**718**	91	3
Non-cash Investing and Financing Items			
Issuance of common stock for acquisitions		5,916	4,019
Issuance of preferred stock for National City acquisition		150	
Transfer from loans held for sale to loans, net	**172**	1,763	(288)
Transfer from trading securities to investment securities		599	
Transfer from loans to foreclosed assets	**1,012**	45	24

See accompanying Notes To Consolidated Financial Statements.

BUSINESS
PNC is one of the largest diversified financial services companies in the United States and is headquartered in Pittsburgh, Pennsylvania.

PNC has businesses engaged in retail banking, corporate and institutional banking, asset management, residential mortgage banking and global investment servicing, providing many of its products and services nationally and others in PNC's primary geographic markets located in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, D.C., and Wisconsin. PNC also provides certain investment servicing internationally.

As described in Note 1 Accounting Policies and Note 2 Acquisitions and Divestitures, PNC acquired National City Corporation (National City) on December 31, 2008.

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.

We acquired National City on December 31, 2008. Our Consolidated Balance Sheet as of December 31, 2009 and 2008 and other information as of and subsequent to December 31, 2008 included in these consolidated financial statements reflects the impact of National City. Also, the Consolidated Income Statement for all years presented and related Notes to Consolidated Financial Statements reflect the global investment servicing business as discontinued operations. See Note 2 Acquisitions and Divestitures.

We prepared these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform with the 2009 presentation, including reclassifications required in connection with the adoption of new guidance impacting the accounting and reporting of noncontrolling interests in consolidated financial statements. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

Effective July 1, 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. (SFAS) 168*, "The FASB Accounting Standards Codification ™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*." The FASB Accounting Standards Codification™ (FASB ASC) is the single source of authoritative nongovernmental generally accepted accounting principles (GAAP) in the United States of America. The FASB ASC was effective for financial statements that cover interim and annual periods ending after September 15, 2009. Technical references to GAAP included in these Notes To Consolidated Financial Statements are provided under the new FASB ASC structure.

We have considered the impact on these consolidated financial statements of events occurring subsequent to December 31, 2009.

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. Our most significant estimates pertain to our allowance for loan and lease losses, impaired loans, fair value measurements, including security valuations and residential mortgage servicing rights, and revenue recognition. Actual results may differ from the estimates and the differences may be material to the consolidated financial statements.

INVESTMENT IN BLACKROCK, INC.
We account for our investment in the common stock, Series B and Series D Preferred Stocks of BlackRock (both deemed to be in substance common stock) under the equity method of accounting. On January 31, 2010, the Series D Preferred Stock was converted to Series B Preferred Stock. The investment in BlackRock is reflected on our Consolidated Balance Sheet in the caption Equity investments, while our equity in earnings of BlackRock is reported on our Consolidated Income Statement in the caption Asset management.

On February 27, 2009, PNC's obligation to deliver BlackRock common shares in connection with BlackRock's long-term incentive plan programs was replaced with an obligation to deliver shares of BlackRock's new Series C Preferred Stock. The 2.9 million shares of Series C Preferred Stock were acquired from BlackRock in exchange for common shares on that same date. Since these preferred shares were not deemed to be in substance common stock, we elected to account for these preferred shares at fair value and the changes in fair value will offset the impact of marking-to-market the obligation to deliver these shares to BlackRock. Our investment in the BlackRock Series C Preferred Stock is included on the Consolidated Balance Sheet in the caption Other assets.

As noted above, we mark to market our obligation to transfer BlackRock shares related to certain BlackRock long-term incentive plan (LTIP) programs. This obligation is classified as a free standing derivative as disclosed in Note 17 Financial Derivatives.

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 companies on our Consolidated Income Statement from the date of acquisition. We recognize, as goodwill, the excess of the acquisition price over the estimated fair value of the net assets acquired.

SPECIAL PURPOSES ENTITIES

Special purpose entities (SPEs) are defined as legal entities structured for a particular purpose. We use special purpose entities in various legal forms to conduct normal business activities. We review the structure and activities of special purpose entities for possible consolidation under the applicable GAAP guidance.

A variable interest entity (VIE) is a corporation, partnership, limited liability company, 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 sufficient equity for the entity to finance its activities without additional subordinated financial support.

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 will absorb 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 recognize all of the VIE's assets, liabilities and noncontrolling interests on our Consolidated Balance Sheet. See Note 3 Variable Interest Entities for information about VIEs that we do not consolidate but in which we hold a significant variable interest.

In June 2009, the FASB issued SFAS 167 which was codified in December 2009 as Accounting Standard Update (ASU) ASU 2009-17 – Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. ASU 2009-17 amends current GAAP to require that an enterprise perform a qualitative analysis as opposed to a quantitative analysis to determine if it is the primary beneficiary of a VIE. The qualitative analysis considers the purpose and the design of the VIE as well as the risks that the VIE was designed to either create or pass through to variable interest holders. The new guideline is effective January 1, 2010. See Recent Accounting Pronouncements in this Note 1 for further details.

REVENUE RECOGNITION

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

- Lending,
- Securities portfolio,
- Asset management,
- Customer deposits,
- Loan sales and 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 including unearned income and the accretion of discounts recognized on acquired or purchased loans is recognized based on the constant effective yield of the financial instrument.

Asset management fees are generally based on a percentage of the fair value of the assets under management. This caption also includes any performance fees which are generally based on a percentage of the returns on such assets and are recorded as earned. The caption Asset management also includes our share of the earnings of BlackRock recognized under the equity method of accounting.

Service charges on deposit accounts are recognized when earned. Brokerage fees and gains and losses 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.

We recognize gain/(loss) on changes in the fair value of certain financial instruments where we have elected the fair value option. These financial instruments include certain commercial and residential mortgage loans originated for sale, certain residential mortgage portfolio loans, structured resale agreements and our investment in BlackRock Series C Preferred Stock. We also recognize gain/(loss) on changes in the fair value of residential mortgage servicing rights, which are measured at fair value.

We recognize revenue from servicing residential mortgages, commercial mortgages and other consumer loans as earned based on the specific contractual terms. We recognize revenue from securities, derivatives and foreign exchange trading as well as securities underwriting activities as these transactions occur or as services are provided. We recognize gains from the sale of loans upon cash settlement of the transaction.

When appropriate, 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 hold 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:

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

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 fair value and classified as trading securities and other assets on our Consolidated Balance Sheet. Realized and unrealized gains and losses on trading securities are included in other 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 (loss).

We review all debt securities that are in an unrealized loss position for other-than-temporary impairment. We evaluate outstanding available for sale and held to maturity securities for other-than-temporary impairment on at least a quarterly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, previous other-than-temporary impairments and hedging gains and losses. After an investment security is determined to be impaired, we evaluate whether the decline in value is other-than-temporary. As part of this evaluation, we take into consideration whether we intend to sell the security or whether it is more likely than not that we will be required to sell the security before expected recovery of its amortized cost. We also consider whether or not we expect to receive all of the contractual cash flows from the investment based on factors that include, but are not limited to: the creditworthiness of the issuer and, in the case of non-agency mortgage-backed securities, the historical and projected performance of the underlying collateral; and the length of time and extent that fair value has been less than amortized cost. In addition, we may also evaluate the business and financial outlook of the issuer, as well as broader industry and sector performance indicators. Declines in the fair value of available for sale debt securities that are deemed other-than-temporary and are attributable to credit deterioration are recognized on our Consolidated Income Statement in the period in which the determination is made. Declines in fair value which are deemed other–than-temporary and attributable to factors other than credit deterioration are recognized in Accumulated other comprehensive income (loss) on our Consolidated Balance Sheet.

We include all interest on debt securities, including amortization of premiums and accretion of discounts, in net interest income using the constant effective yield method. We compute gains and losses realized on the sale of available for sale debt securities on a specific security basis. These securities gains/ (losses) are included in the caption Net gains on sales of securities on the Consolidated Income Statement.

In very limited situations, due to market conditions, management may elect to transfer certain debt securities from the securities available for sale to the held to maturity classification. In such cases, any unrealized gain or loss at the date of transfer included in Accumulated other comprehensive income (loss) is amortized over the remaining life of the security as a yield adjustment. This amortization effectively offsets or mitigates the effect on interest income of the amortization of the premium or accretion of the discount on the security.

Equity Securities and Partnership Interests

We account for equity securities and 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 based on the securities' quoted market prices from a national securities exchange. Dividend income on these securities is recognized in net interest income. Those purchased with the intention of recognizing short-term profits are classified as trading and included in trading securities and other assets on our Consolidated Balance Sheet. 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 with unrealized gains and losses, net of income taxes, reflected in accumulated other comprehensive income (loss). Any unrealized losses that we have determined to be other-than-temporary on securities classified as available for sale are recognized in current period earnings.

- For investments in limited partnerships, limited liability companies and other investments that are not required to be consolidated, we use either the cost method or the equity method of accounting. We use the cost method for investments in which we are not considered to have influence over the operations of the investee and when cost appropriately reflects our economic interest in the underlying investment. Under the cost 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 other noninterest income. Distributions received from the income of an investee on cost method investments are included in interest income or noninterest income depending on the type of 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 the caption Equity investments on the Consolidated Balance Sheet.

Private Equity Investments

We report private equity investments, which include direct investments in companies, affiliated partnership interests and indirect investments in private equity funds, at estimated fair value. 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. Fair value of publicly traded direct investments are determined using quoted market prices and are subject to various discount factors for legal or contractual sales restrictions, when appropriate. The valuation procedures applied to direct investments in private companies include techniques such as multiples of adjusted earnings of the entity, independent appraisals, anticipated financing and sale transactions with third parties, 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. In September 2009, the FASB issued ASU 2009-12—Fair Value Measurements and Disclosures (Topic 820)—Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Based on the guidance, we value indirect investments in private equity funds based on net asset value as provided in the financial statements that we receive from their managers. Due to the time lag in our receipt of the financial information and based on a review of investments and valuation techniques applied, adjustments to the manager-provided value are made when available recent portfolio company information or market information indicates a significant change in value from that provided by the manager of the fund. We include all private equity investments on the Consolidated Balance Sheet in the caption Equity investments. Changes in the fair value of private equity investments are recognized in noninterest income.

We consolidate private equity investments when we are the general partner in a limited partnership and have determined that we have control of the partnership. The portion we do not own is reflected in the caption Noncontrolling interests on the Consolidated Balance Sheet.

LOANS

Loans are classified as held for investment when management has both the intent and ability to hold the loan for the foreseeable future, or until maturity or payoff. Management’s intent and view of the foreseeable future may change based on changes in business strategies, the economic environment, market conditions and the availability of government programs.

Except as described below, loans held for investment are stated at the principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, and premiums or discounts on purchased loans. Interest on performing loans is accrued based on the principal amount outstanding and recorded in interest income as earned using the constant effective yield method. Loan origination fees, direct loan origination costs, and loan premiums and discounts are deferred and accreted or amortized into net interest income, over periods not exceeding the contractual life of the loan.

When loans are redesignated from held for investment to held for sale, specific reserves and allocated pooled reserves included in the allowance for loan and lease losses are charged-off to reduce the basis of the loans to lower of cost or market value.

In addition to originating loans, we also acquire loans through portfolio purchases or acquisitions of other financial services companies. For certain acquired loans that have experienced a deterioration of credit quality, we follow the guidance contained in FASB ASC Receivables (Topic 310) – Loans and Debt Securities Acquired with Deteriorated Credit Quality. Under this guidance, acquired loans are to be recorded at fair value absent the carryover of any existing valuation allowances. Evidence of credit quality deterioration may include information and statistics such as bankruptcy events, FICO scores, past due status, current borrower credit scores, and current loan-to-value. We review the loans acquired for evidence of credit quality deterioration and determine if it is probable that we will be unable to collect all contractual amounts due, including both principal and interest. When both conditions exist, we estimate the amount and timing of undiscounted expected cash flows at acquisition for each loan either individually or on a pool basis. We estimate the cash flows expected to be collected using internal and third-party models that incorporate management's best estimate of current key assumptions, such as default rates, loss severity and payment speeds. Collateral values are also incorporated into cash flow estimates. Late fees, which are contractual but not expected to be collected, are excluded from expected future cash flows. The accretable yield is calculated based upon the difference between the undiscounted expected future cash flows of the loans and the recorded investment in the loans. This amount is accreted into income over the life of the loan or pool using the constant effective yield method. Subsequent decreases in expected cash flows that are attributable, at least in part, to credit quality are recognized as impairments through a charge to the provision for credit losses resulting in an increase in the allowance for loan and lease losses. Subsequent increases in expected cash flows are recognized as a recovery of previously recorded allowance for loan and lease losses or prospectively through an adjustment of the loan's or pool's yield over its remaining life.

The nonaccretable yield represents the difference between the expected undiscounted cash flows of the loans and the total contractual cash flows (including principal and future interest payments) at acquisition and throughout the remaining lives of the loans.

LEASES

We provide financing for various types of equipment, aircraft, energy and power systems, and rolling stock and automobiles through a variety of lease arrangements. Direct financing leases are carried at the aggregate of lease payments plus estimated residual value of the leased property, less unearned income. Leveraged leases, a form of financing lease, are carried net of nonrecourse debt. We recognize income over the term of the lease using the constant effective yield 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, LOAN 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, credit card and other loans through securitization transactions. In a securitization, financial assets are transferred into trusts or to special-purpose entities (SPEs) in transactions to effectively legally isolate the assets from PNC. Where the transferor is a depository institution, legal isolation is accomplished through compliance with specific rules and regulations of the relevant regulatory authorities. Where the transferor is not a depository institution, legal isolation is accomplished through utilization of a two-step securitization structure. Transfers and Servicing (Topic 860) – Accounting For Transfers of Financial Assets requires a true sale legal analysis to be obtained to address several relevant factors, such as the nature and level of recourse to the transferor, and the amount and nature of retained interests in the loans sold. The analytical conclusion as to a true sale is never absolute and unconditional, but contains qualifications based on the inherent equitable powers of a bankruptcy court, as well as the unsettled state of the common law. Once the legal isolation test has been met under GAAP, other factors concerning the nature and extent of the transferor's control over the transferred assets are taken into account in order to determine whether derecognition of assets is warranted, including whether the SPE has complied with rules concerning qualifying special-purpose entities.

In a securitization, the trust or SPE issues beneficial interests in the form of senior and subordinated asset-backed securities backed or collateralized by the assets sold to the trust. The senior classes of the asset-backed securities typically receive investment grade credit ratings at the time of issuance. These ratings are generally achieved through the creation of lower-rated subordinated classes of asset-backed securities, as well as subordinated or residual interests. 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. Refer to Note 10 Securitization Activity for further details. In accordance with GAAP, securitized loans are removed from the balance sheet and a net gain or loss is recognized in noninterest income at the time of initial sale, and each subsequent sale for revolving securitization structures. 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 the fair value of the retained interests 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.

Our loan sales and securitizations are generally structured without recourse to us and with no restrictions on the retained interests with the exception of loan sales to certain US government chartered entities.

When we are obligated for loss-sharing or recourse in a sale, our policy is to record such liabilities at fair value upon sale based on the guidance contained in applicable GAAP.

We originate, sell and service mortgage loans under the Federal National Mortgage Association (FNMA) Delegated Underwriting and Servicing (DUS) program. Under the provisions of the DUS program, we participate in a loss-sharing arrangement with FNMA. We participate in a similar program with the Federal Home Loan Mortgage Corporation (FHLMC). Refer to Note 25 Commitments and Guarantees for more information about our obligations related to sales of loans under these programs.

In June 2009, the FASB issued SFAS 166 which was codified in December 2009 as ASU 2009-16 – Transfers and Servicing (Topic 860) – Accounting For Transfers of Financial Assets. This revised guidance removes the concept of a qualifying special-purpose entity from existing GAAP and removes the exception from applying FASB ASC 810-10, *Consolidation*, to qualifying special purpose entities. The amended standard clarifies that an entity must consider all arrangements or agreements made contemporaneously with or in contemplation of a transfer even if not entered into at the time of the transfer when applying surrender of control conditions. The new guidance is effective January 1, 2010. See Recent Accounting Pronouncements in this Note for further details.

LOANS HELD FOR SALE

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

We have elected to account for certain commercial mortgage loans held for sale at fair value. The changes in the fair value of these loans are measured and recorded in other noninterest income each period. See Note 8 Fair Value for additional information. Also, we elected fair value for residential real estate loans held for sale or securitization acquired from National City.

Interest income with respect to loans held for sale classified as performing is accrued based on the principal amount outstanding using a constant effective yield method.

In certain circumstances, loans designated as held for sale may be transferred to held for investment based on a change in strategy. We transfer these loans at the lower of cost or fair market value; however, any loans originated for sale and designated at fair value will remain at fair value for the life of the loan.

NONPERFORMING ASSETS

Nonperforming assets include:

- Nonaccrual loans,
- Troubled debt restructurings, and
- Foreclosed assets.

Nonperforming assets exclude purchased impaired loans.

Measurement of delinquency and past due status are based on the contractual terms of each loan.

A loan acquired and accounted for under FASB ASC Receivables (Topic 310) – Loans and Debt Securities Acquired with Deteriorated Credit Quality is reported as an accruing loan and a performing asset.

We generally classify commercial loans 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, any accrued but uncollected interest previously included in net interest income is reversed. We charge off small business commercial loans less than $1 million at 120 days after transfer to nonaccrual status. We charge off other nonaccrual loans based on the facts and circumstances of the individual loans.

Most consumer loans and lines of credit, not secured by residential real estate, are charged off after 120 to 180 days past due. Generally, they are not placed on nonaccrual status.

Subprime mortgage loans for first liens with a loan to value ratio of greater than 90% and second liens are classified as nonaccrual at 90 days past due.

Home equity installment loans and lines of credit, as well as residential mortgage loans, that are well secured by residential real estate are classified as nonaccrual at 180 days past due or if a partial write-down has occurred. These 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 recorded investment in the loan including any superior liens. A fair market value assessment of the property is initiated when the loan becomes 90 to 120 days past due.

Home equity installment loans and lines of credit and residential real estate loans that are not well secured, but are in the process of collection, are charged-off at 180 days past due to the lower of cost or market value, less liquidation costs. The unsecured portion of these loans is charged off in accordance with regulatory guidelines. The remaining portion of the loan is placed on nonaccrual status.

Additionally, residential mortgage loans serviced by others under master servicing arrangements and primary-serviced residential loans not in process of foreclosure are also classified as nonaccrual at 180 days past due or if a partial write-down has occurred.

A loan is categorized as a troubled debt restructuring (TDR) if a significant concession is granted due to deterioration in the financial condition of the borrower. TDRs may include certain modifications of terms of loans, receipts of assets from debtors in partial or full satisfaction of loans, or a combination of both. Modified loans classified as TDRs are included in nonperforming loans until returned to performing status.

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.

Foreclosed assets are comprised of any asset seized or property acquired through a foreclosure proceeding or acceptance of a deed-in-lieu of foreclosure. Other real estate owned is comprised principally of commercial and residential real estate properties obtained in partial or total satisfaction of loan obligations. 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 we acquire the deed, we transfer the loans to other real estate owned included in Other assets on our Consolidated Balance Sheet. Property obtained in satisfaction of a loan is recorded at the estimated fair value less anticipated selling costs. We estimate fair values primarily based on appraisals, when available, or quoted market prices on liquid assets. Anticipated recoveries from private mortgage insurance and government guarantees are also considered in evaluating the potential impairment of loans at the date of transfer. When the anticipated future cash flows associated with a loan are less than its net carrying value, a charge-off is recognized against the allowance for loan losses.

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 incurred in the loan portfolio as of the balance sheet date. 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:

- Probability of default,
- Loss given default,
- Exposure at date of default,
- Amounts and timing of expected future cash flows on impaired loans,
- Value of collateral,
- Historical loss exposure, and
- Qualitative factors include amounts for changes in economic conditions that may not be reflected in historical results.

In determining the adequacy of the allowance for loan and lease losses, we make specific allocations to impaired loans, allocations to pools of watchlist and non-watchlist loans, and allocations to consumer and residential mortgage loans. We also allocate reserves to provide coverage for probable losses inherent in the portfolio at the balance sheet date based upon current market conditions, which may not be reflected in historical loss data. While allocations are made to specific loans and pools of loans, the total reserve is available for all credit losses.

Nonperforming loans are considered impaired under FASB ASC Receivables (Topic 310) and are allocated a specific reserve.

Specific reserve allocations are determined as follows:

- For nonperforming loans greater than or equal to the "defined dollar threshold", specific reserves are based on an analysis of the present value of the loan's expected future cash flows, the loan's observable market price or the fair value of the collateral.
- For nonperforming loans below the "defined dollar threshold", the loans are aggregated for purposes of measuring specific reserve impairment using the applicable loan's Loss Given Default (LGD) percentage multiplied by the balance of the loan.

Allocations to loan pools are developed by product and industry with estimated losses based on probability of default and loss given default credit 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
- Industry 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 current risk factors.

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 imprecision in the estimation process due to the inherent time lag of obtaining information. We provide additional reserves that are designed to provide coverage for losses attributable to such risks. These reserves also include factors which may not be directly measured in the determination of specific or pooled reserves. Such qualitative factors include:

- Credit quality trends,
- Recent loss experience in particular segments of the portfolio,

- Ability and depth of lending management, and
- Changes in risk selection and underwriting standards.

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. The allowance for unfunded loan commitments and letters of credit is recorded as a liability on the Consolidated Balance Sheet. Net adjustments to the allowance for unfunded loan commitments and letters of credit are included in the provision for credit losses.

MORTGAGE AND OTHER SERVICING RIGHTS

We provide servicing under various loan servicing contracts for commercial, residential, and other consumer loans. These contracts are either purchased in the open market or retained as part of a loan securitization or loan sale. All newly acquired or originated servicing rights are initially measured at fair value. Fair value is based on the present value of the expected future cash flows, including assumptions as to:

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

For subsequent measurements of these assets, we have elected to utilize either the amortization method or fair value measurement based upon the asset class and our risk management strategy for managing these assets. For commercial mortgage loan servicing rights, we use the amortization method. This election was made based on the unique characteristics of the commercial mortgage 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 mortgage servicing rights assets. Specific risk characteristics of commercial mortgages include loan type, currency or exchange rate, interest rates, expected cash flows and changes in the cost of servicing. We record these servicing assets as other intangible assets and amortize them over their estimated lives based on estimated net servicing income. On a quarterly basis, we test the assets for impairment by categorizing the pools of assets underlying the servicing rights into various stratum. If the estimated fair value of the assets is less than the carrying value, an impairment loss is recognized and a valuation reserve is established. Subsequent measurement of servicing rights for home equity lines and loans, automobile loans and credit card loans also follows the amortization method.

For servicing rights related to residential real estate loans, we apply the fair value method. This election was made to be consistent with our risk management strategy to hedge changes in the fair value of these assets. We manage this risk by hedging the fair value of this asset with derivatives and securities which are expected to increase in value when the value of the servicing right declines. The fair value of these servicing rights is estimated by using a cash flow valuation model which calculates the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs, and other economic factors which are determined based on current market conditions. Expected mortgage loan prepayment assumptions are derived from an internal proprietary model and consider empirical data drawn from the historical performance of our managed portfolio and adjusted for current market conditions. On a quarterly basis, management obtains market value quotes from two independent brokers that reflect current conditions in the secondary market and any recently executed servicing transactions. Management compares its valuation to the information received from independent brokers and other market data to determine if its estimated fair value is reasonable in comparison to market participant valuations.

Contractual servicing fees are recognized as they are earned and are reported net of amortization expense and any impairment in the caption Corporate services on the Consolidated Income Statement.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments and the methods and assumptions used in estimating fair value amounts and financial assets and liabilities for which fair value was elected based on the fair value guidance are detailed in Note 8 Fair Value.

GOODWILL AND OTHER INTANGIBLE ASSETS

We assess goodwill 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 may not be recoverable from undiscounted future cash flows or it may exceed its fair value.

DEPRECIATION AND AMORTIZATION

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

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

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

REPURCHASE AND RESALE AGREEMENTS

Generally, 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.

We have elected to account for structured resale agreements at fair value. The fair value for structured resale agreements is determined using a model which includes observable market data as inputs.

OTHER COMPREHENSIVE INCOME

Other comprehensive income consists, on an after-tax basis, primarily of unrealized gains or losses on investment securities classified as available for sale and derivatives designated as cash flow hedges, and changes in pension, other postretirement and postemployment benefit plan liability adjustments. Details of each component are included in Note 20 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 help manage interest rate, market and credit risk inherent in our business activities. Interest rate and total return swaps, swaptions, 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 other assets or other liabilities on the Consolidated Balance Sheet. Adjustments for counterparty credit risk are included in the determination of their fair value. 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, changes in fair value are recognized in noninterest income.

We utilize a net presentation for derivative instruments on the Consolidated Balance Sheet taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative exposures by offsetting obligations to return or rights to reclaim cash collateral against the fair values of the net derivatives being collateralized.

For those derivative instruments that are designated and qualify as accounting hedges, we must designate the hedging instrument, based on the exposure being hedged, as either a fair value hedge or a cash flow hedge. 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 an accounting hedge. To qualify for hedge accounting, the derivatives and related hedged items must be designated as a hedge at inception of the hedge relationship. For accounting hedge relationships, we formally assess, both at the inception of the hedge and on an ongoing basis, if the derivatives are highly effective in offsetting designated changes in the fair value or cash flows of the hedged item. If it is determined that the derivative instrument is not highly effective, 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 instrument 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 change in fair value of the derivative does not offset the change in fair value of the hedged item, the difference or ineffectiveness is reflected in the income statement in the same financial statement category as the hedged item.

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

We discontinue hedge accounting when it is determined that the derivative no longer qualifies 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, for a cash flow hedge, 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 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 earnings, and the gains and losses in accumulated other comprehensive income (loss) will be recognized immediately into earnings. When we discontinue hedge accounting because the hedging instrument is sold, terminated or no longer designated, the amount reported in accumulated other comprehensive income (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 2009, 2008 or 2007 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. At the inception of the transaction, we assess if the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the financial instrument (host contract), whether the financial instrument that embodied both the embedded derivative and the host contract are measured at fair value with changes in fair value reported in earnings, and whether a separate instrument with the same terms as the embedded instrument would not meet the definition of a derivative. If the embedded derivative does not meet these three conditions, the embedded derivative would qualify as a derivative and be recorded apart from the host contract and carried at fair value with changes recorded in current earnings.

We have elected fair value measurement for certain hybrid financial instruments on an instrument-by-instrument basis.

We enter into commitments to originate loans for sale. We also enter into commitments to purchase or sell commercial and residential real estate loans. These commitments are accounted for as free-standing derivatives which are recorded at fair value in other assets or other liabilities on the Consolidated Balance Sheet. Any gain or loss from the change in fair value after the inception of the commitment is recognized in 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. The realization of deferred tax assets requires an assessment to determine the realization of such assets. Realization refers to the incremental benefit achieved through the reduction in future taxes payable or refunds receivable from the deferred tax assets, assuming that the underlying deductible differences and carryforwards are the last items to enter into the determination of future taxable income. We establish a valuation allowance for tax assets when it is more likely than not that they will not be realized, based upon all available positive and negative evidence.

EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated using the two-class method to determine income attributable to common stockholders. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities under the two-class method. Income attributable to common stockholders is then divided by the weighted-average common shares outstanding for the period.

Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, 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 warrants 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. See Note 18 Earnings Per Share for additional information.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2008, the FASB issued new guidance impacting an employer's disclosures about the plan assets of a defined benefit pension or other postretirement plan. See Note 15 Employee Benefit Plans for additional information.

On January 1, 2009, we adopted new guidance which required all businesses acquired after that date to be measured at the fair value of the consideration paid as opposed to the cost-based provisions under prior GAAP. This guidance requires the value of consideration paid including any future contingent consideration to be measured at fair value at the closing date of the transaction. Also, restructuring costs and acquisition costs must be expensed rather than included in the cost of the acquisition. This standard was effective for all acquisitions completed on or after January 1, 2009.

On January 1, 2009, we adopted guidance which provided new accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that noncontrolling interests should be reported as a component of equity on the consolidated financial statements and required expanded disclosures that identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of an entity. The consolidated financial statements included herein reflect the impact of this change in classification.

On January 1, 2009, we adopted new guidance which required revisions to our derivative disclosures to provide greater transparency as to the use of derivative instruments and hedging activities. See Note 17 Financial Derivatives for additional information.

On January 1, 2009, we adopted new guidance which clarifies that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities and should be included in the calculation of basic earnings per share using the two-class method prescribed by existing GAAP. Our adoption of this guidance did not have a material effect on either our basic or diluted earnings per share. See Note 18 Earnings Per Share for the computation of earnings per share using the two-class method.

In April 2009, the FASB issued new guidance impacting the recognition and disclosure of other-than-temporary impairments (OTTI). The major change in the guidance was the requirement to recognize only the credit portion of the OTTI charges in current earnings for those debt securities where there is no intent to sell and it is not more likely than not that the entity would be required to sell the security prior to expected recovery. The remaining portion of the OTTI charge is to be included in other comprehensive income. As permitted, we adopted this guidance effective January 1, 2009. A cumulative effect adjustment of $110 million was made to 2009 beginning retained earnings to reclassify the noncredit component of OTTI recognized in prior periods from retained earnings to accumulated other comprehensive income (loss). See Note 7 Investment Securities for disclosures required by this new guidance.

In April 2009, the FASB issued new guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This also provides guidance on identifying circumstances that indicate a transaction is not orderly. As permitted, we adopted this guidance effective January 1, 2009. The adoption of this new guidance did not have a material effect on our results of operations or financial position in 2009. See Note 8 Fair Value for disclosures required by this new guidance.

On June 30, 2009, we adopted new guidance which amends existing disclosure requirements about fair value of financial instruments for both annual and interim reporting periods. See Note 8 Fair Value for disclosures required by this new guidance.

In September 2009, the FASB issued ASU 2009-12 – Fair Value Measurements and Disclosures (Topic 820) – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This update provides further guidance for the fair value measurement of certain investments and also requires expanded disclosures regarding restrictions on the redemption of the investments, unfunded commitments, and investment strategies. See Note 8 Fair Value for disclosures required by this new guidance.

In December 2009, the FASB issued ASU 2009-16 – Transfers and Servicing (Topic 860) – Accounting For Transfers of Financial Assets which is a codification of guidance issued in June 2009. This removes the concept of a qualifying special-purpose entity from existing GAAP and removes the exception from applying FASB ASC 810-10, *Consolidation*, to qualifying special purpose entities. The new guidance also establishes conditions for accounting and reporting of a transfer of a portion of a financial asset, modifies the asset sale/derecognition criteria, and changes how retained interests are initially measured. This guidance will be effective for PNC beginning January 1, 2010.

In December 2009, the FASB issued ASU 2009-17 – Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities which is a codification of guidance issued in June 2009. The new guidance removes the scope exception for qualifying special-purpose entities, contains new criteria for determining the primary beneficiary of a variable interest entity (VIE) and increases the frequency of required reassessments to determine whether an entity is the primary beneficiary of a VIE. Enhanced disclosures would also be required. This guidance will be effective for PNC beginning January 1, 2010. Based on this new guidance, we consolidated Market Street effective January 1, 2010 (see Note 3 Variable Interest Entities). We also consolidated the trusts associated with the securitization of credit card loans effective January 1, 2010 (see Note 10 Loan Sales and Securitizations). Based on financial information as of December 31, 2009, the impact of adopting this revised guidance is to increase total assets by $4.0 billion. We are continuing to analyze other entities, including non-PNC sponsored securitization trusts where we provide loan servicing, for possible consolidation of the trusts.

NOTE 2 ACQUISITIONS AND DIVESTITURES

PENDING SALE OF PNC GLOBAL INVESTMENT SERVICING

On February 2, 2010, we entered into a definitive agreement to sell PNC Global Investment Servicing Inc. (GIS), a leading provider of processing, technology and business intelligence services to asset managers, broker-dealers and financial advisors worldwide, for $2.3 billion in cash. We currently anticipate closing the transaction in the third quarter of 2010. Completion of the transaction is subject to regulatory approvals and certain other closing conditions.

Results of operations of GIS are presented as income from discontinued operations, net of income taxes, on our Consolidated Income Statement for all years presented. Income taxes related to discontinued operations for 2009 include $18 million of deferred income taxes provided on the difference in the stock investment and tax basis of GIS, a US subsidiary.

Investment in Discontinued Operations

December 31, 2009 – In millions	
Interest-earning deposits with banks	**$ 255**
Goodwill	**1,243**
Other intangible assets	**51**
Other	**359**
Total assets	**$1,908**
Deposits	**$ 93**
Accrued expenses	**266**
Other	**1,009**
Total liabilities	**$1,368**
Net assets	**$ 540**

NATIONAL CITY CORPORATION

On December 31, 2008, we acquired National City for approximately $6.1 billion. The total consideration included approximately $5.6 billion of common stock, representing approximately 95 million shares, $150 million of preferred stock and cash of $379 million paid to warrant holders by National City. The transaction required no future contingent consideration payments. National City, based in Cleveland, Ohio, was one of the nation's largest financial services companies. At December 31, 2008, prior to our acquisition, National City had total assets of approximately $153 billion and total deposits of approximately $101 billion.

This acquisition was accounted for under the purchase method of accounting. The purchase price was allocated to the National City assets acquired and liabilities assumed using their estimated fair values as of the acquisition date.

During 2009, additional information was obtained about the fair value of assets acquired and liabilities assumed as of December 31, 2008 which resulted in adjustments to the initial purchase price allocation. Most significantly, additional information was obtained on the credit quality of certain loans as of the acquisition date which resulted in additional fair value writedowns on acquired impaired loans. These adjustments resulted in the allocation of $446 million to other intangible assets and $891 million to premises and equipment which had been reduced in the initial purchase price allocation. The purchase price allocation was completed as of December 31, 2009 with goodwill of $647 million recognized from the National City acquisition.

As a condition for regulatory approval of the transaction, we were required to divest 61 branches. This divestiture, which included $4.1 billion of deposits and $.8 billion of loans, was completed during the third quarter of 2009.

A summary of adjustments to the initial purchase price allocation are summarized below.

National City Acquisition – Summary Purchase Price Allocation

In billions	
Excess of fair value of adjusted net assets acquired over purchase price – December 31, 2008	$(1.3)
Additional fair value marks on acquired impaired loans – December 31, 2008	1.8
Other adjustments, net	.1
Excess of purchase price over fair value of adjusted net assets acquired – December 31, 2009	**$ .6**

Condensed Statement of National City Net Assets Acquired

The following condensed statement of net assets reflects the revised values assigned to National City net assets as of the December 31, 2008 acquisition date. The net assets acquired are net of the cash paid by National City to its warrant holders of $379 million.

In millions	
Assets	
Cash and due from banks	$ 2,144
Federal funds sold and resale agreements	7,335
Trading assets, interest-earning deposits with banks, and other short-term investments	9,244
Loans held for sale	2,185
Investment securities	13,327
Net loans	95,919
Other intangible assets	2,266
Equity investments	2,001
Other assets	13,665
Total assets	$ 148,086
Liabilities	
Deposits	$ 103,594
Federal funds purchased and repurchase agreements	3,523
Other borrowed funds	22,138
Other liabilities	13,724
Total liabilities	$ 142,979
Net assets acquired	$ 5,107

Other intangible assets acquired consisted of the following (in millions):

Intangible Asset	Fair Value	Weighted Life	Amortization Method
Residential mortgage servicing rights	$1,019	(a)	(a)
Core deposit	647	12 yrs.	Accelerated
Commercial mortgage servicing rights	212	8 yrs.	Accelerated
Asset management customer relationships	346	12 yrs.	Straight-line
National City brand	27	21 mos.	Straight-line
Consumer loan servicing rights	15	2 yrs.	Accelerated
Total	$2,266		

(a) Intangible asset carried at fair value on a recurring basis.

Amortization expense related to the intangible assets in the table above totaled $173 million in 2009. See Note 9 Goodwill and Other Intangible Assets for additional information.

Purchase accounting adjustments include discounts and premiums on interest-earning assets and interest-bearing liabilities as follows:

- During 2009, additional information was obtained about the credit quality of acquired loans as of the acquisition date. As a result, an additional $2.6 billion of acquired loans were deemed impaired as of December 31, 2008. We recorded an additional fair value mark on these and previously impaired loans of $1.8 billion effective December 31, 2008.
- The original accretable yield on acquired loans of $6.1 billion at December 31, 2008 was reduced by $1.0 billion during 2009. This decrease was due to accretion of $1.7 billion and cash recoveries of $.2 billion that were partially offset by net reclassifications to accretable yield of $.8 billion, adjustments resulting from changes in the purchase price allocation of $.3 billion and disposals of $.2 billion. Adjustments to accretable yield and purchase accounting adjustments with respect to purchased impaired loans are detailed in Note 6 Purchased Impaired Loans Related to National City.

- The remaining discounts on loans of $5.1 billion will be accreted to net interest income using the constant effective yield method over the weighted average life of the loans, estimated to be between two and three years. The weighted average lives could vary depending on prepayments, revised estimated cash flows and other related factors. Of the remaining $5.1 billion of discounts at December 31, 2009, $3.5 billion relates to loans accounted for under FASB ASC 310-30, and $1.6 billion relates to other acquired loans.
- The remaining premiums on interest-earning time deposits of $1.0 billion at December 31, 2009, will be amortized over the weighted average life of the deposits of approximately one year using the constant effective yield method.
- The remaining discounts on borrowed funds of $1.2 billion at December 31, 2009, will be accreted over the weighted average life of the borrowings of approximately 7 years using the constant effective yield method.

STERLING FINANCIAL CORPORATION

On April 4, 2008, we acquired Lancaster, Pennsylvania-based Sterling Financial Corporation (Sterling). Sterling shareholders received an aggregate of approximately 4.6 million shares of PNC common stock and $224 million of cash.

J.J.B. HILLIARD, W.L.LYONS, LLC

On March 31, 2008, we sold J.J.B. Hilliard, W.L. Lyons, LLC (Hilliard Lyons), a Louisville, Kentucky-based wholly-owned subsidiary of PNC and a full-service brokerage and financial services provider, to Houchens Industries, Inc. We recognized an after-tax gain of $23 million in 2008 in connection with this divestiture.

YARDVILLE NATIONAL BANCORP

We acquired Hamilton, New Jersey-based Yardville National Bancorp (Yardville) in October 2007. Yardville shareholders received an aggregate of approximately 3.4 million shares of PNC common stock and $156 million in cash. Total consideration paid was approximately $399 million in stock and cash.

MERCANTILE BANKSHARES CORPORATION

We acquired Mercantile Bankshares Corporation (Mercantile) in March 2007. Mercantile shareholders received an aggregate of approximately 53 million shares of PNC common stock and $2.1 billion in cash. Total consideration paid was approximately $5.9 billion in stock and cash.

NOTE 3 VARIABLE INTEREST ENTITIES

We are involved with various entities in the normal course of business that were deemed to be VIEs. We consolidated certain VIEs as of December 31, 2009 and 2008 for which we were determined to be the primary beneficiary.

Consolidated VIEs – PNC Is Primary Beneficiary

In millions	Aggregate Assets	Aggregate Liabilities
Tax credit investments (a)		
December 31, 2009	**$ 1,933**	**$ 808**
December 31, 2008	$ 1,690	$ 921
Credit Risk Transfer Transaction		
December 31, 2009	**$ 860**	**$ 860**
December 31, 2008	$ 1,070	$ 1,070

(a) Amounts reported primarily represent investments in low income housing projects.

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, 2009			
Market Street	**$ 3,698**	**$ 3,718**	**$ 6,155(a)**
Tax credit investments (b) (c)	**1,786**	**1,156**	**743**
Collateralized debt obligations	**23**		**2**
Total	**$ 5,507**	**$ 4,874**	**$ 6,900**
December 31, 2008			
Market Street	$ 4,916	$ 5,010	$ 6,965(a)
Tax credit investments (b) (c)	1,517	1,041	811
Collateralized debt obligations	20		2
Total	$ 6,453	$ 6,051	$ 7,778

(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, 2009. The comparable amounts were $6.4 billion and $.6 billion at December 31, 2008.
(b) Amounts reported primarily represent investments in low income housing projects.
(c) Aggregate assets and aggregate liabilities represent estimated balances due to limited availability of financial information associated with certain acquired National City partnerships.

MARKET STREET

Market Street is a multi-seller asset-backed commercial paper conduit that is owned by an independent third party. Market Street's activities primarily involve purchasing assets or making loans secured by interests in pools of receivables from US corporations that desire access to the commercial paper market. Market Street funds the purchases of assets or loans by issuing commercial paper which has been rated A1/P1/F1 by Standard & Poor's, Moody's, and Fitch, respectively, and is supported by pool-specific credit enhancements, liquidity facilities and program-level credit enhancement. Generally, Market Street mitigates its potential interest rate risk by entering into agreements with its borrowers that reflect interest rates based upon its weighted average commercial paper cost of funds. During 2008 and 2009, Market Street met all of its funding needs through the issuance of commercial paper.

PNC Bank, N.A. provides certain administrative services, the program-level credit enhancement and all of the liquidity facilities to Market Street in exchange for fees negotiated based on market rates. Program administrator fees related to PNC's portion of liquidity facilities were $43 million for the year ended December 31, 2009 and $21 million for the year ended December 31, 2008. Commitment fees related to PNC's portion of the liquidity facilities for 2009 and 2008 were insignificant.

The commercial paper obligations at December 31, 2009 and December 31, 2008 were effectively collateralized by Market Street's assets. While PNC may be obligated to fund under the $5.6 billion of liquidity facilities for events such as commercial paper market disruptions, borrower bankruptcies, collateral deficiencies or covenant violations, our credit risk under the liquidity facilities is secondary to the risk of first loss provided by the borrower or another third party in the form of deal-specific credit enhancement, such as 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 expected losses for the pool of assets and is sized to generally meet rating agency standards for comparably structured transactions. In addition, PNC would be required to fund $.4 billion of the liquidity facilities if the underlying assets are in default. See Note 25 Commitments and Guarantees for additional information.

PNC provides program-level credit enhancement to cover net losses in the amount of 10% of commitments, excluding explicitly rated AAA/Aaa facilities. PNC provides 100% of the enhancement in the form of a cash collateral account funded by a loan facility. This facility expires in March 2013.

Market Street has entered into a Subordinated Note Purchase Agreement (Note) with an unrelated third party. The Note provides first loss coverage whereby the investor absorbs losses up to the amount of the Note, which was $8.0 million as of December 31, 2009. Proceeds from the issuance of the Note are held by Market Street in a first loss reserve account that will 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.

We evaluated the design of Market Street, its capital structure, the Note and relationships among the variable interest holders under the provisions of GAAP. Based on this analysis, we were not the primary beneficiary and therefore the assets and liabilities of Market Street were not included on our Consolidated Balance Sheet.

PNC considers changes to the variable interest holders (such as new expected loss note investors and changes to program-level credit enhancement providers), changes to the terms of expected loss notes, and new types of risks related to Market Street as reconsideration events. PNC reviews the activities of Market Street on at least a quarterly basis to determine if a reconsideration event has occurred.

See Note 1 Accounting Policies regarding accounting guidance that impacts the accounting for Market Street effective January 1, 2010.

TAX CREDIT INVESTMENTS

We make certain equity investments in various limited partnerships or limited liability companies (LLCs) that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) pursuant to Sections 42 and 47 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 investments 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. We typically invest in these partnerships as a limited partner or non-managing member.

Also, we are a national syndicator of affordable housing equity (together with the investments described above, the "LIHTC investments"). In these syndication transactions, we create funds in which our subsidiaries are the general partner or managing member and sell limited partnership or non-managing member interests to third parties, and in some cases may also purchase a limited partnership or non-managing member interest in the fund and/or provide mezzanine financing to the fund. The purpose of this business is to generate income from the syndication of these funds, generate servicing fees by managing the funds, and earn tax credits to reduce our tax liability. General partner or managing member 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.

We evaluate our interests and third party interests in the limited partnerships/LLCs in determining whether we are the primary beneficiary. The primary beneficiary determination is based on which party absorbs a majority of the variability. The primary sources of variability in LIHTC investments are the tax credits, tax benefits due to passive losses on the investments and development and operating cash flows. We have consolidated LIHTC investments in which we absorb a majority of the variability and thus are considered the primary beneficiary. The assets are primarily included in Equity investments and Other assets on our Consolidated Balance Sheet with the liabilities classified in Other liabilities and third party investors' interests included in the Equity section as Noncontrolling interests. Neither creditors nor equity investors in the LIHTC investments have any recourse to our general credit. The consolidated aggregate assets and liabilities of these LIHTC investments are provided in the Consolidated VIEs – PNC Is Primary Beneficiary table and reflected in the "Other" business segment.

We also have LIHTC investments in which we are not the primary beneficiary, but are considered to have a significant variable interest based on our interests in the partnership/LLC. These investments are disclosed in the Non-Consolidated VIEs – Significant Variable Interests table. The table also reflects our maximum exposure to loss. Our maximum exposure to loss is equal to our legally binding equity commitments adjusted for recorded impairment and partnership results. We use the equity and cost methods to account for our investment in these entities with the investments reflected in Equity investments on our Consolidated Balance Sheet. In addition, we increase our recognized investments and recognize a liability for all legally binding unfunded equity commitments. These liabilities are reflected in Other liabilities on our Consolidated Balance Sheet.

CREDIT RISK TRANSFER TRANSACTION

National City Bank (a former PNC subsidiary which merged into PNC Bank, N.A. in November 2009) sponsored a special purpose entity (SPE) and concurrently entered into a credit risk transfer agreement with an independent third party to mitigate credit losses on a pool of nonconforming mortgage loans originated by its former First Franklin business unit. The SPE was formed with a small equity contribution and was structured as a bankruptcy-remote entity so that its creditors have no recourse to us. In exchange for a perfected security interest in the cash flows of the nonconforming mortgage loans, the SPE issued to us asset-backed securities in the form of senior, mezzanine, and subordinated equity notes.

The SPE was deemed to be a VIE as its equity was not sufficient to finance its activities. We were determined to be the primary beneficiary of the SPE as we would absorb the majority of the expected losses of the SPE through our holding of the asset-backed securities. Accordingly, this SPE was consolidated and all of the entity's assets, liabilities, and equity associated with the note tranches held by us are intercompany balances and are eliminated in consolidation. Nonconforming mortgage loans, including foreclosed properties, pledged as collateral to the SPE remain on the balance sheet at a net carrying value of $587 million at December 31, 2009.

In connection with the credit risk transfer agreement, we held the right to put the mezzanine notes to the independent third-party once credit losses in the mortgage loan pool exceeded the principal balance of the subordinated equity notes. During 2009, cumulative credit losses in the mortgage loan pool surpassed the principal balance of the subordinated equity notes which resulted in us exercising our put option on two of the subordinate mezzanine notes. Cash proceeds received from the third party for the exercise of these put options totaled $36 million. In addition, during 2009 we entered into an agreement with the third party to terminate each party's rights and obligations under the credit risk transfer agreement for the remaining mezzanine notes. We agreed to terminate our contractual right to put the remaining mezzanine notes to the third party for a cash payment of $126 million. A pretax gain of $10 million was recognized in noninterest income as a result of these transactions.

We assessed what impact the reconsideration events above had on determining whether we would remain the primary beneficiary of the SPE. Management concluded that we would remain the primary beneficiary and accordingly should continue to consolidate the SPE.

PERPETUAL TRUST SECURITIES

We issue certain hybrid capital vehicles that qualify as capital for regulatory purposes.

In February 2008, PNC Preferred Funding LLC (the LLC), one of our indirect subsidiaries, sold $375 million of 8.700% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities of PNC Preferred Funding Trust III (Trust III) to third parties in a private placement. In connection with the private placement, Trust III acquired $375 million of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Securities of the LLC (the LLC Preferred Securities). The sale was similar to the March 2007 private placement by the LLC of $500 million of 6.113% Fixed-to-Floating Rate Non-Cumulative Exchangeable Trust Securities (the Trust II Securities) of PNC Preferred Funding Trust II (Trust II) in which Trust II acquired $500 million of LLC Preferred Securities and to the December 2006 private placement by PNC REIT Corp. of $500 million of 6.517% Fixed-to-Floating Rate Non-Cumulative Exchangeable Perpetual Trust Securities (the Trust I Securities) of PNC Preferred Funding Trust I (Trust I) in which Trust I acquired $500 million of LLC Preferred Securities. PNC REIT Corp. owns 100% of LLC's common voting securities. As a result, LLC is an indirect subsidiary of PNC and is consolidated on our Consolidated Balance Sheet. Trust I, II and III's investment in LLC Preferred Securities is characterized as a noncontrolling interest on our Consolidated Balance Sheet since we are not the primary beneficiary of Trust I, Trust II and Trust III. This noncontrolling interest totaled approximately $1.3 billion at December 31, 2009.

PNC has contractually committed to Trust II and Trust III that if full dividends are not paid in a dividend period on the Trust II Securities or the Trust III Securities, as applicable, or the LLC Preferred Securities held by Trust II or Trust III, as applicable, PNC will not declare or pay dividends with respect to, or redeem, purchase or acquire, any of its equity capital securities during the next succeeding dividend period, other than: (i) purchases, redemptions or other acquisitions of shares of capital stock of PNC in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants, (ii) purchases of shares of common stock of PNC pursuant to a contractually binding requirement to buy stock existing prior to the commencement of the extension period, including under a contractually binding stock repurchase plan, (iii) any dividend in connection with the implementation of a shareholders' rights plan, or the redemption or repurchase of any rights under any such plan, (iv) as a result of an exchange or conversion of any class or series of PNC's capital stock for any other class or series of PNC's capital stock, (v) the purchase of fractional interests in shares of PNC capital stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged or (vi) any stock dividends paid by PNC where the dividend stock is the same stock as that on which the dividend is being paid.

PNC Bank, N.A. has contractually committed to Trust I that if full dividends are not paid in a dividend period on the Trust I 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 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.

NOTE 4 LOANS, COMMITMENTS TO EXTEND CREDIT AND CONCENTRATIONS OF CREDIT RISK

Loans outstanding were as follows:

In millions	December 31 2009	December 31 2008
Commercial	**$ 54,818**	$ 69,220
Commercial real estate	**23,131**	25,736
Consumer	**53,582**	52,489
Residential real estate	**19,810**	21,583
Equipment lease financing	**6,202**	6,461
Total loans	**$ 157,543**	$ 175,489

Loans are presented net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $3.2 billion and $4.3 billion at December 31, 2009 and December 31, 2008, respectively. Future accretable interest related to purchased impaired loans is not included in loans outstanding.

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, 2009, no specific industry concentration exceeded 6% of total commercial loans outstanding.

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.

Certain loans are accounted for at fair value with changes in the fair value reported in current period earnings. The fair value of these loans was $107 million, or approximately .07% of the total loan portfolio, at December 31, 2009. Loans held for sale are reported separately on the Consolidated Balance Sheet and are not included in the table above. Interest income from total loans held for sale was $270 million in 2009, $166 million in 2008 and $184 million in 2007 and is included in Other interest income on our Consolidated Income Statement.

Net Unfunded Credit Commitments

In millions	December 31 2009	December 31 2008
Commercial and commercial real estate	**$ 60,143**	$ 60,020
Home equity lines of credit	**20,367**	23,195
Consumer credit card and other unsecured lines	**18,800**	20,207
Other	**1,485**	1,466
Total	**$ 100,795**	$ 104,888

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. At December 31, 2009 commercial commitments are reported net of $13.2 billion of participations, assignments and syndications, primarily to financial institutions. The comparable amount at December 31, 2008 was $8.6 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 52% of consumer unfunded credit commitments at December 31, 2009.

Unfunded credit commitments related to Market Street totaled $5.6 billion at December 31, 2009 and $6.4 billion at December 31, 2008 and are included in the preceding table primarily within the "Commercial and commercial real estate" category.

At December 31, 2009, we pledged $18.8 billion of loans to the Federal Reserve Bank and $32.6 billion of loans to the Federal Home Loan Banks as collateral for the contingent ability to borrow, if necessary.

NOTE 5 ASSET QUALITY

The following table sets forth nonperforming assets and related information.

These amounts exclude purchased impaired loans acquired in connection with the National City acquisition. See Note 6 Purchased Impaired Loans Related to National City for further information.

Dollars in millions	December 31, 2009	December 31, 2008
Nonaccrual loans		
Commercial	**$ 1,806**	$ 576
Commercial real estate	**2,140**	766
Equipment lease financing	**130**	97
TOTAL COMMERCIAL LENDING	**4,076**	1,439
Consumer		
Home equity	**356**	66
Other	**36**	4
Total consumer	**392**	70
Residential real estate		
Residential mortgage	**955**	139
Residential construction	**248**	14
Total residential real estate	**1,203**	153
TOTAL CONSUMER LENDING	**1,595**	223
Total nonaccrual/nonperforming loans	**5,671**	1,662
Foreclosed and other assets		
Commercial lending	**266**	50
Consumer lending	**379**	469
Total foreclosed and other assets	**645**	519
Total nonperforming assets	**$ 6,316**	$ 2,181
Nonperforming loans to total loans	**3.60%**	.95%
Nonperforming assets to total loans and foreclosed and other assets	**3.99**	1.24
Nonperforming assets to total assets	**2.34**	.75
Interest on nonperforming loans		
Computed on original terms	**$ 302**	$ 115
Recognized prior to nonperforming status	**90**	60
Past due loans (a) (b)		
Accruing loans past due 90 days or more	**$ 884**	$ 395
As a percentage of total loans	**.60%**	.24%

(a) Excludes loans that are government insured/guaranteed, primarily residential mortgages.

(b) Excludes purchased impaired loans acquired from National City totaling $2.7 billion at December 31, 2009 and $2.0 billion at December 31, 2008. These loans are excluded as they were recorded at estimated fair value when acquired and are currently considered performing loans due to the accretion of interest income in purchase accounting.

Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties where we do not receive adequate compensation are considered troubled debt restructurings. Troubled debt restructurings typically result from our loss mitigation activities and could include rate reductions, principal forgiveness, forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. Troubled debt restructurings included in total nonperforming loans in the table above totaled $440 million at December 31, 2009.

Net interest income less the provision for credit losses was $5.1 billion for 2009 compared with $2.3 billion for 2008 and $2.6 billion for 2007.

Changes in the allowance for loan and lease losses follow:

In millions	**2009**	2008	2007
January 1	**$ 3,917**	$ 830	$ 560
Charge-offs	**(3,155)**	(618)	(245)
Recoveries	**444**	79	45
Net charge-offs	**(2,711)**	(539)	(200)
Provision for credit losses	**3,930**	1,517	315
Acquired allowance – National City	**(112)**	2,224	
Acquired allowance – other		20	152
Net change in allowance for unfunded loan commitments and letters of credit	**48**	(135)	3
December 31	**$ 5,072**	$3,917	$ 830

See Note 6 Purchased Impaired Loans Related to National City for a discussion of the release of allowance for loan and lease losses related to additional impaired loans identified during 2009.

Changes in the allowance for unfunded loan commitments and letters of credit follow:

In millions	**2009**	2008	2007
Allowance at January 1	**$344**	$134	$120
Acquired allowance		75	17
Net change in allowance for unfunded loan commitments and letters of credit	**(48)**	135	(3)
December 31	**$296**	$344	$134

Originated impaired loans exclude leases and smaller homogeneous type loans as well as purchased impaired loans related to our acquisition of National City. We did not recognize any interest income on originated loans while they were impaired in 2009, 2008 or 2007. The following table provides further detail on impaired loans and the associated allowance for loan losses:

Originated Impaired Loans (a)

In millions	**Dec. 31 2009**	Dec. 31 2008
Impaired loans with an associated reserve	**$3,475**	$1,249
Impaired loans without an associated reserve	**471**	93
Total impaired loans	**$3,946**	$1,342
Specific allowance for credit losses	**$1,148**	$ 405
Average impaired loan balance (b)	**$2,909**	$ 674

(a) Purchased impaired loans related to our acquisition of National City are excluded from this table and are disclosed in Note 6 Purchased Impaired Loans Related to National City.

(b) Average for year ended.

NOTE 6 PURCHASED IMPAIRED LOANS RELATED TO NATIONAL CITY

At December 31, 2008, we identified certain loans related to the National City acquisition, for which there was evidence of credit quality deterioration since origination and it was probable that we would be unable to collect all contractually required principal and interest payments. Evidence of credit quality deterioration included statistics such as past due status, declines in current borrower FICO credit scores, geographic concentration and increases in current loan-to-value ratios. GAAP requires these loans to be recorded at fair value at acquisition date and prohibits the "carrying over" or the creation of valuation allowances in the initial accounting for such loans acquired in a transfer.

GAAP allows purchasers to aggregate impaired loans acquired in the same fiscal quarter into one or more pools, provided that the loans have common risk characteristics. A pool is then accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows. With respect to the National City acquisition, we aggregated homogeneous consumer and residential real estate loans into pools with common risk characteristics. We account for commercial and commercial real estate loans individually.

During 2009, additional information was obtained about the credit quality of acquired loans as of the acquisition date. As a result, an additional $2.6 billion of acquired loans were deemed impaired as of December 31, 2008 and the net carryover allowance for loan losses attributable to these loans of $112 million was released. Adjustments to the fair value of impaired loans of $1.8 billion were also recognized.

At December 31, 2009 and December 31, 2008, purchased impaired loans had a carrying value of $10.4 billion and $12.7 billion, respectively. During 2009, the amount of purchased impaired loans decreased by a net $2.3 billion as a result of payments and other exit activities primarily offset by accretion. The unpaid principal balance of these loans was $15.4 billion at December 31, 2009 and $21.9 billion at December 31, 2008, as detailed below:

Purchased Impaired Loans

	December 31, 2009		December 31, 2008	
In millions	**Recorded Investment**	**Outstanding Balance**	Recorded Investment	Outstanding Balance
Commercial (a)	**$ 558**	**$ 1,016**	$ 1,016	$ 2,485
Commercial real estate (a)	**1,694**	**2,705**	1,911	3,856
Consumer	**3,457**	**5,097**	3,887	6,618
Residential real estate	**4,663**	**6,620**	5,895	8,959
Total	**$ 10,372**	**$ 15,438**	$ 12,709	$ 21,918

(a) Includes purchased impaired loans held for sale. The recorded investment and outstanding balance of these loans was $85 million and $200 million, respectively, at December 31, 2009.

The excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan using the constant effective yield method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows of individual commercial or pooled consumer purchased impaired loans from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses in the period in which the changes become probable. Prepayments are treated as a reduction of cash flows expected to be collected and a reduction of projections of contractual cash flows such that the nonaccretable difference is not affected. Thus, for decreases in cash flows expected to be collected resulting from prepayments, the effect will be to reduce the yield prospectively. Subsequent decreases to the expected cash flows will generally result in a charge to the provision for credit losses, resulting in an increase to the allowance for loan and lease losses, and a reclassification from accretable yield to nonaccretable difference. During 2009, $646 million of provision and $90 million of charge-offs were recorded on purchased impaired loans. As of December 31, 2009 decreases in the expected cash flows of purchased impaired loans resulted in an allowance for loan and lease losses of $556 million on $7.9 billion of the impaired loans while the remaining $2.5 billion of impaired loans required no allowance as expected cash flows improved or remained the same. There was no such allowance on any of these loans at December 31, 2008. Subsequent increases in cash flows will result in a recovery of any previously recorded allowance for loan and lease losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield. Disposals of loans, which may include sales of loans or foreclosures, result in removal of the loan from the purchased impaired loan portfolio at its carrying amount.

The following table displays activity for the accretable yield of these loans for 2009.

Accretable Yield

In millions	**2009**
January 1	**$ 3,668**
Accretion (including cash recoveries)	**(1,118)**
Adjustments resulting from changes in purchase price allocation	**349**
Net reclassifications from non- accretable to accretable	**837**
Disposals	**(234)**
December 31	**$ 3,502**

NOTE 7 INVESTMENT SECURITIES

In millions	Amortized Cost (a)	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2009				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
US Treasury and government agencies	**$ 7,548**	**$ 20**	**$ (48)**	**$ 7,520**
Residential mortgage-backed				
Agency	**24,076**	**439**	**(77)**	**24,438**
Non-agency	**10,419**	**236**	**(2,353)**	**8,302**
Commercial mortgage-backed				
Agency	**1,299**	**10**	**(12)**	**1,297**
Non-agency	**4,028**	**42**	**(222)**	**3,848**
Asset-backed	**2,019**	**30**	**(381)**	**1,668**
State and municipal	**1,346**	**58**	**(54)**	**1,350**
Other debt	**1,984**	**38**	**(7)**	**2,015**
Total debt securities	**52,719**	**873**	**(3,154)**	**50,438**
Corporate stocks and other	**360**			**360**
Total securities available for sale	**$53,079**	**$873**	**$(3,154)**	**$50,798**
SECURITIES HELD TO MATURITY				
Debt securities				
Commercial mortgage-backed (non-agency)	**$ 2,030**	**$195**		**$ 2,225**
Asset-backed	**3,040**	**109**	**$ (13)**	**3,136**
Other debt	**159**	**1**		**160**
Total securities held to maturity	**$ 5,229**	**$305**	**$ (13)**	**$ 5,521**
December 31, 2008				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
US Treasury and government agencies	$ 738	$ 1		$ 739
Residential mortgage-backed				
Agency	22,744	371	$ (9)	23,106
Non-agency	13,205		(4,374)	8,831
Commercial mortgage-backed (non-agency)	4,305		(859)	3,446
Asset-backed	2,069	4	(446)	1,627
State and municipal	1,326	13	(76)	1,263
Other debt	563	11	(15)	559
Total debt securities	44,950	400	(5,779)	39,571
Corporate stocks and other	575		(4)	571
Total securities available for sale	$45,525	$400	$(5,783)	$40,142
SECURITIES HELD TO MATURITY				
Debt securities				
Commercial mortgage-backed (non-agency)	$ 1,945	$ 10	$ (59)	$ 1,896
Asset-backed	1,376	7	(25)	1,358
Other debt	10			10
Total securities held to maturity	$ 3,331	$ 17	$ (84)	$ 3,264
December 31, 2007				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
US Treasury and government agencies	$ 151	$ 4		$ 155
Residential mortgage-backed				
Agency	9,218	112	$ (16)	9,314
Non-agency	11,929	6	(297)	11,638
Commercial mortgage-backed (non-agency)	5,227	53	(16)	5,264
Asset-backed	2,878	4	(112)	2,770
State and municipal	340	1	(5)	336
Other debt	85		(1)	84
Total debt securities	29,828	180	(447)	29,561
Corporate stocks and other	662	2		664
Total securities available for sale	$30,490	$182	$ (447)	$30,225

(a) The amortized cost for debt securities for which an OTTI was recorded prior to January 1, 2009 was adjusted for the pretax cumulative effect adjustment recorded under new GAAP that we adopted as of that date.

The fair value of investment securities is impacted by interest rates, credit spreads, market volatility and liquidity conditions. 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, unless credit-related.

The following table presents gross unrealized loss and fair value of debt securities available for sale at December 31, 2009 and December 31, 2008. The securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and twelve months or more based on the point in time the fair value declined below the amortized cost basis. The table includes debt securities where a portion of OTTI has been recognized in accumulated other comprehensive loss. The gross unrealized loss on debt securities held to maturity was $13 million at December 31, 2009 with the majority of positions in a continuous loss position for less than 12 months.

	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
In millions	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
December 31, 2009						
Securities available for sale						
Debt securities						
US Treasury and government agencies	**$ (48)**	**$ 4,015**			**$ (48)**	**$ 4,015**
Residential mortgage-backed						
Agency	**(76)**	**6,960**	**$ (1)**	**$ 56**	**(77)**	**7,016**
Non-agency	**(7)**	**79**	**(2,346)**	**7,223**	**(2,353)**	**7,302**
Commercial mortgage-backed						
Agency	**(12)**	**779**			**(12)**	**779**
Non-agency	**(3)**	**380**	**(219)**	**1,353**	**(222)**	**1,733**
Asset-backed	**(1)**	**142**	**(380)**	**1,153**	**(381)**	**1,295**
State and municipal	**(1)**	**49**	**(53)**	**285**	**(54)**	**334**
Other debt	**(3)**	**299**	**(4)**	**18**	**(7)**	**317**
Total	**$ (151)**	**$12,703**	**$ (3,003)**	**$10,088**	**$ (3,154)**	**$22,791**
December 31, 2008						
Securities available for sale						
Debt securities						
Residential mortgage-backed						
Agency	$ (1)	$ 49	$ (8)	$ 188	$ (9)	$ 237
Non-agency	(1,774)	3,570	(2,600)	3,683	(4,374)	7,253
Commercial mortgage-backed (non-agency)	(482)	2,207	(377)	1,184	(859)	3,391
Asset-backed	(102)	523	(344)	887	(446)	1,410
State and municipal	(56)	370	(20)	26	(76)	396
Other debt	(11)	185	(4)	8	(15)	193
Total	$ (2,426)	$ 6,904	$ (3,353)	$ 5,976	$ (5,779)	$12,880

Evaluating Investments for Other-than-Temporary Impairments

For the securities in the above table, we do not intend to sell and have determined it is not more likely than not we will be required to sell the security prior to recovery of the amortized cost basis.

On at least a quarterly basis, we conduct a comprehensive security-level assessment on all securities in an unrealized loss position to determine if OTTI exists. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Under the current OTTI accounting model for debt securities, which was amended by the FASB and adopted by PNC effective January 1, 2009, an OTTI loss must be recognized for a debt security in an unrealized loss position if we intend to sell the security or it is more likely than not we will be required to sell the security prior to recovery of its amortized cost basis. In this situation, the amount of loss recognized in income is equal to the difference between the fair value and the amortized cost basis of the security. Even if we do not expect to sell the security, we must evaluate the expected cash flows to be received to determine if we believe a credit loss has occurred. In the event of a credit loss, only the amount of impairment associated with the credit loss is recognized in income. The portion of the unrealized loss relating to other factors, such as liquidity conditions in the market or changes in market interest rates, is recorded in accumulated other comprehensive loss.

Equity securities are also evaluated to determine whether the unrealized loss is expected to be recoverable based on whether evidence exists to support a realizable value equal to or greater than the amortized cost basis. If it is probable that we will not recover the amortized cost basis, taking into consideration the estimated recovery period and our ability to hold the equity security until recovery, OTTI is recognized in earnings equal to the difference between the fair value and the amortized cost basis of the security.

The security-level assessment is performed on each security, regardless of the classification of the security as available for sale or held to maturity. Our assessment considers the security structure, recent security collateral performance metrics, external credit ratings, failure of the issuer to make scheduled interest or principal payments, our judgment and expectations of future performance, and relevant independent industry research, analysis and forecasts. We also consider the severity of the impairment and the length of time the security has been impaired in our assessment. Results of the periodic assessment are reviewed by a cross-functional senior management team representing Asset & Liability Management, Finance, and Balance Sheet Risk Management. The senior management team considers the results of the assessments, as well as other factors, in determining whether the impairment is other-than-temporary.

For debt securities, a critical component of the evaluation for OTTI is the identification of credit-impaired securities, where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. The paragraphs below describe our process for identifying credit impairment for the security types with the most significant losses.

Non-Agency Residential Mortgage-Backed Securities and Asset-Backed Securities Collateralized by First-Lien and Second-Lien Residential Mortgage Loans

To measure credit losses for these securities, we compile relevant collateral details and performance statistics on a security-by-security basis. The securities are then processed through a series of pre-established filters to identify bonds that have the potential to be credit impaired.

Securities not passing all of the credit filters are subjected to further analysis. Cash flows are projected for the underlying collateral and are applied to the securities according to the deal structure using a third-party default model. Collateral cash flows are estimated using assumptions for prepayment rates, future defaults, and loss severity rates. The assumptions are security specific and are based on collateral characteristics, historical performance, and future expected performance. Based on the results of the cash flow analysis, we determine whether we will recover the amortized cost basis of our security.

The key assumptions used for assessing credit impairment on prime and Alt-A non-agency residential mortgage-backed securities and asset-backed securities collateralized by first and second-lien residential mortgage loans as of December 31, 2009 are detailed in the table below.

December 31, 2009	Range	Weighted-average (a)
Long-term prepayment rate (annual CPR)		
Prime	**7-15%**	**12%**
Alt-A	**7-15**	**9**
Remaining collateral expected to default		
Prime	**0-50%**	**16%**
Alt-A	**3-79**	**42**
Loss severity		
Prime	**15-65%**	**45%**
Alt-A	**25-75**	**58**

(a) Calculated by weighting the relevant assumption for each individual security by the current outstanding cost basis of the security.

Commercial Mortgage-Backed Securities

Credit losses on these securities are measured using property-level cash flow projections and forward-looking property valuations. Cash flows are projected using a detailed analysis of net operating income (NOI) by property type which, in turn, is based on the analysis of NOI performance over the past several business cycles combined with PNC's economic outlook for the current cycle. Loss severities are based on property price projections, which are calculated using capitalization rate projections. The capitalization rate projections are based on a combination of historical capitalization rates and expected capitalization rates implied by current market activity, our outlook and relevant independent industry research, analysis and forecasts.

Securities exhibiting weaker performance within the model are subject to further analysis. This analysis is performed at the loan level, and includes assessing local market conditions, reserves, occupancy, rent rolls and master/special servicer details.

During 2009, the OTTI losses recognized in noninterest income related to estimated credit losses on securities that we do not expect to sell were as follows:

Summary of OTTI Losses Recognized in Earnings - 2009

In millions	
Available for sale securities:	
Non-agency residential mortgage-backed	**$(444)**
Commercial mortgage-backed	**(6)**
Asset-backed	**(111)**
Other debt	**(12)**
Marketable equity securities	**(4)**
Total	**$(577)**

The noncredit portion of these impairments totaled $1.4 billion for 2009 and was included in accumulated other comprehensive loss.

The following table presents a rollforward of the cumulative OTTI credit losses recognized in earnings for all debt securities for which a portion of an OTTI loss was recognized in accumulated other comprehensive loss:

Rollforward of Cumulative OTTI Credit Losses Recognized in Earnings (a)

In millions	Non-agency residential mortgage-backed	Commercial mortgage-backed	Asset-backed	Other debt	Total
December 31, 2008	$ (35)		$ (34)		$ (69)
Loss where impairment was not previously recognized	(223)	$ (6)	(59)	$ (9)	(297)
Additional loss where credit impairment was previously recognized	(221)		(52)	(3)	(276)
December 31, 2009	**$ (479)**	**$ (6)**	**$(145)**	**$(12)**	**$(642)**

(a) Excludes OTTI credit losses related to equity securities totaling $4 million in 2009.

Information relating to gross realized securities gains and losses from the sales of securities is set forth in the following table.

Gains (Losses) on Sales of Securities Available for Sale

Year ended December 31 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Tax Expense
2009	**$18,901**	**$570**	**$ 20**	**$550**	**$ 192**
2008	10,283	114	8	106	37
2007	6,056	20	19	1	

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at December 31, 2009.

Contractual Maturity of Debt Securities

December 31, 2009 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					
US Treasury and government agencies	$ 33	$ 4,025	$ 3,148	$ 342	**$ 7,548**
Residential mortgage-backed					
Agency	90	90	1,341	22,555	**24,076**
Non-agency			53	10,366	**10,419**
Commercial mortgage-backed					
Agency		119	1,099	81	**1,299**
Non-agency		40		3,988	**4,028**
Asset-backed	26	364	315	1,314	**2,019**
State and municipal	46	131	165	1,004	**1,346**
Other debt	10	1,798	150	26	**1,984**
Total debt securities available for sale	$ 205	$ 6,567	$ 6,271	$39,676	**$52,719**
Fair value	$ 207	$ 6,607	$ 6,283	$37,341	**$50,438**
Weighted-average yield, GAAP basis	3.47%	2.82%	3.75%	4.65%	**4.31%**
SECURITIES HELD TO MATURITY					
Commercial mortgage-backed (non-agency)		$ 230	$ 70	$ 1,730	**$ 2,030**
Asset-backed	$ 104	2,508	287	141	**3,040**
Other debt		151		8	**159**
Total debt securities held to maturity	$ 104	$ 2,889	$ 357	$ 1,879	**$ 5,229**
Fair value	$ 101	$ 2,991	$ 377	$ 2,052	**$ 5,521**
Weighted-average yield, GAAP basis	2.18%	4.02%	2.18%	5.45%	**4.30%**

Based on current interest rates and expected prepayment speeds, the total weighted-average expected maturity of agency mortgage-backed securities was 4.0 years, of non-agency mortgage-backed securities was 5.1 years, of commercial mortgage-backed securities was 3.4 years and of asset-backed securities was 2.2 years at December 31, 2009.

Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security. At December 31, 2009, there were no securities of a single issuer, other than FNMA and FHLMC, which exceeded 10% of total shareholders' equity.

The fair value of securities pledged to secure public and trust deposits and repurchase agreements and for other purposes was $23.4 billion at December 31, 2009 and $22.5 billion at December 31, 2008. The pledged securities include positions held in our portfolio of investment securities, trading securities, 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 $2.4 billion at December 31, 2009 and $1.6 billion at December 31, 2008 and is a component of federal funds sold and resale agreements on our Consolidated Balance Sheet. Of the permitted amount, $1.3 billion was repledged to others at December 31, 2009 and $461 million was repledged to others at December 31, 2008.

NOTE 8 FAIR VALUE

Fair Value Measurement
Fair value is defined in GAAP as the price that would be received to sell an asset or the price paid to transfer a liability on the measurement date. The standard focuses on the exit price in the principal or most advantageous market for the asset or liability in an orderly transaction between willing market participants. GAAP establishes a fair value reporting hierarchy to maximize the use of observable inputs when measuring fair value and defines the three levels of inputs as noted below.

Level 1
Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities may include debt securities, equity securities and listed derivative contracts that are traded in an active exchange market and certain US government agency securities that are actively traded in over-the-counter markets.

Level 2
Observable inputs other than Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability. Level 2 assets and liabilities may include debt securities, equity securities and listed derivative contracts with quoted prices that are traded in markets that are not active, and certain debt and equity securities and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable inputs. This category generally includes agency residential and commercial mortgage-backed debt securities, asset-backed securities, corporate debt securities, residential mortgage loans held for sale, and derivative contracts.

Level 3
Unobservable inputs that are supported by minimal or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain available for sale securities, commercial mortgage loans held for sale, private equity investments, trading securities, residential mortgage servicing rights, BlackRock Series C Preferred Stock and financial derivative contracts. The available for sale and trading securities within Level 3 include non-agency residential mortgage-backed securities, auction rate securities, certain private-issuer asset-backed securities and corporate debt securities. Nonrecurring items, primarily certain nonaccrual and other loans held for sale, commercial mortgage servicing rights, equity investments and other assets are also included in this category.

Assets and liabilities measured at fair value on a recurring basis, including instruments for which PNC has elected the fair value option, follow. The assets and liabilities acquired from National City are included as of and for the year ended December 31, 2009 but were excluded as of December 31, 2008, the acquisition date.

Fair Value Measurements - Summary

	December 31, 2009				December 31, 2008 (j)			
In millions	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets								
Securities available for sale	**$7,256**	**$33,609**	**$ 9,933**	**$50,798**	$ 347	$21,633	$4,837	$26,817
Financial derivatives (a)	**27**	**3,839**	**50**	**3,916**	16	5,582	125	5,723
Residential mortgage loans held for sale (b)		**1,012**		**1,012**				
Trading securities (c)	**1,736**	**299**	**89**	**2,124**	89	529	73	691
Residential mortgage servicing rights (d)			**1,332**	**1,332**			6	6
Commercial mortgage loans held for sale (b)			**1,050**	**1,050**			1,400	1,400
Equity investments			**1,188**	**1,188**			571	571
Customer resale agreements (e)		**990**		**990**		1,072		1,072
Loans (f)		**107**		**107**				
Other assets (g)		**207**	**509**	**716**		144		144
Total assets	**$9,019**	**$40,063**	**$14,151**	**$63,233**	$ 452	$28,960	$7,012	$36,424
Liabilities								
Financial derivatives (h)	**$ 2**	**$ 3,331**	**$ 295**	**$ 3,628**	$ 2	$ 4,387	$ 22	$ 4,411
Trading securities sold short (i)	**1,302**	**42**		**1,344**	182	207		389
Other liabilities		**6**		**6**		9		9
Total liabilities	**$1,304**	**$ 3,379**	**$ 295**	**$ 4,978**	$ 184	$ 4,603	$ 22	$ 4,809

(a) Included in other assets on the Consolidated Balance Sheet.
(b) Included in loans held for sale on the Consolidated Balance Sheet. PNC has elected the fair value option for certain commercial and residential mortgage loans held for sale.
(c) Included in trading securities on the Consolidated Balance Sheet. Fair value includes net unrealized gains of $9 million at December 31, 2009 compared with net unrealized losses of $28 million at December 31, 2008.
(d) Included in other intangible assets on the Consolidated Balance Sheet.
(e) Included in Federal funds sold and resale agreements on the Consolidated Balance Sheet. PNC has elected the fair value option for this item.
(f) Included in loans on the Consolidated Balance Sheet. PNC has elected the fair value option for residential mortgage loans originated for sale. Certain of these loans have been subsequently reclassified into portfolio loans.
(g) Includes BlackRock Series C Preferred Stock.
(h) Included in other liabilities on the Consolidated Balance Sheet.
(i) Included in other borrowed funds on the Consolidated Balance Sheet.
(j) Excludes assets and liabilities associated with the acquisition of National City.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for 2009 and 2008 follow.

Years Ended December 31, 2009 and 2008

Level 3 Instruments Only In millions	Securities available for sale	Financial derivatives	Trading securities	Residential mortgage servicing rights	Commercial mortgage loans held for sale (b)	Equity investments	Other assets	Total assets	Total liabilities (c)
December 31, 2007	$ 285	$ 130		$ 4	$ 2,018	$ 568		$ 3,005	$ 326
Impact of FASB ASC 820 and FASB ASC 825-10 adoption		2			2			4	
January 1, 2008	285	132		4	2,020	568		3,009	326
Total realized/unrealized gains or losses (a):									
Included in earnings (*)		(9)	$ (4)	(2)	(251)	(30)		(296)	(297)
Included in other comprehensive income	(164)							(164)	
Purchases, issuances, and settlements, net	515		18	4	(369)	33		201	(8)
Transfers into Level 3, net	4,201	2	59					4,262	1
December 31, 2008	4,837	125	73	6	1,400	571		7,012	22
National City acquisition	1,063	35	32	1,019	1	610	40	2,800	16
January 1, 2009	**5,900**	**160**	**105**	**1,025**	**1,401**	**1,181**	**40**	**9,812**	**38**
Total realized/unrealized gains or losses (a):									
Included in earnings (*)	**(563)**	**116**	**(2)**	**384**	**(68)**	**(44)**	**268**	**91**	**278**
Included in other comprehensive income	**1,215**						**(12)**	**1,203**	
Purchases, issuances, and settlements, net	**(1,050)**	**(206)**	**(12)**	**(77)**	**(283)**	**51**	**213**	**(1,364)**	**(21)**
Transfers into Level 3, net	**4,431**	**(20)**	**(2)**					**4,409**	
December 31, 2009	**$ 9,933**	**$ 50**	**$ 89**	**$ 1,332**	**$ 1,050**	**$ 1,188**	**$509**	**$14,151**	**$ 295**
(*) Attributable to unrealized gains or losses related to assets or liabilities held at:									
December 31, 2008		$ 16	$ 1		$ (213)	$ (50)		$ (246)	$ (37)
December 31, 2009	$ (563)	11		$ 351	(61)	(52)	$268	(46)	276

(a) Losses for assets are bracketed while losses for liabilities are not.
(b) Fair value option elected for this item.
(c) Financial derivatives.

Net losses (realized and unrealized) relating to Level 3 assets and liabilities were $187 million for 2009 compared with net gains of $1 million for 2008. These amounts included net unrealized losses of $322 million and $209 million for 2009 and 2008, respectively. These amounts were included in noninterest income on the Consolidated Income Statement.

During 2009, securities transferred into Level 3 from Level 2 exceeded securities transferred out by $4.4 billion. These primarily related to non-agency residential mortgage-backed securities where management determined that the volume and level of market activity for these assets had significantly decreased. There have been no recent new "private label" issues in the residential mortgage-backed securities market. The lack of relevant market activity for these securities resulted in management incorporating the use of a discounted cash flow technique that includes assumptions management believes willing market participants would use to value the security under current market conditions. The assumptions used include prepayment projections, credit loss assumptions, and discount rates, which include a risk premium due to liquidity and uncertainty, that are based on both observable and unobservable inputs. We used the discounted cash flow analysis, in conjunction with other relevant pricing information obtained from either pricing services or broker quotes, to establish the fair value that management believes is most representative under current market conditions. During 2008, securities transferred into Level 3 from Level 2 exceeded securities transferred out by $4.3 billion. These primarily related to private issuer asset-backed securities, auction rate securities, residential mortgage-backed securities and corporate bonds and occurred due to reduced volume of recently executed transactions and the lack of corroborating market price quotations for these instruments. Other Level 3 assets include commercial mortgage loans held for sale, certain equity securities, auction rate securities, corporate debt securities, trading securities, certain private-issuer asset-backed securities, private equity investments, residential mortgage servicing rights and other assets.

Details of available for sale, trading securities and equity investments measured at fair value on a recurring basis follow.

Fair Value Measurements – Available for sale, trading securities and equity investments

	December 31, 2009			
In millions	Level 1	Level 2	Level 3	Total Fair Value
Available for sale securities				
US Treasury and government agencies	**$7,026**	**$ 494**		**$ 7,520**
Residential mortgage-backed				
Agency		**24,433**	**$ 5**	**24,438**
Non-agency			**8,302**	**8,302**
Commercial mortgage-backed				
Agency		**1,297**		**1,297**
Non-agency		**3,842**	**6**	**3,848**
Asset-backed		**414**	**1,254**	**1,668**
State and municipal		**1,084**	**266**	**1,350**
Other debt		**1,962**	**53**	**2,015**
Total debt securities	**7,026**	**33,526**	**9,886**	**50,438**
Corporate stocks and other	**230**	**83**	**47**	**360**
Total securities available for sale	**$7,256**	**$33,609**	**$9,933**	**$50,798**
Trading securities				
Debt	**$1,690**	**$ 299**	**$ 89**	**$ 2,078**
Equity	**46**			**46**
Total trading securities	**$1,736**	**$ 299**	**$ 89**	**$ 2,124**
Equity investments				
Direct investments			**$ 595**	**$ 595**
Indirect investments (a)			**593**	**593**
Total equity investments			**$1,188**	**$ 1,188**
Trading securities sold short				
Debt	**$1,288**	**$ 42**		**$ 1,330**
Equity	**14**			**14**
Total trading securities sold short	**$1,302**	**$ 42**		**$ 1,344**

(a) The indirect equity funds are not redeemable, but PNC receives distributions over the life of the partnership from liquidation of the underlying investments by the investee.

A detailed reconciliation of available for sale, trading securities and equity investments measured at fair value on a recurring basis using Level 3 inputs for the year ended December 31, 2009 follows.

Level 3 Instruments Only In millions	Residential mortgage-backed agency	Residential mortgage-backed non-agency	Commercial mortgage-backed non-agency	Asset-backed	State and municipal	Other debt	Corporate stocks and other	Total available for sale securities
December 31, 2008		**$ 3,304**	**$ 337**	**$ 833**	**$ 271**	**$ 34**	**$ 58**	**$ 4,837**
National City acquisition	**$ 7**	**899**		**59**	**50**	**48**		**1,063**
January 1, 2009	**7**	**4,203**	**337**	**892**	**321**	**82**	**58**	**5,900**
Total realized/unrealized gains or losses:								
Included in earnings (**)		**(444)**	**(6)**	**(104)**		**(9)**		**(563)**
Included in other comprehensive income	**(2)**	**616**	**627**	**(22)**	**(2)**	**4**	**(6)**	**1,215**
Purchases, issuances, and settlements, net		**(713)**	**(253)**	**(37)**	**(23)**	**(19)**	**(5)**	**(1,050)**
Transfers into Level 3, net		**4,640**	**(699)**	**525**	**(30)**	**(5)**		**4,431**
December 31, 2009	**$ 5**	**$ 8,302**	**$ 6**	**$1,254**	**$ 266**	**$ 53**	**$ 47**	**$ 9,933**
(**) Amounts attributable to unrealized gains or losses related to available for sale securities held at December 31, 2009:		**$ (444)**	**$ (6)**	**$ (104)**		**$ (9)**		**$ (563)**

Level 3 Instruments Only In millions	Trading securities debt	Trading securities equity	Equity investments - direct	Equity investments - indirect
December 31, 2008	**$ 56**	**$ 17**	**$ 322**	**$ 249**
National City acquisition	**26**	**6**	**287**	**323**
January 1, 2009	**82**	**23**	**609**	**572**
Total realized/unrealized gains or losses:				
Included in earnings (**)	**(3)**	**1**	**(24)**	**(20)**
Purchases, issuances, and settlements, net	**8**	**(20)**	**10**	**41**
Transfers into Level 3, net	**2**	**(4)**		
December 31, 2009	**$ 89**	**$ —**	**$ 595**	**$ 593**
(**) Amounts attributable to unrealized gains or losses related to trading securities and equity investments held at December 31, 2009:			**$ (33)**	**$ (19)**

Interest income earned from trading securities totaled $61 million for 2009, $116 million for 2008 and $116 million for 2007. These amounts are included in other interest income on the Consolidated Income Statement.

<u>Nonrecurring Fair Value Changes</u>
We may be required to measure certain other financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower-of-cost-or-fair value accounting or write-downs of individual assets due to impairment. The amounts below for nonaccrual loans and loans held for sale represent the carrying value of loans for which adjustments are primarily based on the appraised value of collateral or based on an observable market price, which often results in significant management assumptions and input with respect to the determination of fair value. The fair value determination of the equity investment resulting in an impairment loss included below was based on observable market data for other comparable entities as adjusted for internal assumptions and unobservable inputs. The amounts below for commercial servicing rights reflect a recovery of a certain strata during 2009 while no strata were impaired at December 31, 2009 and two strata were impaired at December 31, 2008. The fair value of commercial mortgage servicing rights is estimated by using an internal valuation model. The model calculates the present value of estimated future net servicing cash flows considering estimates of servicing revenue and costs, discount rates and prepayment speeds. Annually, this model is subject to an internal review process to validate controls and model results.

Fair Value Measurements – Nonrecurring (a)

In millions	Fair Value December 31 2009	Fair Value December 31 2008	Gains (Losses) Year ended December 31 2009	Gains (Losses) Year ended December 31 2008
Assets				
Nonaccrual loans	**$ 939**	$ 250	**$ (365)**	$ (99)
Loans held for sale	**168**	101	**4**	(2)
Equity investments (b)	**154**	75	**(64)**	(73)
Commercial mortgage servicing rights (c)		560		(35)
Other intangible assets	**1**			
Other assets (d)	**138**		**(50)**	
Total assets	**$ 1,400**	$ 986	**$ (475)**	$ (209)

(a) All Level 3 except $5 million in loans held for sale which are Level 2 at December 31, 2009.
(b) Includes LIHTC and other equity investments.
(c) No strata at fair value at December 31, 2009 and two strata at December 31, 2008. During 2009, we recorded a $35 million recovery of previous impairment on commercial mortgage servicing rights. Refer to Note 9 Goodwill and Other Intangible Assets for additional information.
(d) Principally other real estate owned.

Fair Value Option

Commercial Mortgage Loans Held for Sale

We account for certain commercial mortgage loans classified as held for sale at fair value. The election of the fair value option aligns the accounting for the commercial mortgages with the related hedges. At origination, these loans were intended for securitization. Due to inactivity in the CMBS securitization market in 2009 and 2008, we determined the fair value of commercial mortgage loans held for sale by using a whole loan methodology. Fair value was determined using assumptions that management believed a market participant would use in pricing the loans. When available, valuation assumptions included observable inputs based on whole loan sales. Adjustments were made to these assumptions when uncertainties exist, including market conditions and liquidity. Credit risk is included as part of our valuation process for these loans by considering expected rates of return for market participants for similar loans in the marketplace. Based on the significance of unobservable inputs, we classify this portfolio as Level 3.

At December 31, 2009, commercial mortgage loans held for sale for which we elected the fair value option had an aggregate fair value of $1.1 billion and an aggregate outstanding principal balance of $1.3 billion. The comparable amounts at December 31, 2008 were $1.4 billion and $1.6 billion, respectively.

Interest income on these loans is recorded as earned and reported on the Consolidated Income Statement in other interest income. Net losses resulting from changes in fair value of these loans of $68 million in 2009 and $251 million for 2008 were recorded in other noninterest income. The impact on earnings of offsetting economic hedges is not reflected in these amounts. Changes in fair value due to instrument-specific credit risk for 2009 and 2008 were not material. The changes in fair value of these loans were partially offset by changes in the fair value of the related financial derivatives that economically hedged these loans.

Residential Mortgage Loans Held for Sale

We have elected to account for certain residential mortgage loans originated for sale at fair value on a recurring basis. As of December 31, 2009, all residential mortgage loans held for sale were at fair value. Residential mortgage loans are valued based on quoted market prices, where available, prices for other traded mortgage loans with similar characteristics, and purchase commitments and bid information received from market participants. These loans are regularly traded in active markets and observable pricing information is available from market participants. The prices are adjusted as necessary to include the embedded servicing value in the loans and to take into consideration the specific characteristics of certain loans that are priced based on the pricing of similar loans. These adjustments represent unobservable inputs to the valuation but are not considered significant to the fair value of the loans. Accordingly, residential mortgage loans held for sale are classified as Level 2.

At December 31, 2009, residential mortgage loans held for sale for which we elected the fair value option had an aggregate fair value and outstanding principal balance of $1.0 billion. Throughout 2009, certain residential mortgage loans for which we elected the fair value option were subsequently reclassified to portfolio loans. Changes in fair value due to instrument-specific credit risk for 2009 was not material. At December 31, 2009, residential mortgage loans held in portfolio had a total fair value of $88 million and a total outstanding principal balance of $104 million.

Customer Resale Agreements and Bank Notes

We have elected to account for structured resale agreements and structured bank notes, which are economically hedged using free-standing financial derivatives at fair value.

The fair value for structured resale agreements and structured bank notes is determined using a model which includes observable market data as inputs such as interest rates. Readily observable market inputs to this model can be validated to external sources, including yield curves, implied volatility or other market related data. Changes in fair value due to instrument-specific credit risk for 2009 and 2008 were not material.

At December 31, 2009, structured resale agreements with an aggregate fair value of $1.0 billion were included in federal funds sold and resale agreements on our Consolidated Balance Sheet. The aggregate outstanding principal balance at December 31, 2009 was $925 million. The comparable amounts at December 31, 2008 were $1.1 billion and $980 million, respectively. Interest income on structured resale agreements is reported on the Consolidated Income Statement in other interest income.

BlackRock Series C Preferred Stock

Effective February 27, 2009, we elected to account for the 2.9 million shares of the BlackRock Series C Preferred Stock received in a stock exchange with BlackRock at fair value. The Series C Preferred Stock will serve as an economic hedge of the BlackRock LTIP liability that is accounted for as a derivative.

The fair value of the Series C Preferred Stock is determined using a third-party modeling approach, which includes both observable and unobservable inputs. This approach considers expectations of a default/liquidation event and the use of liquidity discounts based on our inability to sell the security at a fair, open market price in a timely manner. Although dividends are equal to those paid on BlackRock common shares and other preferred series, significant transfer restrictions exist on our Series C shares for any purpose other than to satisfy the LTIP obligation. The BlackRock Series C Preferred Stock is classified as Level 3. The aggregate fair value at December 31, 2009 was $486 million.

The changes in fair value included in noninterest income for items for which we elected the fair value option follow.

Fair Value Option – Changes in Fair Value (a)

	Gains (Losses)	
Year Ended December 31 - in millions	**2009**	2008
Assets		
Customer resale agreements	**$ (26)**	$ 69
Commercial mortgage loans held for sale	**(68)**	(251)
Residential mortgage loans held for sale	**405**	
Residential mortgage loans—portfolio	**1**	
BlackRock Series C Preferred Stock	**275**	

(a) The impact on earnings of offsetting hedged items or hedging instruments is not reflected in these amounts.

Fair values and aggregate unpaid principal balances of items for which we elected the fair value option for December 31, 2009 and December 31, 2008 follow.

Fair Value Option – Fair Value and Principal Balances

In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference
December 31, 2009			
Customer resale agreements	**$ 990**	**$ 925**	**$ 65**
Residential mortgage loans held for sale			
Performing loans	**971**	**977**	**(6)**
Loans 90 days or more past due	**40**	**50**	**(10)**
Nonaccrual loans	**1**	**9**	**(8)**
Total	**1,012**	**1,036**	**(24)**
Commercial mortgage loans held for sale (a)			
Performing loans	**1,023**	**1,235**	**(212)**
Nonaccrual loans	**27**	**41**	**(14)**
Total	**1,050**	**1,276**	**(226)**
Residential mortgage loans – portfolio			
Performing loans	**25**	**27**	**(2)**
Loans 90 days or more past due	**51**	**54**	**(3)**
Nonaccrual loans	**12**	**23**	**(11)**
Total	**$ 88**	**$ 104**	**$ (16)**
December 31, 2008 (b)			
Customer resale agreements	$ 1,072	$ 980	$ 92
Commercial mortgage loans held for sale			
Performing loans	1,376	1,572	(196)
Nonaccrual loans	24	27	(3)
Total	$ 1,400	$ 1,599	$ (199)

(a) There were no loans 90 days or more past due within this category at December 31, 2009.
(b) Excludes assets and liabilities associated with the acquisition of National City.

ADDITIONAL FAIR VALUE INFORMATION RELATED TO FINANCIAL INSTRUMENTS

	December 31, 2009 (a)		December 31, 2008 (a)	
In millions	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Assets				
Cash and short-term assets	**$ 12,248**	**$ 12,248**	$ 23,171	$23,171
Trading securities	**2,124**	**2,124**	1,725	1,725
Investment securities	**56,027**	**56,319**	43,473	43,406
Loans held for sale	**2,539**	**2,597**	4,366	4,366
Net loans (excludes leases)	**146,270**	**145,014**	165,112	162,159
Other assets	**4,883**	**4,883**	4,282	4,282
Mortgage and other loan servicing rights	**2,253**	**2,352**	1,890	1,899
Financial derivatives				
Accounting hedges	**739**	**739**	1,416	1,416
Free-standing derivatives	**3,177**	**3,177**	7,088	7,088
Liabilities				
Demand, savings and money market deposits	**132,645**	**132,645**	116,946	116,946
Time deposits	**54,277**	**54,534**	75,919	76,205
Borrowed funds	**39,621**	**39,977**	52,872	53,063
Financial derivatives				
Accounting hedges	**95**	**95**	1	1
Free-standing derivatives	**3,533**	**3,533**	6,057	6,057
Unfunded loan commitments and letters of credit	**290**	**290**	338	338

(a) Amounts for both years include National City.

The aggregate fair values in the table above do not represent the underlying market value of PNC 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.

For net loans (excluding leases), the change in fair value as a percentage of book value at December 31, 2009 compared with 2008 was primarily driven by an incremental allowance that was recorded in 2009 which reduced carrying amounts, as well as a decrease in swap rates that are utilized in discounting cash flows which increased fair values.

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 on our 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 on 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,
- cash collateral (excluding cash collateral netted against derivative fair values),
- customers' acceptance liability, and
- accrued interest receivable.

SECURITIES

Securities include both the investment securities and trading portfolios. We use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. Approximately 60% of our positions are valued using prices obtained from pricing services provided by the Barclay's Capital Index, formerly known as the Lehman Index, and Interactive Data Corp. (IDC). For approximately 15% or more of our positions, we use prices obtained from the pricing services as the primary input into the valuation process. Barclay's Capital Index prices are set with reference to market activity for highly liquid assets such as agency mortgage-backed securities, and matrix pricing for other assets, such as CMBS and asset-backed securities. IDC primarily uses pricing models considering adjustments for ratings, spreads, matrix pricing and prepayments for the instruments we value using this service, such as non-agency residential mortgage-backed securities, agency adjustable rate mortgage securities, agency CMOs and municipal bonds. Dealer quotes received are typically non-binding and corroborated with other dealers' quotes, by reviewing valuations of comparable instruments, or by comparison to internal valuations.

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, net credit losses and servicing fees. For revolving home equity loans and commercial credit lines, this fair value does not include any amount for new loans or the related fees that will be generated from the existing customer relationships. Nonaccrual loans are valued at their estimated recovery value. Also refer to the Fair Value Option section of this Note 8 regarding the fair value of commercial and residential mortgage loans held for sale. Loans are presented net of the allowance for loan and lease losses and do not include future accretable discounts related to purchased loans.

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. The valuation procedures applied to direct investments include techniques such as multiples of adjusted earnings of the entity, independent appraisals, anticipated financing and sales transactions with third parties, or the pricing used to value the entity in a recent financing transaction. In September 2009, the FASB issued ASU 2009-12 – Fair Value Measurements and Disclosures (Topic 820) – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Based on the guidance, we value indirect investments in private equity funds based on net asset value as provided in the financial statements that we receive from their managers. Due to the time lag in our receipt of the financial information and based on a review of investments and valuation techniques applied, adjustments to the manager-provided value are made when available recent investment portfolio company or market information indicates a significant change in value from that provided by the general partner.

Fair value of the noncertificated interest-only strips is estimated based on the discounted value of expected net cash flows. The aggregate carrying value of our equity investments carried at cost and FHLB and FRB stock was $3.0 billion at December 31, 2009 and $3.1 billion as of December 31, 2008, 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 estimated future cash flows, incorporating assumptions as to prepayment speeds, discount rates, escrow balances, interest rates, cost to service and other factors. We have controls in place intended to ensure that our fair values are appropriate. An independent model review group reviews our valuation models and validates them for their intended use.

For commercial mortgage loan servicing assets, key valuation assumptions at December 31, 2009 and December 31, 2008 included prepayment rates ranging from 6% – 19% and 4% – 16%, respectively, and discount rates ranging from 7% – 10% for both periods, which resulted in an estimated fair value of $1.0 billion and $873 million, respectively.

For residential mortgage servicing assets, key assumptions at December 31, 2009 were a weighted average constant prepayment rate of 19.92%, weighted average life of 4.5 years and a discount rate, calculated as the spread over forward interest rate swap rates, of 12.16%, resulting in a fair value of $1.3 billion. The comparable amounts for December 31, 2008 were a weighted average constant prepayment rate of 33.04%, weighted average life of 2.3 years and a discount rate of 6.37%, resulting in a fair value of $1.0 billion.

CUSTOMER RESALE AGREEMENTS

Refer to the Fair Value Option section of this Note 8 regarding the fair value of customer resale agreements and bank notes.

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, repurchase agreements, proprietary trading short positions, cash collateral (excluding cash collateral netted against derivative fair values), other short-term borrowings, 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 primarily based on dealer quotes.

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. Amounts for financial derivatives are presented on a gross basis.

NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill by business segment during 2008 and 2009 follow:

Changes in Goodwill by Business Segment (a)

In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Black-Rock	Residential Mortgage Banking	Other (b)	Total
January 1, 2008	$ 4,702	$ 2,403	$ 14	$ 57		$ 1,229	$ 8,405
Sterling acquisition	517	76					593
Hilliard Lyons divestiture	(140)						(140)
Harris Williams contingent consideration		44					44
Other acquisitions	(23)	(2)				4	(21)
BlackRock				(13)			(13)
December 31, 2008	5,056	2,521	14	44		1,233	8,868
National City acquisition	315	235	54		$ 43		647
Other acquisitions	(2)					10	8
BlackRock				(18)			(18)
December 31, 2009	**$5,369**	**$2,756**	**$68**	**$26**	**$43**	**$1,243**	**$9,505**

(a) The Distressed Assets Portfolio business segment does not have any goodwill allocated to it.
(b) Represents goodwill related to GIS.

Changes in goodwill and other intangible assets during 2009 follow:

Summary of Changes in Goodwill and Other Intangible Assets

In millions	Goodwill	Customer-Related	Servicing Rights
January 1, 2009	$ 8,868	$ 930	$ 1,890
Additions/adjustments:			
National City acquisition	647	451	18
Other acquisitions	8		
Mortgage and other loan servicing rights			503
BlackRock	(18)		
Reversal of prior impairment charge, net			29
Sale of servicing rights			(74)
Amortization		(236)	(107)
December 31, 2009	**$ 9,505**	**$ 1,145**	**$ 2,259**

We conduct a goodwill impairment test on our reporting units at least annually or more frequently if any adverse triggering events occur. Based on the results of our analysis, there were no impairment charges related to goodwill recognized in 2009, 2008 or 2007. The fair value of our reporting units is determined by using discounted cash flow and market comparability methodologies.

Assets and liabilities of acquired entities are recorded at estimated fair value as of the acquisition date and are subject to refinement as information relative to the fair values at the date of acquisition becomes available.

The purchase price allocation for the National City acquisition was completed as of December 31, 2009 with goodwill of $647 million recognized.

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 adjust goodwill when BlackRock repurchases its shares at an amount greater (or less) than book value per share which results in an increase (or decrease) in our percentage ownership interest.

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	2009	2008
Customer-related and other intangibles		
Gross carrying amount	**$1,742**	$1,291
Accumulated amortization	**(597)**	(361)
Net carrying amount	**$1,145**	$ 930
Mortgage and other loan servicing rights		
Gross carrying amount	**$2,729**	$2,286
Valuation allowance		(35)
Accumulated amortization	**(470)**	(361)
Net carrying amount	**$2,259**	$1,890
Total	**$3,404**	$2,820

During 2009, adjustments were made to the estimated fair values of assets acquired and liabilities assumed as part of the National City acquisition. This resulted in the recognition of $451 million of core deposit and other relationship intangibles at December 31, 2009.

While certain of our other intangible assets have finite lives and are amortized primarily on a straight-line basis, certain core deposit intangibles are amortized 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 10 years.

Amortization expense on intangible assets, net of impairment reversal (charge), for 2009, 2008, and 2007 was $296 million, $210 million and $159 million, respectively. Amortization expense related to the discontinued operations of GIS was $17 million in 2009, $18 million in 2008, and $14 million in 2007. Amortization expense on existing intangible assets for 2010 through 2014 is estimated to be as follows:

- 2010: $292 million,
- 2011: $245 million,
- 2012: $251 million,
- 2013: $231 million, and
- 2014: $208 million.

Changes in commercial mortgage servicing rights follow:

Commercial Mortgage Servicing Rights

In millions	2009	2008
January 1	**$ 864**	$694
Additions	**121**	303
Acquisition adjustment	**1**	(3)
Impairment reversal (charge)	**35**	(35)
Amortization expense	**(100)**	(95)
Net carrying amount at December 31	**$ 921**	$864

We recognize as an other intangible asset the right to service mortgage loans for others. Commercial mortgage servicing rights are purchased in the open market and originated when loans are sold with servicing retained. Commercial mortgage servicing rights are initially recorded at fair value. These rights are subsequently measured using the amortization method. Accordingly, the commercial mortgage servicing rights are substantially amortized in proportion to and over the period of estimated net servicing income over a period of 5 to 10 years.

Commercial mortgage servicing rights are periodically evaluated for impairment. For purposes of impairment, the commercial mortgage servicing rights are stratified based on asset type, which characterizes the predominant risk of the underlying financial asset. If the carrying amount of any individual stratum exceeds its fair value, a valuation reserve is established with a corresponding charge to Corporate services on our Consolidated Income Statement.

The fair value of commercial mortgage servicing rights is estimated by using an internal valuation model. The model calculates the present value of estimated future net servicing cash flows considering estimates on servicing revenue and costs, discount rates and prepayment speeds.

Changes in residential mortgage servicing rights follow:

Residential Mortgage Servicing Rights

In millions	2009	2008
January 1	**$ 1,008**	$ 4
Additions:		
From loans sold with servicing retained	**261**	
Acquisitions		1,006
Sales	**(74)**	
Changes in fair value due to:		
Time and payoffs (a)	**(264)**	
Purchase accounting adjustments	**17**	
Other (b)	**384**	(2)
December 31	**$ 1,332**	$ 1,008
Unpaid principal balance of loans serviced for others at December 31	**$146,050**	$173,658

(a) Represents decrease in mortgage servicing rights value due to passage of time, including the impact from both regularly scheduled loan principal payments and loans that paid down or paid off during the period.
(b) Represents mortgage servicing rights value changes resulting primarily from market-driven changes in interest rates.

We recognize mortgage servicing right assets on residential real estate loans when we retain the obligation to service these loans upon sale and the servicing fee is more than adequate compensation. Mortgage servicing rights are subject to declines in value principally from actual or expected prepayment of the underlying loans and defaults. We manage this risk by economically hedging the fair value of mortgage servicing rights with securities and derivative instruments which are expected to increase in value when the value of mortgage servicing rights declines.

The fair value of residential mortgage servicing rights is estimated by using third party software with internal valuation assumptions. The software calculates the present value of estimated future net servicing cash flows considering estimates on servicing revenue and costs, discount rates, prepayment speeds and future mortgage rates.

Revenue from mortgage and other loan servicing generated contractually specified servicing fees, late fees, and ancillary fees totaling $682 million for 2009, $148 million for 2008 and $145 million for 2007. We also generate servicing revenue from fee-based activities provided to others. Revenue from commercial mortgage servicing rights, residential mortgage servicing rights and other loan servicing are reported on our Consolidated Income Statement in the line items Corporate services, Residential mortgage, and Consumer services, respectively.

NOTE 10 LOAN SALES AND SECURITIZATIONS

Loan Sales
We sell residential and commercial mortgage loans in loan securitization transactions sponsored by Government National Mortgage Association (GNMA), FNMA, and FHLMC and in certain instances to other third-party investors. GNMA, FNMA, and the FHLMC securitize our transferred loans into mortgage-backed securities for sale into the secondary market. Generally, we do not retain any interest in the transferred loans other than mortgage servicing rights. Refer to Note 9 Goodwill and Other Intangible Assets for further discussion on our residential and commercial mortgage servicing rights assets.

During 2009, residential and commercial mortgage loans sold totaled $19.8 billion and $5.7 billion, respectively. During 2008, commercial mortgage loans sold totaled $3.1 billion. There were no residential mortgage loans sales in 2008 as these activities were obtained through our acquisition of National City.

Our continuing involvement in these loan sales consists primarily of servicing and limited repurchase obligations for loan and servicer breaches in representations and warranties. Generally, we hold a cleanup call repurchase option for loans sold with servicing retained to the other third-party investors. In certain circumstances as servicer, we advance principal and interest payments to the GSEs and other third-party investors and also may make collateral protection advances. Our risk of loss in these servicing advances has historically been minimal.

We maintain a liability for estimated losses on loans expected to be repurchased as a result of breaches in loan and servicer representations and warranties. We have also entered into recourse arrangements associated with commercial mortgage loans sold to FNMA and FHLMC. Refer to Note 25 Commitments and Guarantees for further discussion on our repurchase liability and recourse arrangements. Our maximum exposure to loss in our loan sale activities is limited to these repurchase and recourse obligations.

In addition, for certain loans transferred in the GNMA and FNMA transactions, we hold an option to repurchase individual delinquent loans that meet certain criteria. Without prior authorization from these GSEs, this option gives PNC the ability to repurchase the delinquent loan at par. Under GAAP, once we have the unilateral ability to repurchase the delinquent loan, effective control over the loan has been regained and we are required to recognize the loan and a corresponding repurchase liability on the balance sheet regardless of our intent to repurchase the loan. At December 31, 2009 and December 31, 2008, the balance of our repurchase option asset and liability totaled $577 million and $476 million, respectively.

Securitizations
In securitizations, loans are typically transferred to a qualifying special purpose entity (QSPE) that is demonstrably distinct from the transferor to transfer the risk from our Consolidated Balance Sheet. A QSPE is a bankruptcy-remote trust allowed to perform only certain passive activities. In addition, these entities are self-liquidating and in certain instances are structured as Real Estate Mortgage Investment Conduits (REMICs) for tax purposes. The QSPEs are generally financed by issuing certificates for various levels of senior and subordinated tranches. QSPEs are exempt from consolidation provided certain conditions are met.

Our securitization activities were primarily obtained through our acquisition of National City. Credit card receivables, automobile, and residential mortgage loans were securitized through QSPEs sponsored by NCB. These QSPEs were financed primarily through the issuance and sale of beneficial interests to independent third parties and were not consolidated on our balance sheet at December 31, 2009 or December 31, 2008. However, see Note 1 Accounting Policies regarding accounting guidance that impacts the accounting for these QSPEs effective January 1, 2010.

Qualitative and quantitative information about the securitization QSPEs and our retained interests in these transactions follow.

The following summarizes the assets and liabilities of the securitization QSPEs associated with securitization transactions that were outstanding at December 31, 2009.

	December 31, 2009		December 31, 2008	
In millions	Credit Card	Mortgage	Credit Card	Mortgage
Assets (a)	**$ 2,368**	**$ 232**	$ 2,129	$ 319
Liabilities	**1,622**	**232**	1,824	319

(a) Represents period-end outstanding principal balances of loans transferred to the securitization QSPEs.

__Credit Card Loans__
At December 31, 2009, the credit card securitization series 2005-1, 2006-1, 2007-1, and 2008-3 were outstanding. During the fourth quarter of 2009, the 2008-1 and 2008-2 credit card securitization series matured. Our continuing involvement in the securitized credit card receivables consists primarily of servicing and our holding of certain retained interests. Servicing fees earned approximate current market rates for servicing fees; therefore, no servicing asset or liability is recognized. We hold a clean-up call repurchase option to the extent a securitization series extends past its scheduled note principal payoff date. To the extent this occurs, the clean-up call option is triggered when the principal balance of the asset-backed notes of any series reaches 5% of the initial principal balance of the asset-backed notes issued at the securitization date.

Retained interests in the credit card securitizations consist of an interest-only strip, securities issued by the credit card securitization QSPE, and sellers' interest. The interest-only strips are recognized in other assets on the Consolidated Balance Sheet and totaled approximately $11 million at December 31, 2009 and $20 million at December 31, 2008. The asset-backed securities are recognized in investment securities on the Consolidated Balance Sheet and totaled approximately $105 million at December 31, 2009 and $25 million at December 31, 2008. These retained interests represent the maximum exposure to loss associated with our involvement in these securitizations.

Sellers' interest, which is recognized in loans on the Consolidated Balance Sheet, represents our pro-rata undivided interest in the credit card receivables in the QSPE. At December 31, 2009 and December 31, 2008, sellers' interest totaled $746 million and $315 million, respectively. Our sellers' interest ranks equally with the investor's interest in the QSPE. In general, the carrying amount of sellers' interest varies as the amount of assets in the QSPE fluctuates due to customer payments, purchases, cash advances, and credit losses. The carrying amount of sellers' interest is also affected by the reduction of the invested or securitized receivables in the QSPE when a securitization series matures and the previously securitized receivables are not removed from the QSPE or re-securitized in a new transaction. Accordingly, the increase in sellers' interest at December 31, 2009 was primarily attributed to the maturity of the 2008-1 and 2008-2 series coupled with no new credit card securitizations consummated during 2009. We are required to maintain seller's interest at a minimum level of 5% of the initial invested amount in each series to ensure sufficient assets are available for allocation to the investors' interests. Sellers' interest was well above the minimum level at December 31, 2009 and 2008.

In July 2009, NCB as sponsor of the securitization QSPE took certain actions to address recent declines in the securitization structure's excess spread which resulted from the deterioration in performance of the underlying credit card receivables in the QSPE. The actions taken were permitted by the transaction documents and consisted of the issuance of subordinate asset-backed notes by the QSPE and the implementation of a "discount option receivable" mechanism for principal receivable balances added to the QSPE during the revolving period. The subordinated asset-backed notes issued were retained by NCB and resulted from the securitization of credit card receivables with a net carrying value of $78 million. Accordingly, this transaction was not accounted for as a sale and resulted in the recognition of securities classified as held to maturity with an allocated value of $72 million. The fair value and carrying amount of these securities, which have a stated interest rate of zero percent, were $55 million and $64 million, respectively, at December 31, 2009. The discount option receivable mechanism will result in the designation of a percentage of newly transferred receivables to the QSPE as finance charge receivables. Subsequently, finance charge collections will be applied to these newly created discount option receivables which will in effect increase the excess spread in the securitization structure. These actions did not have a significant impact on the Corporation's results of operations.

Automobile Loans

During the fourth quarter of 2009, we exercised our clean-up call option on the outstanding notes of the auto securitization 2005-A series. Accordingly, we recognized approximately $96 million in auto receivables from the securitization QSPE and PNC no longer has any continuing involvement or exposure in this transaction.

Jumbo Mortgages

At December 31, 2009, NCB's jumbo mortgage securitization series 2008-1 was outstanding. Our continuing involvement in the securitized mortgage loans consists primarily of servicing and limited requirements to repurchase transferred loans for breaches of representations and warranties. As servicer, we hold a cleanup call repurchase option when the outstanding principal balances of the transferred loans reach 5% of the initial outstanding principal balance of the mortgage loans securitized.

The following is a summary of managed loans associated with securitization transactions.

In millions	December 31, 2009 Principal Balance	Loans Past Due 30 Days or More	Net Credit Losses for the Year Ended December 31, 2009	December 31, 2008 Principal Balance	Loans Past Due 30 Days or More
Loans managed					
Credit card	$ 4,190	$ 192	$ 345	$4,061	$ 191
Jumbo mortgages	729	174	24	866	78
Total loans managed	$ 4,919	$ 366	$ 369	$4,927	$ 269
Less: Loans securitized					
Credit card	$ 1,622	$ 66	$ 131	$1,824	$ 73
Jumbo mortgages	232	14		319	5
Total loans securitized	$ 1,854	$ 80	$ 131	$2,143	$ 78
Less: Loans held for securitization					
Jumbo mortgages	$ 3	$ 3		$ 9	$ 4
Loans held in portfolio	$ 3,062	$ 283	$ 238	$2,775	$ 187

Certain cash flows received from the securitization trusts follow:

In millions	Year Ended December 31, 2009 Credit Card	Automobile	Mortgage
Proceeds from collections reinvested in the securitization trusts	$3,476.6		
Servicing fees received	35.7	$ 1.4	$ .8
Other cash flows received on interests that continue to be held	157.7	.7	
Purchases of previously transferred receivables		95.6	

The following tables present the weighted-average assumptions used to measure the fair values of certain retained interests associated with securitization transactions outstanding at December 31, 2009. Fair value was determined by discounting the expected future cash flows of these assets. The sensitivity of these fair values to immediate 10% and 20% adverse changes in key assumptions is also shown. These changes are hypothetical. Changes in fair value based on a 10% variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value of the retained interests is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Credit Card Loans

December 31, 2009 Dollars in millions	Fair Value	Weighted-Average Life (in months)	Variable Annual Coupon Rate To Investors	Monthly Principal Repayment Rate	Expected Annual Credit Losses	Annual Discount Rate	Yield
Interest-only strip (a)	$11.0	3.6	.45%	15.70%	7.29%	15.00%	12.10%
Decline in fair value:							
10% adverse change				$ .7	$ 3.2		$ 5.3
20% adverse change			$ .3	$ 1.4	$ 6.5		$ 10.6

(a) Series 2005-1, 2006-1, 2007-1, and 2008-3.

December 31, 2008 Dollars in millions	Fair Value	Weighted-Average Life (in months)	Variable Annual Coupon Rate To Investors	Monthly Principal Repayment Rate	Expected Annual Credit Losses	Annual Discount Rate	Yield
Interest-only strip (a)	$19.6	3.3	1.19%	17.54%	5.18%	15.00%	12.55%
Decline in fair value:							
10% adverse change			$ .1	$ 1.4	$ 2.3		$ 5.4
20% adverse change			$ .3	$ 2.6	$ 4.7		$ 10.8

(a) Series 2005-1, 2006-1, 2007-1, 2008-1, 2008-2, and 2008-3.

NOTE 11 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	2009 (a)	2008
Land	**$ 733**	$ 577
Buildings	**1,692**	1,215
Equipment	**3,423**	2,773
Leasehold improvements	**626**	531
Total	**6,474**	5,096
Accumulated depreciation and amortization	**(2,277)**	(1,867)
Net book value	**$ 4,197**	$ 3,229

(a) Includes adjustments of the purchase price allocation related to the National City acquisition totaling $891 million. See Note 2 Acquisitions and Divestitures for additional information.

Depreciation expense on premises, equipment and leasehold improvements totaled $466 million in 2009, $194 million in 2008 and $154 million in 2007. Depreciation expense on premises, equipment and leasehold improvements related to the discontinued operations of GIS totaled $29 million in 2009, $31 million in 2008, and $24 million in 2007.

Amortization expense, primarily for capitalized internally developed software, was $79 million in 2009, $19 million in 2008 and $18 million in 2007. Amortization expense related to the discontinued operations of GIS was $26 million in 2009, $25 million in 2008, and $22 million in 2007.

We lease certain facilities and equipment under agreements expiring at various dates through the year 2067. We account for these as operating leases. Rental expense on such leases amounted to $372 million in 2009, $184 million in 2008 and $194 million in 2007. Rental expense related to discontinued operations amounted to $16 million in 2009, $18 million in 2008, and $13 million in 2007.

Required minimum annual rentals that we owe on noncancelable leases having initial or remaining terms in excess of one year totaled $2.6 billion at both December 31, 2009 and December 31, 2008. Future minimum annual rentals are as follows:

- 2010: $423 million,
- 2011: $303 million,
- 2012: $257 million,
- 2013: $236 million,
- 2014: $200 million, and
- 2015 and thereafter: $1.2 billion.

NOTE 12 DEPOSITS

The aggregate amount of time deposits with a denomination of $100,000 or more was $20.4 billion at December 31, 2009 and $26.8 billion at December 31, 2008.

Total time deposits of $54.3 billion at December 31, 2009 have future contractual maturities as follows:

- 2010: $37.0 billion,
- 2011: $6.3 billion,
- 2012: $7.7 billion,
- 2013: $1.4 billion,
- 2014: $.7 billion, and
- 2015 and thereafter: $1.2 billion.

NOTE 13 BORROWED FUNDS

Bank notes along with senior and subordinated notes consisted of the following:

December 31, 2009 Dollars in millions	Outstanding	Stated Rate	Maturity
Bank notes	**$ 2,677**	**zero – 5.70%**	**2010 – 2047**
Senior debt	**9,685**	**.42 – 6.70%**	**2010 – 2020**
Bank notes and senior debt	**$ 12,362**		
Subordinated debt			
Junior	**$ 3,022**	**.83 – 10.18%**	**2028 – 2068**
Other	**6,885**	**.60 – 8.11%**	**2010 – 2019**
Subordinated debt	**$ 9,907**		

Included in outstandings for the senior and subordinated notes in the table above are basis adjustment increases of $53 million and $154 million, respectively, related to fair value accounting hedges as of December 31, 2009.

Total borrowed funds of $39.3 billion at December 31, 2009 have scheduled or anticipated repayments as follows:

- 2010: $13.0 billion,
- 2011: $4.9 billion,
- 2012: $5.5 billion,
- 2013: $3.4 billion,
- 2014: $2.1 billion, and
- 2015 and thereafter: $10.4 billion.

Included in borrowed funds are FHLB borrowings of $10.8 billion at December 31, 2009, which are collateralized by a blanket lien on residential mortgage and other real estate-related loans. FHLB advances of $4.2 billion have scheduled maturities of less than one year. The remainder of the FHLB borrowings have balances that will mature from 2011 – 2030, with interest rates ranging from zero to 7.33%.

As part of the National City acquisition, PNC assumed liability for the conversion of $1.4 billion of convertible senior notes. Interest on these notes is payable semiannually at a fixed rate of 4.0%. The maturity date of these notes is February 1, 2011. PNC may not redeem these notes prior to their maturity date. Holders may convert the notes, at their option, prior to November 15, 2010 under certain circumstances, including (i) if the trading price of the notes is less than a defined threshold measured against the market value of PNC common stock, (ii) any time after March 31, 2008, if the market price of PNC common stock exceeds 130% of the conversion price of the notes in effect on the last trading day of the immediately preceding calendar quarter, or (iii) upon the occurrence of certain specific events. After November 15, 2010, the holders may convert their notes at any time through the third scheduled trading date preceding the maturity date. The initial conversion rate equals 2.0725 shares per $1,000 face value of notes. The conversion rate will be subject to adjustment for stock splits, stock dividends, cash dividends in excess of certain thresholds, stock repurchases where the price exceeds market values, and certain other events. Upon conversion, PNC will pay cash equal to the principal balance of the notes and may issue shares of its common stock for any conversion value, determined over a 40 day observation period, that exceeds the principal balance of the notes being converted. The maximum number of net common shares that PNC may be required to issue is 3.6 million shares, subject to potential adjustment in the case of certain events, make-whole fundamental changes, or early termination.

The holders of the convertible senior notes may elect: i) in the case of a make-whole fundamental change, to convert the notes prior to the effective time of such change, in which case the conversion rate will be increased as provided by a formula set forth in the indenture supplement governing the convertible senior notes; or ii) upon the effective time of any fundamental change, to require PNC to repurchase the convertible senior notes at their principal amount plus accrued but unpaid interest. Generally, a fundamental change includes an acquisition of more than 50% of PNC’s common stock, certain mergers, consolidations or other business combinations, if PNC’s continuing directors are less than the majority of the Board of Directors, a liquidation or dissolution, or PNC’s common stock is not listed on any US national securities exchange. These rights may discourage a business combination or other transaction that is otherwise favored by certain shareholders.

The $3.0 billion of junior subordinated debt included in the above table represents the only debt redeemable prior to maturity. The call price and related premiums are discussed in Note 14 Capital Securities of Subsidiary Trusts.

NOTE 14 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

At December 31, 2009, capital securities totaling $3.5 billion represented non-voting preferred beneficial interests in the assets of the following Trusts exclusive of those acquired as part of the National City acquisition:

Trust	Date Formed	Description of Capital Securities	Redeemable
PNC Capital Trust C	June 1998	$200 million 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, 2009 was ..826%.	On or after June 1, 2008 at par.
PNC Capital Trust D	December 2003	$300 million of 6.125% capital securities due December 15, 2033.	On or after December 18, 2008 at par.
PNC Capital Trust E	February 2008	$450 million of 7.75% capital securities due March 15, 2068.	On or after March 15, 2013 at par.*
James Monroe Statutory Trust II	July 2003	$4 million due July 31, 2033, bearing an interest rate equal to 3-month LIBOR plus 310 basis points. The rate in effect at December 31, 2009 was 3.351%.	On or after July 31, 2008 at par.
James Monroe Statutory Trust III	September 2005	$8 million due December 15, 2035 at a fixed rate of 6.253%. The fixed rate remains in effect until September 15, 2010 at which time the securities pay a floating rate of LIBOR plus 155 basis points.	On or after December 15, 2010.
Yardville Capital Trust II	June 2000	$15 million of 9.5% capital securities due June 22, 2030.	On or after June 23, 2010 at par plus a premium of up to 4.75%.
Yardville Capital Trust III	March 2001	$6 million of 10.18% capital securities due June 2031.	On or after June 8, 2011 at par plus a premium of up to 5.09%.
Yardville Capital Trust IV	February 2003	$15 million due March 1, 2033, bearing an interest rate equal to 3-month LIBOR plus 340 basis points. The rate in effect at December 31, 2009 was 3.656%.	On or after March 1, 2008 at par.
Yardville Capital Trust V	September 2003	$10 million due October 8, 2033, bearing an interest rate equal to 3-month LIBOR plus 300 basis points. The rate in effect at December 31, 2009 was 3.284%.	On or after October 8, 2008 at par.
Yardville Capital Trust VI	June 2004	$15 million due July 23, 2034, bearing an interest rate equal to 3-month LIBOR plus 270 basis points. The rate in effect at December 31, 2009 was 2.983%.	On or after July 23, 2009 at par.
Sterling Financial Statutory Trust II	June 2003	$35 million due June 26, 2033 at a fixed rate of 5.55%. The fixed rate remained in effect until June 26, 2008 at which time the securities began paying a floating rate of 3-month LIBOR plus 310 basis points. The rate in effect at December 31, 2009 was 3.351%.	On or after June 26, 2008 at par.
Sterling Financial Statutory Trust III	December 2004	$15 million due December 15, 2034 at a fixed rate of 6%. The fixed rate remained in effect until December 15, 2009 at which time the securities began paying a floating rate of 3-month LIBOR plus 189 basis points. The rate in effect at December 31, 2009 was 2.144%.	On or after December 15, 2009 at par.
Sterling Financial Statutory Trust IV	February 2005	$15 million due March 15, 2035 at a fixed rate of 6.19%. The fixed rate remains in effect until March 15, 2010 at which time the securities pay a floating rate of 3-month LIBOR plus 187 basis points.	On or after March 15, 2010 at par.
Sterling Financial Statutory Trust V	March 2007	$20 million due March 15, 2037 at a fixed rate of 7%. The fixed rate remained in effect until June 15, 2007 at which time the securities began paying a floating rate of 3-month LIBOR plus 165 basis points. The rate in effect at December 31, 2009 was 1.904%.	March 15, 2012 at par.

* We may only redeem or repurchase the trust preferred securities of, and the junior subordinated notes payable to, PNC Capital Trust E prior to and including March 15, 2038 subject to having received proceeds of the issuance of certain qualified securities and subject to the other terms and conditions set forth in the applicable replacement capital covenant. As of December 31, 2009, the beneficiaries of this limitation are the holders of our $300 million of 6.125% Junior Subordinated Notes issued in December 2003.

Effective December 31, 2008, the following Trusts were added as part of the National City acquisition.

Trust	Date Formed	Description of Capital Securities	Redeemable
National City Preferred Capital Trust I	January 2008	$500 million due December 10, 2043 at a fixed rate of 12.00%. The fixed rate remains in effect until December 10, 2012 at which time the interest rate resets to 3-month LIBOR plus 861 basis points.	On or after December 10, 2012 at par. **
National City Capital Trust II	November 2006	$750 million due November 15, 2066 at a fixed rate of 6.625%. The fixed rate remains in effect until November 15, 2036 at which time the securities pay a floating rate of one-month LIBOR plus 229 basis points.	On or after November 15, 2011 at par. ***
National City Capital Trust III	May 2007	$500 million due May 25, 2067 at a fixed rate of 6.625%. The fixed rate remains in effect until May 25, 2047 at which time the securities pay a floating rate of one-month LIBOR plus 212.63 basis points.	On or after May 25, 2012 at par. ***
National City Capital Trust IV	August 2007	$518 million due August 30, 2067 at a fixed rate of 8.00%. The fixed rate remains in effect until September 15, 2047 at which time the securities pay a floating rate of one-month LIBOR plus 348.7 basis points.	On or after August 30, 2012 at par. ***
MAF Bancorp Capital Trust I	April 2005	$30 million due June 15, 2035 bearing an interest rate of 3-month LIBOR plus 175 basis points. The rate in effect at December 31, 2009 was 2.004%.	On or after June 15, 2010 at par.
MAF Bancorp Capital Trust II	August 2005	$35 million due September 15, 2035 bearing an interest rate of 3-month LIBOR plus 140 basis points. The rate in effect at December 31, 2009 was 1.654%.	On or after September 15, 2010 at par.
Fidelity Capital Trust II	December 2003	$22 million due January 23, 2034 bearing an interest rate of 3-month LIBOR plus 285 basis points. The rate in effect at December 31, 2009 was 3.131%.	On or after January 23, 2009 at par.
Fidelity Capital Trust III	October 2004	$30 million due November 23, 2034 bearing an interest rate of 3-month LIBOR plus 197 basis points. The rate in effect at December 31, 2009 was 2.237%.	On or after November 23, 2009 at par.

** We may only redeem or repurchase the trust preferred securities of National City Preferred Capital Trust I prior to December 10, 2012, subject to having received proceeds from the issuance of certain qualified securities and subject to the other terms and conditions set forth in the applicable replacement capital covenant. As of December 31, 2009, the beneficiaries of this limitation are the holders of our $700 million of 6.875% subordinated notes due 2019. The Trust holds $500 million of 8.729% junior subordinated notes and 3.271% Stock Purchase Contracts issued by PNC.

*** We may only redeem or repurchase the trust preferred securities of, and our junior subordinated notes payable to, National City Capital Trust II, III and IV more than 10 years in advance of their legal maturity dates, subject to having received proceeds from the issuance of certain qualified securities and subject to the other terms and conditions set forth in the applicable replacement capital covenant. As of December 31, 2009, the beneficiaries of this limitation are the holders of our $700 million of 6.875% subordinated notes due 2019.

All of these Trusts are wholly owned finance subsidiaries of PNC. 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.

At December 31, 2009, PNC's junior subordinated debt of $3.0 billion represented debentures 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 23 Regulatory Matters.

PNC is subject to restrictions on dividends and other provisions similar to or in some ways more restrictive than those potentially imposed under the Exchange Agreements with Trust II and Trust III, as described in Note 3 Variable Interest Entities.

NOTE 15 EMPLOYEE BENEFIT PLANS

PENSION AND POSTRETIREMENT PLANS

We have a noncontributory, qualified defined benefit pension plan covering eligible employees. The plan derives benefits from cash balance formulas 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. National City had a qualified pension plan covering substantially all employees hired prior to April 1, 2006. Pension benefits are derived from a cash balance formula, whereby credits based on salary, age, and years of service are allocated to employee accounts. The National City plan was merged with our qualified pension plan on December 31, 2008. During 2009, no changes to either plan design or benefits occurred.

Effective January 1, 2010, the pension plan has one design for all eligible employees. All new participants on or after January 1, 2010 will receive a fixed earnings credit of 3%. However, participants as of December 31, 2009 will be maintained at the earnings credit level they have attained as of that date going forward. The percentage will not increase in future years.

We also maintain nonqualified supplemental retirement plans for certain employees. On December 31, 2008, the participants of National City's supplemental executive retirement plans became 100% vested due to the change in control. 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. Effective January 1, 2010, various benefit plans were amended to provide one plan design to all eligible employees.

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 pension, nonqualified pension and postretirement benefit plans as well as the change in plan assets for the qualified pension plan follows:

	Qualified Pension		Nonqualified Pension		Postretirement Benefits	
December 31 (Measurement Date) – in millions	**2009**	2008	**2009**	2008	**2009**	2008
Accumulated benefit obligation at end of year	**$3,533**	$3,493	**$ 274**	$ 253		
Projected benefit obligation at beginning of year	**$3,617**	$1,507	**$ 263**	$ 113	**$ 359**	$ 243
National City acquisition	**(164)**	2,109		145	**(7)**	105
Other acquisitions				5		3
Service cost	**90**	44	**2**	2	**4**	3
Interest cost	**206**	86	**15**	6	**21**	15
Amendments	**(43)**	(17)	**2**			
Actuarial losses (gains) and changes in assumptions	**83**	(18)	**24**	2	**21**	(17)
FASB ASC 715-60 adoption						29
Participant contributions					**14**	9
Federal Medicare subsidy on benefits paid					**2**	2
Benefits paid	**(178)**	(94)	**(24)**	(10)	**(40)**	(33)
Projected benefit obligation at end of year	**$3,611**	$3,617	**$ 282**	$ 263	**$ 374**	$ 359
Fair value of plan assets at beginning of year	**$3,292**	$2,019				
National City acquisition		2,032				
Actual return on plan assets	**607**	(665)				
Employer contribution			**$ 24**	$ 10	**$ 24**	$ 22
Participant contributions					**14**	9
Federal Medicare subsidy on benefits paid					**2**	2
Benefits paid	**(178)**	(94)	**(24)**	(10)	**(40)**	(33)
Fair value of plan assets at end of year	**$3,721**	$3,292				
Funded status	**$ 110**	$ (325)	**$(282)**	$(263)	**$(374)**	$(359)
Net amount recognized on the balance sheet	**$ 110**	$ (325)	**$(282)**	$(263)	**$(374)**	$(359)
Amounts recognized in accumulated other comprehensive income consist of:						
Prior service cost (credit)	**$ (54)**	$ (12)	**$ 2**		**$ (17)**	$ (22)
Net actuarial loss	**658**	1,004	**53**	$ 30	**35**	14
Amount recognized in AOCI	**$ 604**	$ 992	**$ 55**	$ 30	**$ 18**	$ (8)

At December 31, 2009, the fair value of the qualified pension plan assets was greater than 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 postretirement plan provides benefits to certain retirees that are at least actuarially equivalent to those provided by Medicare Part D and accordingly, we receive a federal subsidy as shown in the table.

PNC 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 as of December 31, 2009 do include common stock of PNC.

Assets related to the pension plan investments of the former National City qualified pension plan are held in trust. The trustee is PNC Bank, N.A. The Trust is exempt from tax pursuant to section 501(a) of the Code as of December 31, 2009. The plan is qualified under section 401(a) of the Code. During 2009, the majority of plan assets were transferred to the PNC Trust. At December 31, 2009, plan assets consist primarily of cash equivalents, listed domestic and international equity securities and US government, agency, and corporate debt securities. Plan assets do include common stock of PNC as discussed below.

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 August 13, 2008.

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 expenses 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 strategy allocations for the Trust at the end of 2009 and 2008, and the target allocation range, by asset category, including National City assets, are as follows:

	Target Allocation Range	Percentage of Plan Assets by Strategy at December 31	
PNC Pension Plan		**2009**	2008
Asset Category			
Domestic Equity	32-38%	**39%**	34%
International Equity	17-23%	**18%**	12%
Private Equity	0-8%	**2%**	2%
Total Equity	49-69%	**59%**	48%
Domestic Fixed Income	23-28%	**29%**	17%
High Yield Fixed Income	9-11%	**6%**	3%
Total Fixed Income	32-39%	**35%**	20%
Real estate	4-6%	**5%**	2%
Other	0-5%	**1%**	30%
Total		**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. Other investment managers may invest in eligible securities outside of their assigned asset category to meet their investment objectives. The actual percentage of the fair value of total plan assets held as of December 31, 2009 for equity securities, fixed income securities, real estate and all other assets are 53%, 33%, 5%, and 9%, respectively.

In addition to the use of derivatives, 2008 actual asset allocations vary from the PNC target allocation in several categories due to the incorporation of the National City investments. As of December 31, 2008, this plan had a temporary large cash and cash equivalents balance due to a contribution of $850 million made by National City to the plan on December 30, 2008 which had not yet been fully invested. During 2009, the majority of plan assets were transferred to the PNC Trust and invested in accordance with the current PNC Investment Policy Statement.

At December 31, 2008, equity securities included $9 million of National City common stock, representing 5,048,833 shares at a closing price of $1.81. In conjunction with PNC's acquisition of National City, these shares were exchanged into 197,914 shares of PNC common stock.

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.

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 and the Asset Management Group business segment receive compensation for providing investment management and trustee 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.

FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the PNC Pension Plan adopted fair value measurements and disclosures.

As further described in Note 8 Fair Value, GAAP establishes the framework for measuring fair value, including a hierarchy used to classify the inputs used in measuring fair value.

A description of the valuation methodologies used for assets measured at fair value follows. There have been no changes in the methodologies used at December 31, 2009 compared with those in place at December 31, 2008:

- Money market, mutual funds and interests in collective funds are valued at the net asset value of the shares held by the pension plan at year-end.
- US government securities, other government securities, corporate debt, common stock and preferred stock are valued at the closing price reported on the active market on which the individual securities are traded.
- Limited partnerships are valued by investment managers based on recent financial information used to estimate fair value. Other investments held by the pension plan include derivative financial instruments and real estate, which are recorded at estimated fair value as determined by third-party appraisals and pricing models, and group annuity contracts which are valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

These methods may result in fair value calculations that may not be indicative of net realizable values or future fair values. Furthermore, while the pension plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009:

In millions	December 31, 2009 Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	**$ 2**	$ 2		
Money market funds	**334**	285	$ 49	
US government securities	**200**	73	127	
Corporate debt	**522**	1	404	$ 117
Common and preferred stocks	**498**	198	300	
Mutual funds	**46**	11	35	
Interest in Collective Funds (a)	**1,948**		1,948	
Limited partnerships	**119**			119
Other	**52**	8		44
Total	**$ 3,721**	$ 578	$ 2,863	$ 280

(a) The benefit plans own commingled funds that invest in equity and fixed income securities. The commingled funds that invest in equity securities seek to mirror the performance of the S&P 500 Index, Russell 3000 Index, Morgan Stanley Capital International ACWI X US Index, and the Dow Jones U.S. Select Real Estate Securities Index. The commingled fund that holds fixed income securities invests in domestic investment grade securities and seeks to mimic the performance of the Barclays Aggregate Bond Index.

The following summarizes changes in the fair value of the pension plan's Level 3 assets during 2009:

In millions	Corporate debt	Limited partnerships	Other
January 1, 2009	$ 41	$ 55	$ 12
Net realized gain on sale of investments	2		
Net unrealized gain/(loss) on assets held at end of year	(23)	(6)	9
Purchases, sales, issuances, and settlements (net)	29	11	9
Transfers into Level 3	68	59	14
December 31, 2009	$ 117	$ 119	$ 44

The following table provides information regarding our estimated future cash flows related to our various plans:

Estimated Cash Flows

			Postretirement Benefits	
In millions	Qualified Pension	Nonqualified Pension	Gross PNC Benefit Payments	Reduction in PNC Benefit Payments Due to Medicare Part D Subsidy
Estimated 2010 employer contributions		$ 31	$ 35	$ 2
Estimated future benefit payments				
2010	$ 278	$ 31	$ 35	$ 2
2011	285	32	32	2
2012	289	28	32	2
2013	297	26	32	2
2014	304	24	32	2
2015 – 2019	1,555	102	150	7

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. Due to the plan's funded status, the qualified pension contribution in 2010 is expected to be zero.

The components of net periodic benefit cost/ (income) and other amounts recognized in other comprehensive income were as follows.

	Qualified Pension Plan			Nonqualified Pension Plan			Postretirement Benefits		
Year ended December 31 – in millions	**2009(a)**	2008	2007	**2009(a)**	2008	2007	**2009(a)**	2008	2007
Net periodic cost consists of:									
Service cost	**$ 90**	$ 44	$ 42	**$ 2**	$ 2	$ 2	**$ 4**	$ 3	$ 3
Interest cost	**206**	86	82	**15**	6	6	**21**	15	14
Expected return on plan assets	**(260)**	(160)	(156)						
Amortization of prior service cost	**(2)**	(2)					**(5)**	(7)	(7)
Amortization of actuarial losses (gains)	**83**		2	**1**	2	2			
Net periodic cost	**117**	(32)	(30)	**18**	10	10	**20**	11	10
Other changes in plan assets and benefit obligations recognized in other comprehensive income:									
Current year prior service cost/(credit)	**(43)**	(17)		**2**					(5)
Amortization of prior service (cost)/credit	**2**	2					**5**	7	7
Current year actuarial loss/(gain)	**(263)**	807	16	**24**	2	4	**21**	(17)	(2)
Amortization of actuarial (loss)/gain	**(83)**		(2)	**(1)**	(2)	(2)			
Total recognized in OCI	**(387)**	792	14	**25**		2	**26**	(10)	
Total recognized in net periodic cost and OCI	**$(270)**	$ 760	$ (16)	**$ 43**	$ 10	$ 12	**$ 46**	$ 1	$10

(a) Includes the impact of the National City plans which we acquired on December 31, 2008.

The weighted-average assumptions used (as of the beginning of each year) to determine net periodic costs shown above were as follows:

	Net Periodic Cost Determination		
Year ended December 31	**2009**	2008	2007
Discount rate			
Qualified pension	**6.05%**	5.95%	5.70%
Nonqualified pension	**5.90**	5.75	5.60
Postretirement benefits	**5.95**	5.95	5.80
Rate of compensation increase (average)	**4.00**	4.00	4.00
Assumed health care cost trend rate			
Initial trend	**9.00**	9.50	10.00
Ultimate trend	**5.00**	5.00	5.00
Year ultimate reached	**2014**	2014	2012
Expected long-term return on plan assets	**8.25**	8.25	8.25

The weighted-average assumptions used (as of the end of each year) to determine year-end obligations for pension and postretirement benefits were as follows:

	At December 31	
	2009	2008
Discount rate		
Qualified pension	**5.75%**	6.05%
Nonqualified pension	**5.15**	5.90
Postretirement benefits	**5.40**	5.95
Rate of compensation increase (average)	**4.00**	4.00
Assumed health care cost trend rate		
Initial trend	**8.50**	9.00
Ultimate trend	**5.00**	5.00
Year ultimate reached	**2014**	2014

The discount rate assumptions were determined independently for each plan reflecting the duration of each plan's obligations. 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 expected return on plan assets is a long-term assumption established by considering historical and anticipated returns of the asset classes invested in by the pension plan and the allocation strategy currently in place among those classes. We review this assumption at each measurement date and adjust it if warranted. This assumption will be decreased from 8.25% to 8.00% for determining 2010 net periodic cost.

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, 2009 In millions	Increase	Decrease
Effect on total service and interest cost	**$ 1**	**$ (1)**
Effect on year-end benefit obligation	**$ 12**	**$ (11)**

Under GAAP, unamortized actuarial gains and losses and prior service costs and credits are recognized in AOCI each December 31, with amortization of these amounts through net periodic benefit cost. The estimated amounts that will be amortized in 2010 are as follows:

	2010 Estimate		
Year ended December 31 In millions	Qualified Pension	Nonqualified Pension	Postretirement Benefits
Prior service cost (credit)	$ (7)	$ 1	$ (3)
Net actuarial loss	35	3	
Total	$ 28	$ 4	$ (3)

DEFINED CONTRIBUTION PLANS

We have a contributory, qualified defined contribution plan that covers substantially all eligible legacy PNC 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 various 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 2009, 2008 and 2007 were matched primarily by shares of PNC common stock held in treasury or reserve, 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. Employee benefits expense related to this plan was $61 million in 2009, $57 million in 2008 and $52 million in 2007. We measured employee benefits expense as the fair value of the shares and cash contributed to the plan by PNC.

We also maintain a defined contribution plan for National City legacy employees. Substantially all National City legacy employees are eligible to contribute a portion of their pretax compensation to the plan. PNC may make contributions to the plan for employees with one or more years of service in the form of company common stock in varying amounts depending on participant contribution levels. Employee benefits expense related to this plan was $76 million in 2009.

Effective December 31, 2009, the National City Savings and Investment Plan was merged into the PNC Incentive Savings Plan. In addition, effective January 1, 2010, the employer matching contribution under the PNC Incentive Savings Plan was reduced from a maximum of 6% to 4% of a participant's eligible compensation. Certain changes to the plan's eligibility and vesting requirements also became effective January 1, 2010.

We have a separate qualified defined contribution plan that covers substantially all US-based Global Investment Servicing 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 Global Investment Servicing 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 or reserve, 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 various mutual funds, at the direction of the employee. Employee benefits expense for this plan was $8 million in 2009, $11 million in 2008 and $10 million in 2007. 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 16 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, restricted share units, other share-based awards and dollar-denominated awards to executives and, other than incentive stock options, to non-employee directors. Certain Incentive Plan awards may be paid in stock, cash or a combination of stock and cash. We typically grant a substantial portion of our stock-based compensation awards during the first quarter of the year. As of December 31, 2009, no stock appreciation rights were outstanding. Total compensation expense recognized related to all share-based payment arrangements during 2009, 2008 and 2007 was approximately $93 million, $71 million and $72 million, respectively.

During the third quarter of 2009, we took actions with respect to certain 2009 share-based payment arrangements for some of our executive officers. These actions were taken to address the impact on PNC executive compensation under current TARP rules. Under those TARP rules, a portion of some of our 2009 stock option, restricted stock, and restricted stock unit grants are required to be forfeited, based on the service period for these share-based grants. At its August 2009 meeting, the Personnel and Compensation Committee vested the restricted stock/units granted in respect of 2008 performance bonuses and eliminated all service-based forfeiture provisions from the time-vesting stock options granted in early 2009. The impact of these decisions resulted in approximately $12 million of accelerated expense recognized during the third quarter of 2009, which is included in the $93 million noted above.

During the fourth quarter of 2009, we made awards of long-term restricted stock to some of our executive officers designed to comply with the requirements for long-term restricted stock imposed by the Interim Final Rule for TARP Standards for Compensation. We also made long-term stock awards to other employees, including some of our executive officers, not currently subject to the TARP restrictions but who could have become subject to such restrictions in the future. The 2009 expense impact from these stock awards was approximately $9 million, which is included in the $93 million noted above.

NONQUALIFIED STOCK OPTIONS

Options are granted at exercise prices not less than the market value of common stock on the grant date. Generally, options become exercisable in installments 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 shares of common stock at market value on the exercise date. The exercise price may be paid in previously owned shares.

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 FASB ASC 718, *Stock Compensation*, 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. We recognize compensation expense for options granted to retirement-eligible employees after January 1, 2006 during the first twelve months subsequent to the grant, in accordance with the service period provisions of the options.

In addition to the regular annual grant of stock options, during the first quarter of 2009, we granted approximately 1.9 million of performance-based options to certain senior executives. While these options generally contain the same terms and conditions as previous option grants, cliff vesting will occur on or after the third anniversary from the grant date and only if certain financial and other performance conditions are met, primarily related to the successful integration of National City. These options were approved by the Personnel and Compensation Committee of the Board of Directors.

OPTION PRICING ASSUMPTIONS

For purposes of computing stock option expense, we estimated the fair value of stock options primarily by using the Black-Scholes option-pricing model. Option pricing models require the use of numerous assumptions, many of which are very subjective.

We used the following assumptions in the option pricing models to determine 2009, 2008 and 2007 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, except for 2009 where (starting with the grants made after the first quarter) we used a yield indicative of our currently reduced dividend rate,
- Volatility is measured using the fluctuation in month-end closing stock prices over a period which corresponds with the average expected option life, but in no case less than 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.

Weighted-average for the year ended December 31	**2009**	2008	2007
Risk-free interest rate	**1.9%**	3.1%	4.8%
Dividend yield	**3.5**	3.3	3.4
Volatility	**27.3**	18.5	18.8
Expected life	**5.6 yrs.**	5.7 yrs.	4.3 yrs.

A summary of stock option activity follows:

	PNC		PNC Options Converted From National City		Total			
Year ended December 31, 2009 In thousands, except weighted-average data	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, January 1	14,537	$ 63.39	1,744	$ 636.33	16,281	$ 124.74		
Granted	4,334	31.39			4,334	31.39		
Exercised	(121)	42.40			(121)	42.40		
Cancelled	(254)	57.90	(222)	627.28	(476)	323.18		
Outstanding, December 31	**18,496**	**$ 56.10**	**1,522**	**$ 637.64**	**20,018**	**$ 100.32**	**5.6 years**	**$ 98,919**
Vested and expected to vest, December 31 (a)	**18,176**	**$ 56.14**	**1,522**	**$ 637.64**	**19,698**	**$ 101.07**	**5.6 years**	**$ 96,794**
Exercisable, December 31	**11,200**	**$ 63.87**	**1,522**	**$ 637.64**	**12,722**	**$ 132.52**	**3.9 years**	**$ 6,565**

(a) Adjusted for estimated forfeitures on unvested options.

The weighted-average grant-date fair value of options granted in 2009, 2008 and 2007 was $5.73, $7.27 and $11.37 per option, respectively. To determine stock-based compensation expense, the grant-date fair value is applied to the options granted with a reduction made for estimated forfeitures. We recognized compensation expense for stock options on a straight-line basis over the pro rata vesting period.

At December 31, 2008 and 2007, options for 11,373,000 and 10,496,000 shares of common stock, respectively, were exercisable at a weighted-average price of $151.03 and $59.95, respectively. The total intrinsic value of options exercised during 2009, 2008 and 2007 was $1 million, $59 million and $52 million, respectively.

Cash received from option exercises under all Incentive Plans for 2009, 2008 and 2007 was approximately $5 million, $167 million and $111 million, respectively. The actual tax benefit realized for tax deduction purposes from option exercises under all Incentive Plans for 2009, 2008 and 2007 was approximately $2 million, $58 million and $39 million, respectively.

There were no options granted in excess of market value in 2009, 2008 or 2007. Shares of common stock available during the next year for the granting of options and other awards under the Incentive Plans were 30,683,564 at December 31, 2009. Total shares of PNC common stock authorized for future issuance under equity compensation plans totaled 32,525,028 shares at December 31, 2009, which includes shares available for issuance under the Incentive Plans and the Employee Stock Purchase Plan as described below.

During 2009, we issued approximately 121,000 shares from treasury stock in connection with stock option exercise activity. As with past exercise activity, we currently intend to utilize treasury stock for any future stock option exercises.

Awards granted to non-employee directors in 2009, 2008 and 2007 include 39,552; 25,381; and 20,944 deferred stock units, respectively, awarded under the Outside Directors Deferred Stock Unit Plan. A deferred stock unit is a phantom share of our common stock, which requires liability accounting treatment until such awards are paid to the participants as cash. As there are no vesting or service requirements on these awards, total compensation expense is recognized in full on all awarded units on the date of grant.

INCENTIVE/PERFORMANCE UNIT SHARE AWARDS AND RESTRICTED STOCK/UNIT AWARDS

The fair value of nonvested incentive/performance unit share awards and restricted stock/unit awards is initially determined based on prices not less than the market value of our common stock price on the date of grant. Incentive/performance unit share awards are subsequently valued subject to the achievement of one or more financial and other performance goals over a three-year period. The Personnel and Compensa-tion Committee of the Board of Directors approves the final award payout with respect to incentive/performance unit share awards. Restricted stock/unit awards have various vesting periods ranging from 12 months to 60 months. There are no financial or performance goals associated with any of our restricted stock/unit awards.

The weighted-average grant-date fair value of incentive/performance unit share awards and restricted stock/unit awards granted in 2009, 2008 and 2007 was $41.16, $59.25 and $73.83 per share, respectively. We recognize compensation expense for such awards ratably over the corresponding vesting and/or performance periods for each type of program.

A summary of nonvested incentive/performance unit shares and restricted stock/unit share activity follows:

Shares in thousands	Nonvested Incentive/ Performance Unit Shares	Weighted-Average Grant Date Fair Value	Nonvested Restricted Stock/ Unit Shares	Weighted-Average Grant Date Fair Value
December 31, 2008	459	$ 67.33	1,735	$ 65.39
Granted			1,665	41.16
Vested	(174)	69.47	(1,108)	54.66
Forfeited			(79)	39.62
December 31, 2009	**285**	**$ 66.02**	**2,213**	**$ 53.45**

In the chart above, the unit shares and related weighted-average grant-date fair value of the incentive/performance awards exclude the effect of dividends on the underlying shares, as those dividends will be paid in cash.

At December 31, 2009, 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 /unit awards vested during 2009, 2008 and 2007 was approximately $47 million, $41 million and $79 million, respectively.

LIABILITY AWARDS

Beginning in 2008, we granted cash-payable restricted share units to certain executives. The grants were made primarily as part of an annual bonus incentive deferral plan. While there are time-based, service-related vesting criteria, there are no market or performance criteria associated with these awards. Compensation expense recognized related to these awards was recorded in prior periods as part of annual cash bonus criteria. As of December 31, 2009, there were 440,441 of these cash-payable restricted share units outstanding.

During the third quarter of 2009, we entered into an agreement with certain of our executives regarding a portion of their salary to be payable in stock units. These units, which are cash-payable, have no future service, market or performance criteria and as such are fully expensed at grant date. These units will be settled in cash on March 31, 2011. As of December 31, 2009, there were 221,286 of these units outstanding, with a current market value of approximately $12 million.

A summary of all nonvested, cash-payable restricted share unit activity follows:

In thousands	Nonvested Cash-Payable Restricted Unit Shares	Aggregate Intrinsic Value
Outstanding at December 31, 2008	202	
Granted	917	
Vested and released	(54)	
Forfeited	(64)	
Outstanding at December 31, 2009	**1,001**	**$52,828**

The total of all share-based liability awards paid out during 2009 was approximately $2 million. There were no share-based liability awards paid out in 2008 or 2007.

EMPLOYEE STOCK PURCHASE PLAN

As of December 31, 2009, our ESPP has approximately 1.8 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
2009	**158,536**	**$ 36.87 and $50.15**
2008	133,563	54.25 and 46.55
2007	111,812	68.00 and 62.37

BLACKROCK LTIP PROGRAMS

BlackRock adopted the 2002 LTIP program to help attract and retain qualified professionals. At that time, PNC agreed to transfer up to four million of the shares of BlackRock common stock then held by us to help fund the 2002 LTIP and future programs approved by BlackRock’s board of directors, subject to certain conditions and limitations. Prior to 2006, BlackRock granted awards of approximately $233 million under the 2002 LTIP program, of which approximately $208 million were paid on January 30, 2007. The award payments were funded by 17% in cash from BlackRock and approximately one million shares of BlackRock common stock transferred by PNC and distributed to LTIP participants. 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 $82 million in the first quarter of 2007 from the transfer of BlackRock shares. The gain was included in other noninterest income and reflected the excess of market value over book value of the one million shares transferred in January 2007.

BlackRock granted awards in 2007 under an additional LTIP program, 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 awards vesting in 2011 and the amount remaining would then be available for future awards.

PNC's noninterest income included pretax gains of $98 million in 2009 and $243 million in 2008 related to our BlackRock LTIP shares obligation. These gains represented the mark-to-market adjustment related to our remaining BlackRock LTIP common shares obligation and resulted from the decrease in the market value of BlackRock common shares in those periods. Noninterest income for 2007 included pretax charges totaling $209 million related to an increase in the market value of BlackRock common shares in that period.

As previously reported, PNC entered into an Exchange Agreement with BlackRock on December 26, 2008. The transactions that resulted from this agreement restructured PNC's ownership of BlackRock equity without altering, to any meaningful extent, PNC's economic interest in BlackRock. PNC continues to be subject to the limitations on its voting rights in its existing agreements with BlackRock. Also on December 26, 2008, BlackRock entered into an Exchange Agreement with Merrill Lynch in anticipation of the consummation of the merger of Bank of America Corporation and Merrill Lynch that occurred on January 1, 2009. The PNC and Merrill Lynch Exchange Agreements restructured PNC's and Merrill Lynch's respective ownership of BlackRock common and preferred equity.

The exchange contemplated by these agreements was completed on February 27, 2009. On that date, PNC's obligation to deliver BlackRock common shares was replaced with an obligation to deliver shares of BlackRock's new Series C Preferred Stock. PNC acquired 2.9 million shares of Series C Preferred Stock from BlackRock in exchange for common shares on that same date. PNC accounts for these preferred shares at fair value, which offsets the impact of marking-to-market the obligation to deliver these shares to BlackRock as we aligned the fair value marks on this asset and liability. The fair value of the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in Other assets. Additional information regarding the valuation of the BlackRock Series C Preferred Stock is included in Note 8.

NOTE 17 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, swaptions, interest rate caps and floors, credit default swaps, futures contracts, and total return swaps. All derivatives are carried at fair value.

Derivatives Designated in Hedge Relationships

We enter into interest rate swaps to hedge the fair value of bank notes, Federal Home Loan Bank borrowings, senior debt and subordinated debt for changes in interest rates. Adjustments related to the ineffective portion of fair value hedging instruments are recorded in interest expense.

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 changes in future cash flows due to interest rate changes. We hedged 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. We subsequently reclassify any unrealized gains or losses related to these swap contracts from accumulated other comprehensive income (loss) into interest income in the same period or periods during which the hedged forecasted transaction affects earnings. Ineffectiveness of the strategies, if any, is recognized immediately in earnings.

During the next twelve months, we expect to reclassify to earnings $317 million of pretax net gains, or $206 million after-tax, on cash flow hedge derivatives currently reported in accumulated other comprehensive 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, 2009. These net gains are anticipated to result from net cash flows on receive fixed interest rate swaps that would impact interest income recognized on the related floating rate commercial loans.

During 2009, there were no gains or losses from cash flow hedge derivatives that were reclassified to earnings arising from the determination that the original forecasted transaction would not occur.

The ineffective portion of the change in value of our fair value and cash flow hedge derivatives resulted in net losses of $45 million for 2009 compared to a net gain of $8 million for 2008 and a net loss of $1 million in 2007.

Derivatives Not Designated in Hedge Relationships
The derivative portfolio also includes free standing derivative financial instruments not included in hedging strategies. These derivatives are entered into for risk management and economic hedge purposes, to meet customer needs, and for proprietary purposes. They primarily consist of interest rate, basis and total rate of return swaps, interest rate caps, floors and futures contracts, credit default swaps, option and foreign exchange contracts and certain interest rate-locked loan origination commitments, as well as commitments to buy or sell mortgage loans.

We also use these derivatives to manage interest rate and prepayment risk related to residential mortgage servicing rights (MSRs), and residential and commercial real estate loans held for sale.

We purchase credit default swaps (CDS) to mitigate the risk of economic loss on a portion of our loan exposure and to take proprietary trading positions. We also sell loss protection to mitigate the net premium cost and the impact of mark-to-market accounting on CDS purchases to hedge the loan portfolio and to take proprietary trading positions. The fair values of these derivatives typically are based on related credit spreads.

Interest rate lock commitments, 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 and residential mortgage interest rate lock commitments as well as commercial and residential mortgage loans held for sale is economically hedged with total rate of return swaps, pay-fixed interest rate swaps, credit derivatives and forward sales agreements. These contracts mitigate the impact on earnings of exposure to a certain referenced interest rate. The fair value of loan commitments is based on the estimated fair value of the underlying loan and the probability that the loan will fund within the terms of the commitment. The fair value of the loan commitment also takes into account the fair value of the embedded servicing right.

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 tied 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.

To accommodate customer needs, we also enter into financial derivative transactions primarily consisting of interest rate swaps, interest rate caps and floors, 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's credit quality. 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. For derivatives not designated as an accounting hedge, the gain or loss is recognized in noninterest income.

We utilize a net presentation for derivative instruments on the Consolidated Balance Sheet taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative exposures by offsetting obligations to return or rights to reclaim cash collateral against the fair values of the net derivatives being collateralized. At December 31, 2009, the impact of legally enforceable master netting agreements for total assets and liabilities was $1.6 billion. The cash collateral applied for assets was $269 million and for liabilities was $506 million.

Derivative Counterparty Credit Risk
By purchasing and writing derivative contracts we are exposed to credit risk if the counterparties fail to perform. We seek to minimize credit risk through credit approvals, limits, monitoring procedures, executing master netting agreements and collateral requirements. We generally enter into transactions with counterparties that carry high quality credit ratings. Nonperformance risk including credit risk is included in the determination of the estimated net fair value.

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 are included in the derivatives 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, 2009, we held cash, US government securities and mortgage-backed securities with a total of $393 million under these agreements. We pledged cash of $776 million under these agreements. To the extent not netted against derivative fair values under a master netting agreement, cash pledged is included in other assets and cash held is included in other borrowed funds on our Consolidated Balance Sheet.

Contingent Features

Some of PNC's derivative instruments contain provisions that require PNC's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If PNC's debt ratings were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a net liability position on December 31, 2009 was $941 million for which PNC had posted collateral of $776 million in the normal course of business. The maximum amount of collateral PNC would have been required to post if the credit-risk-related contingent features underlying these agreements had been triggered on December 31, 2009, would be an additional $165 million.

Total notional or contractual amounts and estimated net fair values for derivatives follow:

	Asset Derivatives				Liability Derivatives			
	December 31, 2009		December 31, 2008		**December 31, 2009**		December 31, 2008	
In millions	Notional/ Contract Amount	Fair Value (a)	Notional/ Contract Amount	Fair Value (a)	Notional/ Contract Amount	Fair Value (b)	Notional/ Contract Amount	Fair Value (b)
Derivatives designated as hedging instruments under GAAP								
Interest rate contracts:								
Cash flow hedges	**$ 6,394**	**$ 32**	$ 5,618	$ 527	**$ 7,011**	**$ 95**		
Fair value hedges	**13,048**	**707**	8,975	889			$ 913	$ 1
Subtotal	**$ 19,442**	**$ 739**	$ 14,593	$1,416	**$ 7,011**	**$ 95**	$ 913	$ 1
Derivatives not designated as hedging instruments under GAAP								
Interest rate contracts	**$149,463**	**$2,963**	$132,827	$6,351	**$ 98,423**	**$3,110**	$88,724	$5,573
Foreign exchange contracts	**4,208**	**123**	4,272	331	**3,836**	**108**	4,749	323
Equity contracts	**195**	**16**	520	72	**156**	**16**	503	76
Credit contracts:								
Credit default swaps	**926**	**72**	1,936	287	**662**	**22**	1,001	82
Risk participation agreements	**1,091**	**3**	1,350	3	**1,728**	**2**	1,940	3
Other contracts			438	44	**211**	**275**		
Subtotal	**$155,883**	**$3,177**	$141,343	$7,088	**$105,016**	**$3,533**	$96,917	$6,057
Total gross derivatives	**$175,325**	**$3,916**	$155,936	$8,504	**$112,027**	**$3,628**	$97,830	$6,058

(a) Included in Other Assets on the Consolidated Balance Sheet.
(b) Included in Other Liabilities on the Consolidated Balance Sheet.

Gains (losses) on derivative instruments and related hedged items follow:

Derivatives Designated in GAAP Hedge Relationships – Fair Value Hedges

Year ended Dec. 31, 2009 - in millions	Hedged Items	Location	Gain (Loss) on Derivatives Recognized in Income Amount	Gain on Related Hedged Items Recognized in Income Amount
Interest rate contracts	Federal Home Loan Bank borrowings	Borrowed funds (interest expense)	$ (107)	$ 109
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	(447)	398
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	(24)	28
Total			$ (578)	$ 535

Derivatives Designated in GAAP Hedge Relationships – Cash Flow Hedges

Year ended December 31, 2009 In millions	Gain (Loss) on Derivatives Recognized in OCI (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Gain (Loss) Recognized in Income on Derivatives, Ineffective Portion	
	Amount	Location	Amount	Location	Amount
Interest rate contracts	$ (12)	Interest income	$ 319	Interest income	$ (2)

Derivatives Not Designated as Hedging Instruments

Gain (Loss) on Derivatives Recognized in Noninterest Income In millions	Year Ended December 31, 2009
Interest rate contracts	$ 107
Foreign exchange contracts	71
Equity contracts	2
Credit contracts	(59)
Other contracts (a)	(178)
Total	$ (57)

(a) Relates to BlackRock LTIP.

We write caps and floors for customers, risk management and proprietary trading purposes. At December 31, 2009, the fair value of the written caps and floors liability on our Consolidated Balance Sheet was $15 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.

CREDIT DERIVATIVES

Credit Default Swaps

December 31, 2009 Dollars in millions	Notional Amount	Estimated Net Fair Value	Weighted-Average Remaining Maturity In Years
Credit Default Swaps – Guarantor			
Single name	**$ 85**	**$ (4)**	**3.18**
Index traded	**457**		**6.12**
Total (a)	**$ 542**	**$ (4)**	**5.66**
Credit Default Swaps – Beneficiary			
Single name	**$ 586**	**$ 1**	**3.69**
Index traded	**460**	**53**	**35.89**
Total (b)	**$1,046**	**$ 54**	**17.85**
Total (c)	**$1,588**	**$ 50**	**13.69**

(a) Includes $496 million notional of investment grade credit default swaps with a rating of Baa3 or above and $46 million notional of subinvestment grade based on published rating agency information.
(b) Includes $894 million notional of investment grade credit default swaps with a rating of Baa3 or above and $152 million notional of subinvestment grade based on published rating agency information.
(c) The referenced/underlying assets for these credit default swaps is approximately 66% corporate debt, 29% commercial mortgage-backed securities and 5% related to loans.

December 31, 2008 Dollars in millions	Notional Amount	Estimated Net Fair Value	Weighted-Average Remaining Maturity In Years
Credit Default Swaps – Guarantor			
Single name	$ 278	$ (38)	3.84
Index traded	677	(42)	4.84
Total (a)	$ 955	$ (80)	4.54
Credit Default Swaps – Beneficiary			
Single name	$ 974	$ 84	3.82
Index traded	1,008	201	31.82
Total (b)	$1,982	$ 285	18.06
Total (c)	$2,937	$ 205	13.67

(a) Includes $883 million notional of investment grade credit default swaps with a rating of Baa3 or above and $72 million notional of subinvestment grade based on published rating agency information.
(b) Includes $1.7 billion notional of investment grade credit default swaps with a rating of Baa3 or above and $263 million notional of subinvestment grade based on published rating agency information.
(c) The referenced/underlying assets for these credit default swaps is approximately 70% corporate debt, 27% commercial mortgage-backed securities and 3% related to loans.

We enter into single name and index traded 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 referenced entity. The fair value of the contracts sold on our Consolidated Balance Sheet was a net liability of $4 million at December 31, 2009 compared with $80 million at December 31, 2008. 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 $542 million at December 31, 2009 compared with $955 million at December 31, 2008.

Risk Participation Agreements

We have also entered into various contingent performance guarantees through credit risk participation agreements sold with terms ranging from less than one year to 22 years. As of December 31, 2009 the notional amount of risk participation agreements sold was $1.7 billion with a weighted average remaining maturity of 2 years compared to December 31, 2008 of $1.9 billion and 3 years, respectively. The fair value of these agreements as of December 31, 2009 on our Consolidated Balance Sheet was a net liability of $2 million compared with $3 million at December 31, 2008. Based on the Corporation's internal risk rating process, 94% of the notional amount of the risk participation agreements sold outstanding had underlying swap counterparties with internal credit ratings of pass, indicating the expected risk of loss is currently low, while 6% had underlying swap counterparties with internal risk ratings below pass, indicating a higher degree of risk of default, compared with 98% and 2%, respectively, at December 31, 2008. 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. Assuming all underlying swap counterparties defaulted at December 31, 2009, the exposure from these agreements would be $78 million based on the fair value of the underlying swaps compared with $128 million at December 31, 2008.

NOTE 18 EARNINGS PER SHARE

The following table sets forth basic and diluted earnings per common share calculations:

In millions, except share and per share data	2009	2008	2007
Basic			
Net income from continuing operations	**$ 2,358**	$ 796	$ 1,363
Less:			
Net income (loss) attributable to noncontrolling interests	**(44)**	32	24
Dividends distributed to common shareholders	**428**	896	801
Dividends distributed to preferred shareholders	**388**	21	
Dividends distributed to nonvested restricted shares	**1**	5	5
Preferred stock discount accretion	**56**		
Undistributed net income from continuing operations	**$ 1,529**	$ (158)	$ 533
Undistributed net income from discontinued operations	**45**	118	128
Undistributed net income	**$ 1,574**	$ (40)	$ 661
Percentage of undistributed income allocated to common shares	**99.7%**	99.5%	99.4%
Undistributed income from continuing operations allocated to common shares	**$ 1,524**	$ (158)	$ 530
Plus common dividends	**428**	896	801
Net income from continuing operations attributable to basic common shares	**$ 1,952**	$ 738	$ 1,331
Undistributed income from discontinued operations allocated to common shares	**45**	118	128
Net income attributable to basic common shares	**$ 1,997**	$ 856	$ 1,459
Basic weighted-average common shares outstanding	**453,553**	343,980	331,300
Basic earnings per common share from continuing operations	**$ 4.30**	$ 2.15	$ 4.02
Basic earnings per common share from discontinued operations	**.10**	.34	.38
Basic earnings per common share	**$ 4.40**	$ 2.49	$ 4.40
Diluted			
Net income from continuing operations attributable to basic common shares	**$ 1,952**	$ 738	$ 1,331
Less: BlackRock common stock equivalents	**15**	12	16
Net income from continuing operations attributable to diluted common shares	**$ 1,937**	$ 726	$ 1,315
Net income from discontinued operations attributable to diluted common shares	**45**	118	128
Net income attributable to diluted common shares	**$ 1,982**	$ 844	$ 1,443
Basic weighted average common shares outstanding	**453,553**	343,980	331,300
Dilutive potential common shares (a) (b)	**1,382**	1,867	2,562
Diluted weighted-average common shares outstanding	**454,935**	345,847	333,862
Diluted earnings per common share from continuing operations	**$ 4.26**	$ 2.10	$ 3.94
Diluted earnings per common share from discontinued operations	**.10**	.34	.38
Diluted earnings per common share	**$ 4.36**	$ 2.44	$ 4.32
(a) Excludes stock options considered to be anti-dilutive (in thousands)	**15,303**	8,815	4,135
(b) Excludes warrants considered to be anti-dilutive (in thousands)	**21,929**	19,410	

Basic earnings per share is calculated using the two-class method to determine income attributable to common stockholders. The two-class method requires undistributed earnings for the period, which represents net income less common and participating security dividends (if applicable) declared or paid, to be allocated between the common and participating security stockholders based upon their respective rights to receive dividends. Participating securities include unvested restricted shares that contain nonforfeitable rights to dividends. Income attributable to common stockholders is then divided by the weighted-average common shares outstanding for the period.

Diluted earnings per common share takes into consideration common stock equivalents issuable pursuant to convertible preferred stock, convertible debentures, warrants, unexercised stock options and unvested shares/units. Diluted earnings per common share is calculated under the more dilutive of either the treasury method or the two-class method.

NOTE 19 EQUITY

Preferred Stock

Information related to preferred stock is as follows:

December 31 Shares in thousands	Liquidation value per share	Preferred Shares 2009	Preferred Shares 2008
Authorized			
$1 par value		**16,956**	16,960
Issued and outstanding			
Series A	$ 40	**6**	6
Series B	40	**1**	1
Series C	20	**118**	119
Series D	20	**168**	171
Series K	10,000	**50**	50
Series L	100,000	**2**	2
Series N	100,000	**76**	76
Total issued and outstanding		**421**	425

On December 31, 2008, we issued $7.6 billion of Fixed Rate Cumulative Perpetual Preferred Stock, Series N, to the US Treasury under the US Treasury's Troubled Asset Relief Program (TARP) Capital Purchase Program, together with a warrant to purchase shares of common stock of PNC described below. We paid dividends totaling $332 million on this preferred stock in 2009. See Note 28 Subsequent Events regarding our February 2010 redemption of this preferred stock.

As part of the National City transaction, we issued 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L in exchange for National City's Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series F. Dividends are payable if and when declared each 1st of February, May, August and November. Dividends will be paid at a rate of 9.875% prior to February 1, 2013 and at a rate of three-month LIBOR plus 633 basis points beginning February 1, 2013. The Series L is redeemable at PNC's option, subject to a replacement capital covenant for the first ten years after issuance and subject to Federal Reserve approval, if then applicable, on or after February 1, 2013 at a redemption price per share equal to the liquidation preference plus any declared but unpaid dividends.

Also as part of the National City transaction, we established the PNC Non-Cumulative Perpetual Preferred Stock, Series M, which mirrors in all material respects the former National City Non-Cumulative Perpetual Preferred Stock, Series E. PNC has designated 5,751 preferred shares, liquidation value $100,000 per share, for this series. No shares have yet been issued; however, National City issued stock purchase contracts for 5,001 shares of its Series E Preferred Stock (now replaced by the PNC Series M as part of the National City transaction) to the National City Preferred Capital Trust I in connection with the issuance by that Trust of $500 million of 12.000% Fixed-to-Floating Rate Normal Automatic Preferred Enhanced Capital Securities (the Normal APEX Securities) in January 2008 by the Trust. It is expected that the Trust will purchase 5,001 of the Series M preferred shares pursuant to these stock purchase contracts on December 10, 2012 or on an earlier date and possibly as late as December 10, 2013. The Trust has pledged the $500,100,000 principal amount of National City 8.729% Junior Subordinated Notes due 2043 held by the Trust and their proceeds to secure this purchase obligation.

If Series M shares are issued prior to December 10, 2012, any dividends on such shares will be calculated at a rate per annum equal to 12.000% until December 10, 2012, and thereafter, at a rate per annum that will be reset quarterly and will equal three-month LIBOR for the related dividend period plus 8.610%. Dividends will be payable if and when declared by the Board at the dividend rate so indicated applied to the liquidation preference per share of the Series M Preferred Stock. The Series M is redeemable at PNC's option, subject to a replacement capital covenant for the first ten years after issuance and subject to Federal Reserve approval, if then applicable, on or after December 10, 2012 at a redemption price per share equal to the liquidation preference plus any declared but unpaid dividends.

As a result of the National City transaction, we assumed National City's obligations under replacement capital covenants with respect to (i) the Normal APEX Securities and our Series M shares and (ii) National City's 6,000,000 of Depositary Shares (each representing 1/4000th of an interest in a share of our 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L), whereby we agreed not to cause the redemption or repurchase of the Normal APEX or Depositary Shares, as applicable, or the underlying Preferred Stock and/or junior subordinated notes, as applicable, unless such repurchases or redemptions are made from the proceeds of the issuance of certain qualified securities and pursuant to the other terms and conditions set forth in the replacement capital covenant with respect to the Normal APEX (the APEX RCC) or the replacement capital covenant with respect to the Depositary Shares (the Depositary Shares RCC), as applicable.

As of December 31, 2009, each of the APEX RCC and the Depositary Shares RCC are for the benefit of holders of our $700 million of 6.875% Subordinated Notes Due 2019.

In May 2008, we issued $500 million of Depositary Shares, each representing a fractional interest in a share of PNC Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series K. Dividends are payable if and when declared each May 21 and November 21 until May 21, 2013. After that date, dividends will be payable each 21st of August, November, February and May. Dividends will be paid at a rate of 8.25% prior to May 21, 2013 and at a rate of three-month LIBOR plus 422 basis points beginning May 21, 2013.

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 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.

TARP Warrant

A warrant issued to the US Treasury in connection with the preferred stock described above enables the US Treasury to purchase up to approximately 16.9 million shares of PNC common stock at an exercise price of $67.33 per share. The warrant is immediately exercisable in full or in part and expires on December 31, 2018.

The proceeds from the issuance of the preferred stock to the US Treasury were allocated based on the fair values of the warrant and the preferred stock. The fair value of the warrant was determined using a Black-Scholes valuation model. The model incorporates assumptions regarding our common stock price, dividend yield, stock price volatility, as well as assumptions regarding the risk-free interest rate. Using this model, the warrant was valued at $304 million at December 31, 2008 and is included in Capital surplus – common stock and other on our Consolidated Balance Sheet.

The fair value of the preferred stock was determined based on assumptions regarding the discount rate (market rate) on the preferred stock, which was estimated to be approximately 13%. The discount on the preferred stock is being accreted to par value using a constant effective yield of 6% over a five-year period, which was the expected life of the preferred stock at issuance. The accretion of discount on these shares increased Capital surplus – preferred stock and reduced Retained earnings on our Consolidated Balance Sheet by approximately $54 million at December 31, 2009.

See Note 28 Subsequent Events regarding accretion to be recognized in the first quarter of 2010 in connection with the February 2010 redemption of the Series N preferred stock and other matters.

National City Warrants

As part of the National City transaction, warrants issued by National City converted into warrants to purchase PNC common stock. The holder has the option to exercise 28,022 warrants, on a daily basis, commencing June 15, 2011 and ending on July 15, 2011, and 28,023 warrants, on a daily basis, commencing July 18, 2011 and ending on October 20, 2011. The strike price of these warrants is $750 per share. Upon exercise, PNC will deliver common shares with a market value equal to the number of warrants exercised multiplied by the excess of the market price of PNC common stock over the strike price. The maximum number of shares that could be required to be issued is approximately 5.0 million, subject to adjustment in the case of certain events, make-whole fundamental changes or early termination. PNC has reserved 5.0 million shares for issuance pursuant to the warrants and 3.6 million shares for issuance pursuant to the related convertible senior notes.

Other Shareholders' Equity Matters

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: 534,515 shares in 2009, 716,819 shares in 2008 and 571,271 shares in 2007.

At December 31, 2009, we had reserved approximately 121.9 million common shares to be issued in connection with certain stock plans and the conversion of certain debt and equity securities.

Effective October 4, 2007, our Board of Directors approved a stock repurchase program to purchase up to 25 million shares of PNC common stock on the open market or in privately negotiated transactions. This program will remain in effect until fully utilized or until modified, superseded or terminated. We did not repurchase any shares during 2009 or 2008 under this program.

NOTE 20 OTHER COMPREHENSIVE INCOME

Details of other comprehensive income (loss) are as follows (in millions):

	Pretax	Tax	After-tax
Net unrealized securities gains (losses) and net OTTI losses on debt securities			
Balance at January 1, 2007			$ (91)
2007 activity			
Increase in net unrealized gain for securities held at year-end	$ (134)	$ 52	(82)
Less: net losses realized in net income (a)	(9)	3	(6)
Net unrealized securities gains	(125)	49	(76)
Balance at December 31, 2007			(167)
2008 activity			
Increase in net unrealized losses for securities held at year-end	(5,423)	1,992	(3,431)
Less: net losses realized in net income (a)	44	(16)	28
Net unrealized securities losses	(5,467)	2,008	(3,459)
Balance at December 31, 2008			(3,626)
2009 activity			
Decrease in net unrealized losses for securities held at year-end	**4,692**	**(1,721)**	**2,971**
Less: net gains realized in net income (a)	**167**	**(62)**	**105**
Net unrealized securities gains	**4,525**	**(1,659)**	**2,866**
Cumulative effect of adopting FASB ASC 320-10	**(174)**	**64**	**(110)**
Net increase in OTTI losses on debt securities	**(1,122)**	**416**	**(706)**
Net OTTI losses on debt securities	**(1,296)**	**480**	**(816)**
Balance at December 31, 2009			**$(1,576)**

(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 losses included on 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
Net unrealized gains (losses) on cash flow hedge derivatives			
Balance at January 1, 2007			$ (13)
2007 activity			
Increase in net unrealized gains on cash flow hedge derivatives	$ 283	$(104)	179
Less: net gains realized in net income	(14)	5	(9)
Net unrealized gains on cash flow hedge derivatives	297	(109)	188
Balance at December 31, 2007			175
2008 activity			
Increase in net unrealized gains on cash flow hedge derivatives	344	(127)	217
Less: net gains realized in net income	29	(11)	18
Net unrealized gains on cash flow hedge derivatives	315	(116)	199
Balance at December 31, 2008			374
2009 activity			
Decrease in net unrealized gains on cash flow hedge derivatives	**(178)**	**66**	**(112)**
Less: net gains realized in net income	**151**	**(55)**	**96**
Net unrealized losses on cash flow hedge derivatives	**(329)**	**121**	**(208)**
Balance at December 31, 2009			**$ 166**

	Pretax	Tax	After-tax
Pension, other postretirement and postemployment benefit plan adjustments			
Balance at January 1, 2007			$(148)
2007 activity	$ (49)	$ 20	(29)
Balance at December 31, 2007			(177)
2008 activity	(775)	285	(490)
Balance at December 31, 2008			(667)
2009 activity	**198**	**(73)**	**125**
Balance at December 31, 2009			**$(542)**
Other **(b)**			
Balance at January 1, 2007			$ 17
2007 activity	$ 24	$ (19)	5
Balance at December 31, 2007			22
2008 activity			
Foreign currency translation adj.	(129)	46	(83)
BlackRock deferred tax adj.		31	31
Total 2008 activity	(129)	77	(52)
Balance at December 31, 2008			(30)
2009 activity			
Foreign currency translation adj.	**48**	**(17)**	**31**
BlackRock deferred tax adj.		**(13)**	**(13)**
SBA I/O strip valuation adj.	**3**	**(1)**	**2**
Total 2009 activity	**51**	**(31)**	**20**
Balance at December 31, 2009			**$ (10)**

(b) Consists of foreign currency translation adjustments, deferred tax adjustments on BlackRock's other comprehensive income and interest-only strip valuation adjustments (2007) and (2009).

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

December 31 – in millions	2009	2008
Net unrealized securities losses	**$ (760)**	$(3,626)
OTTI losses on debt securities	**(816)**	
Net unrealized gains on cash flow hedge derivatives	**166**	374
Pension, other postretirement and post employment benefit plan adjustments	**(542)**	(667)
Other	**(10)**	(30)
Accumulated other comprehensive loss	**$(1,962)**	$(3,949)

NOTE 21 INCOME TAXES

The components of income taxes from continuing operations are as follows:

Year ended December 31 In millions	2009	2008	2007
Current			
Federal	**$(109)**	$ 473	$409
State	**46**	61	52
Total current	**(63)**	534	461
Deferred			
Federal	**912**	(211)	82
State	**18**	(25)	18
Total deferred	**930**	(236)	100
Total	**$ 867**	$ 298	$561

Significant components of deferred tax assets and liabilities are as follows:

December 31 - in millions	2009	2008
Deferred tax assets		
Allowance for loan and lease losses	**$1,978**	$1,564
Net unrealized securities losses	**922**	2,121
Compensation and benefits	**788**	813
Unrealized losses on loans	**1,349**	1,825
Loss and credit carryforward	**816**	269
Other	**1,287**	1,672
Total gross deferred tax assets	**7,140**	8,264
Valuation allowance	**(31)**	(23)
Total deferred tax assets	**7,109**	8,241
Deferred tax liabilities		
Leasing	**1,191**	1,292
Goodwill and Intangibles	**619**	636
Mortgage servicing rights	**618**	332
BlackRock basis difference	**1,850**	1,265
Other	**1,124**	968
Total deferred tax liabilities	**5,402**	4,493
Net deferred asset	**$1,707**	$3,748

A reconciliation between the statutory and effective tax rates follows:

Year ended December 31	2009	2008	2007
Statutory tax rate	**35.0%**	35.0%	35.0%
Increases (decreases) resulting from			
State taxes net of federal benefit	**1.2**	2.3	2.3
Tax-exempt interest	**(1.2)**	(1.9)	(.9)
Life insurance	**(1.9)**	(2.6)	(1.8)
Dividend received deduction	**(1.2)**	(3.5)	(1.7)
Tax credits	**(5.4)**	(4.8)	(3.2)
Tax gain on sale of Hilliard Lyons		4.7	
Other	**.4**	(2.0)	(.5)
Effective tax rate	**26.9%**	27.2%	29.2%

At December 31, 2009 and 2008, we had available $1.2 billion and $124 million, respectively, of federal and $2.0 billion and $1.7 billion, respectively, of state income tax net operating loss carryforwards. At December 31, 2009 and 2008, a valuation allowance of $31 million and $23 million, respectively, was recorded against the deferred tax asset associated with the state income tax net operating losses. The net operating loss carryforwards will expire from 2010 through 2029.

At December 31, 2009 and 2008, we had available $254 million and $119 million, respectively, of federal and $4 million and $4 million, respectively, of state tax credit carryforwards. The tax credit carryforwards will expire from 2010 through 2029.

At December 31, 2009, a deferred tax liability of $18 million has been provided on the difference in the stock investment and tax basis of GIS, a US subsidiary, since PNC can no longer recover this investment in a tax-free manner.

At December 31, 2009, $62 million of undistributed earnings of non-US subsidiaries had no deferred US income taxes provided. At December 31, 2008, $59 million of undistributed earnings of non-US subsidiaries had no deferred US income taxes provided.

Retained earnings at December 31, 2009 included $117 million in allocations for bad debt deductions of former thrift subsidiaries for which no income tax has been provided. Under current law, if certain subsidiaries use these bad debt reserves for purposes other than to absorb bad debt losses, they will be subject to Federal income tax at the current corporate tax rate.

As of December 31, 2009 and 2008, we had a liability for uncertain tax positions excluding interest and penalties of $227 million and $257 million, respectively. A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

Changes in Unrecognized Tax Benefits

In millions	**2009**	2008	2007
Balance of gross unrecognized tax benefits at January 1	**$257**	$ 57	$ 49
Increases:			
Positions taken during a prior period	**22**	203(a)	52(b)
Positions taken during the current period	**26**		1
Decreases:			
Positions taken during a prior period	**(39)**	(3)	(2)
Settlements with taxing authorities	**(34)**		(39)
Reductions resulting from lapse of statute of limitations	**(5)**		(4)
Balance of gross unrecognized tax benefits at December 31	**$227**	$257	$ 57

(a) Includes $202 million acquired from National City.
(b) Includes $42 million acquired from Mercantile.

December 31, 2009 – In millions	**2009**
Unrecognized tax benefits related to:	
Acquired companies within measurement period:	
Permanent differences	**$ 5**
Other:	
Temporary differences	**37**
Permanent differences	**185**
Total	**$227**

Any changes in the amounts of unrecognized tax benefits related to temporary differences would result in a reclassification to deferred tax liability; any changes in the amounts of unrecognized tax benefits related to other permanent differences (per above table) would result in an adjustment to income tax expense and therefore our effective tax rate. The unrecognized tax benefits related to other permanent items above that if recognized would affect the effective tax rate is $162 million. This is less than the total amount of unrecognized tax benefit related to permanent differences because a portion of those unrecognized benefits relate to state tax matters.

It is reasonably possible that the liability for uncertain tax positions could increase or decrease in the next twelve months due to completion of tax authorities' exams or the expiration of statutes of limitations. Management estimates that the liability for uncertain tax positions could decrease by $44 million within the next twelve months.

The consolidated federal income tax returns of The PNC Financial Services Group, Inc. and subsidiaries through 2003 have been audited by the Internal Revenue Service (IRS) and we have resolved all disputed matters through the IRS appeals division. The IRS is currently examining the 2004 through 2006 consolidated federal income tax returns of The PNC Financial Services Group, Inc. and subsidiaries and we expect that examination to conclude, with all adjustments being agreed to, in the first half of 2010. We expect the IRS to begin its examination of our 2007 and 2008 consolidated federal income tax returns during 2010.

The consolidated federal income tax returns of National City through 2004 have been audited by the IRS and we have resolved all matters through the IRS Appeals division. The formal closing agreement is not yet executed. The IRS has completed field examination of the 2005 through 2007 consolidated federal income tax returns of National City and unresolved issues will be appealed. We expect the 2008 federal income tax return to begin being audited later in 2010.

California, Delaware, District of Columbia, Florida, Illinois, Indiana, Maryland, Missouri, New Jersey, New York, and New York City are principally where we were subject to state and local income tax. Audits currently in process for these states include: California (2003-2005), Illinois (2004-2007), Indiana (2004-2007), Missouri (2003-2005), New York (2001-2006), and New York City (2005-2007). In the ordinary course of business we are routinely subject to audit by the taxing authorities of states and at any given time a number of audits will be in process. The years remaining open under the statute of limitations for assessing income taxes is 2006 or 2007 and later for most state and local jurisdictions.

Our policy is to classify interest and penalties associated with income taxes as income tax expense. For 2009, we had net recoveries of $24 million of gross interest and penalties reducing income tax expense. The total accrued interest and penalties at December 31, 2009 and December 31, 2008 was $144 million and $164 million, respectively.

NOTE 22 SUMMARIZED FINANCIAL INFORMATION OF BLACKROCK

As required by SEC Regulation S-X, summarized consolidated financial information of BlackRock follows (in millions).

December 31	2009	2008
Total assets	**$177,994**	$19,924
Total liabilities	**153,392**	7,364
Non-controlling interests	**273**	491
Stockholders' equity	**24,329**	12,069
Total liabilities, non-controlling interests and stockholders' equity	**$177,994**	$19,924

Year ended December 31	2009	2008	2007
Total revenue	**$4,700**	$5,064	$4,845
Total expenses	**3,422**	3,471	3,551
Operating income	**1,278**	1,593	1,294
Non-operating income (expense)	**(6)**	(577)	526
Income before income taxes	**1,272**	1,016	1,820
Income tax expense	**375**	387	463
Net income	**897**	629	1,357
Less: net income (loss) attributable to non-controlling interests	**22**	(155)	364
Net income attributable to BlackRock	**$ 875**	$ 784	$ 993

NOTE 23 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 US regulatory capital ratios are 4% for tier 1 risk-based, 8% for total risk-based and 4% for leverage. 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, 2009 and December 31, 2008, PNC Bank, N.A. met the "well capitalized" capital ratio requirements.

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

Regulatory Capital

December 31 Dollars in millions	Amount		Ratios	
	2009	2008	2009	2008
Risk-based capital				
Tier 1				
PNC	**$26,523**	$24,287	**11.4%**	9.7%
PNC Bank, N.A.	**24,491**	8,338	**10.9**	7.1
Total				
PNC	**34,813**	33,116	**15.0**	13.2
PNC Bank, N.A.	**32,481**	12,104	**14.4**	10.3
Leverage				
PNC	**NM**	NM	**10.1**	17.5
PNC Bank, N.A.	**NM**	NM	**9.3**	6.3

NM—Not meaningful.

The principal source of parent company cash flow is the dividends it receives from its subsidiary bank, 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 $378 million at December 31, 2009.

Under federal law, a bank subsidiary 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). At December 31, 2009, the balance outstanding at the FRB was $38 million.

NOTE 24 LEGAL PROCEEDINGS

National City Matters

In December 2008, we completed the acquisition of National City through the merger of National City into The PNC Financial Services Group, Inc. As a result, we are now responsible for litigation and other claims pending against National City and its subsidiaries at that time. We are also responsible for litigation and other claims arising out of the conduct of the business of National City and its subsidiaries before the acquisition that have been or will be in the future brought against us.

The lawsuits and other matters described below arise from National City's business prior to the merger. We may be responsible for indemnifying individual defendants in these lawsuits and other matters.

See also "National City Acquisition-Related Litigation" below for information regarding litigation filed against PNC and National City relating to the merger and "Regulatory and Governmental Inquiries" for information regarding regulatory matters with respect to National City.

Visa. Beginning in June 2005, a series of antitrust lawsuits were filed against Visa®, MasterCard®, and several major financial institutions, including cases naming National City (since merged into PNC) and its subsidiary, National City Bank of Kentucky, since merged into National City Bank. The cases have been consolidated for pretrial proceedings in the United States District Court for the Eastern District of New York. Those cases naming National City were brought as class actions on behalf of all persons or business entities who have accepted Visa® or Master Card®. The plaintiffs, merchants operating commercial businesses throughout the US and trade associations, allege that the defendants conspired to fix the prices for general purpose card network services, resulting in the payment of inflated interchange fees, in violation of the antitrust laws. In January 2009, the plaintiffs filed amended and supplemental complaints adding, among other things, allegations that the restructuring of Visa and MasterCard, each of which included an initial public offering, violated the antitrust laws. The plaintiffs seek injunctive relief, actual and treble damages and attorneys' fees. On January 8, 2008, the district court dismissed plaintiffs' claims for damages incurred prior to January 1, 2004. In April 2009, the defendants filed a motion to dismiss the amended and supplemental complaints. National City and National City Bank entered into judgment and loss sharing agreements with Visa and certain other banks with respect to all of the above referenced litigation. All of this litigation against Visa is also subject to the indemnification obligations described in Note 25 Commitments and Guarantees. PNC Bank, N.A. is not named a defendant in any of the Visa or MasterCard related antitrust litigation nor was it initially a party to the judgment or loss sharing agreements, but it has been subject to these indemnification obligations and became responsible for National City Bank's position in the litigation and under the agreements upon completion of the merger of National City Bank into PNC Bank, N.A.

Merrill Lynch. In December 2006, National City Bank completed the sale of its First Franklin nonprime mortgage origination and servicing platform to Merrill Lynch Bank & Trust Co., FSB. By letters dated April 10, 2008 and June 16, 2008, Merrill Lynch notified National City Bank of its indemnification claim pursuant to the purchase agreement. Merrill Lynch alleged that National City Bank breached certain representations or warranties contained in the purchase agreement related to Merrill Lynch's alleged repurchases of mortgage loans originated by First Franklin prior to its sale to Merrill Lynch as well as mortgage loans as to which it faced repurchase demands. Merrill Lynch also asserted that National City Bank was responsible for indemnifying Merrill Lynch for certain settled or pending lawsuits against First Franklin. In December 2009, we settled all outstanding breach of representation and warranty and indemnification claims by Merrill Lynch. The amount of the settlement is not material to PNC.

ERISA Cases. Commencing in January 2008, a series of substantially similar lawsuits were brought against National City, the Administrative Committee of the National City Savings and Investment Plan (the Plan), National City Bank (as trustee), and some of National City's officers and directors. These cases have been consolidated in the United States District Court for the Northern District of Ohio, and the plaintiffs have filed a consolidated amended complaint. The consolidated action was brought as a class action on behalf of all participants in or beneficiaries of the Plan at any time between September 5, 2006 and the present and whose Plan accounts included investments in National City common stock, as well as all participants in or beneficiaries of the Plan and whose accounts were invested in Allegiant Funds from March 25, 2002 to the present. The consolidated complaint alleges breaches of fiduciary duty under the Employee Retirement Income Security Act of 1974 (ERISA) relating to, among other things, National City stock being offered as an investment alternative in the Plan, conflicts of interest, and monitoring and disclosure obligations. The consolidated complaint also alleges that the Administrative Committee defendants breached their fiduciary duties under ERISA, engaged in prohibited transactions by authorizing or causing the Plan to invest in Allegiant Funds, and violated ERISA duties of loyalty by virtue of National City's receipt of financial benefits in the forms of fees paid to Allegiant Asset Management Company for managing the mutual funds. The complaint seeks equitable relief (including a declaration that defendants breached their ERISA fiduciary duties, an order compelling the defendants to make good any losses to the Plan caused by their actions, the imposition of a constructive trust on any profits earned by the defendants from their actions and restitution), unspecified money damages and attorneys' fees and costs. A motion to dismiss the amended consolidated complaint is pending. In February 2010, the parties reached a tentative settlement, which is subject to, among other things, documentation, notice to the proposed class and court approval. The amount of the settlement would not be material to PNC.

In February 2009, a lawsuit was filed in the United States District Court for the Northern District of Ohio against National City, National City Bank, the Administrative Committee of the National City Savings and Investment Plan, Harbor Federal Savings Bank, the Harbor Employees Stock Ownership Plan Committee and certain National City and Harbor directors and officers. This lawsuit was brought as a class action on behalf of all participants in or beneficiaries of the Harbor ESOP between December 1, 2006 and the present whose account in the Harbor ESOP held National City stock (including National City units), and who continued to be employed by National City through December 31, 2007. The complaint alleges breaches of fiduciary duties under ERISA relating to, among other things, National City stock being offered as an investment alternative, an alleged lock-up of National City stock, failure to pay benefits, conflicts of interest, and monitoring and disclosure obligations. The complaint seeks equitable relief (including a declaration that the defendants breached their ERISA fiduciary duties, an injunction prohibiting further breaches, an order compelling the defendants to make good any losses to the Plan caused by their actions, the imposition of a constructive trust on any profits earned by the defendants from their actions and restitution), unspecified money damages and attorneys' fees and costs. The defendants filed a motion to dismiss the complaint in May 2009. In December 2009, the parties reached a tentative settlement. In January 2010, the parties executed an agreement memorializing the terms of the settlement. In February 2010, the court preliminarily approved the settlement, ordered that notice be provided to the class and scheduled a final settlement hearing in May 2010. The settlement is subject to, among other things, notice to the proposed class and court approval. The amount of the settlement would not be material to PNC.

Derivative Cases. Commencing in January 2008, a series of shareholder derivative complaints were filed in the United States District Court for the Northern District of Ohio, the Chancery Court for the State of Delaware and the Cuyahoga County, Ohio, Court of Common Pleas against certain officers and directors of National City. Subsequently, the complaints filed in Delaware were voluntarily dismissed and the complaints filed in Ohio state court were consolidated and stayed pending resolution of the Ohio federal court derivative litigation. A consolidated complaint was filed in the federal court. These suits make substantially similar allegations against certain officers and directors of National City for, among other things, breaches of fiduciary duty, waste of corporate assets, unjust enrichment and (in the federal court case) violations of the Securities Exchange Act of 1934, based on claims, among others, that National City issued inaccurate information to investors about the status of its business and prospects, and that the defendants caused National City to repurchase shares of its stock at artificially inflated prices. The complaints seek unspecified money damages and equitable relief (including restitution and certain corporate governance changes) against the individual defendants on behalf of National City, as well as attorneys' fees and costs. In October 2009, the federal district court entered an order dismissing the federal consolidated complaint for lack of standing.

Securities and State Law Fiduciary Cases. Several lawsuits have been filed against National City and its officers and directors alleging misrepresentations and omissions in violation of the federal securities laws in connection with statements and disclosures relating in one or more cases to, among other things, the nature, quality, performance and risks of National City's non-prime, construction and home equity portfolios, its loan loss reserves, its financial condition, and related allegedly false and misleading financial statements. Some of the lawsuits allege state common law violations. In some cases, the lawsuits were brought in an individual capacity, with the others brought as class actions. The relief sought generally includes unspecified damages, attorneys' fees and expenses, and, where indicated below, equitable relief. The following is a summary of the significant lawsuits in this category:

- In January 2008, a lawsuit was filed in the United States District Court for the Northern District of Ohio against National City and certain officers and directors of National City. As amended, this lawsuit was brought as a class action on behalf of purchasers of National City's stock during the period April 30, 2007 to April 21, 2008 and also on behalf of everyone who acquired National City stock pursuant to a registration statement filed in connection with its acquisition of MAF Bancorp in 2007. The amended complaint alleges violations of federal securities laws regarding public statements and disclosures. A motion to dismiss the amended complaint is pending. A magistrate judge has recommended dismissal of the lawsuit without prejudice, with a right for plaintiffs to file a further amended complaint within 30 days. Plaintiffs have filed objections to that recommendation, which is subject to adoption by the district court.
- In April 2008, a lawsuit was filed in the Cuyahoga County, Ohio, Court of Common Pleas against National City, certain officers and directors of National City, and its auditor, Ernst & Young, LLP. (Ernst & Young is no longer a defendant in this lawsuit.) The complaint was brought as a class action on behalf of all current and former National City employees who acquired stock pursuant to and/or traceable to a December 1, 2006 registration statement filed in connection with the acquisition of Harbor Federal Savings Bank and who were participants in the Harbor Bank Employees Stock Ownership Plan and the Harbor Bank Stock Incentive Plan. The plaintiffs allege that the registration

statement contained false and misleading statements and omissions in violation of the federal securities laws. Defendants removed the case to the United States District Court for the Northern District of Ohio and filed a motion to dismiss the complaint. The federal court has subsequently remanded the case back to the Ohio state court. The defendants filed a motion to dismiss the amended complaint in the Ohio state court in May 2009. The parties reached a tentative settlement in November 2009, which is subject to, among other things, documentation, notice to the proposed class and court approval. The amount of the settlement would not be material to PNC.

- In May 2008, a lawsuit was filed on behalf of an individual plaintiff in the Franklin County, Ohio, Court of Common Pleas against National City, certain directors of National City, and Corsair Co-Invest, L.P. and unnamed other investors participating in the April 2008 capital infusion into National City alleging that National City's directors breached their fiduciary duties by entering into this capital infusion transaction. In addition to monetary damages and attorneys' fees and costs, the complaint seeks a declaratory judgment that the Corsair transaction is void and/or voidable and injunctive relief rescinding the Corsair transaction. A motion to dismiss the case has been denied.
- In August 2008, a lawsuit was filed in the Palm Beach County, Florida, Circuit Court against National City and certain officers and directors of National City. The lawsuit was brought as a class action on behalf of all who acquired National City stock pursuant to and/or traceable to the registration statement filed in connection with National City's acquisition of Fidelity Bankshares, Inc. The complaint alleges that the registration statement contained false and misleading statements and omissions in violation of the federal securities laws. This lawsuit was removed to federal court in Florida and then transferred to the United States District Court for the Northern District of Ohio. The defendants have filed a motion to dismiss the complaint, which is pending.
- In October 2008, a lawsuit was filed in the United States District Court for the Western District of Pennsylvania against National City. In December 2008, the complaint was amended to add as defendants Corsair Capital, LLC, Corsair NC Co-Invest, L.P. and unnamed other investors participating in the April 2008 capital infusion into National City. As amended, the lawsuit was brought as a class action on behalf of all shareholders of National City who owned shares as of October 24, 2008. The amended complaint alleges breaches of fiduciary duties in connection with the capital infusion and misstatements and omissions relating to the effect of the capital infusion, National City's ability to participate in the TARP Capital Purchase Program, and National City's capital position and financial stability in violation of the federal securities laws. This case was conditionally transferred to the United States District Court for the Northern District of Ohio. In November 2009, the plaintiffs filed a motion to dismiss the complaint for their failure to serve the defendants, which the defendants did not oppose. This motion is pending.
- In December 2008, a lawsuit was filed in the United States District Court for the Northern District of Ohio against National City and some of its officers and directors. The lawsuit was brought as a class action on behalf of all who purchased National City's 4.0% Convertible Senior Notes Due 2011 pursuant to and/or traceable to the registration statement and prospectus supplement issued in connection with the January 2008 offering of these notes and all who purchased these notes in the open market between January 23 and September 30, 2008. In November 2009, plaintiffs filed an amended complaint, alleging that National City's public statements and disclosures, including the registration statement and prospectus supplement, contained false and misleading statements and omissions in violation of the Securities Act of 1933 and the Securities Exchange Act of 1934. In February 2010, plaintiffs filed a second amended complaint, alleging only claims under the Securities Act of 1933. The lawsuit is no longer being brought on behalf of those who purchased notes in the open market between January 23 and September 30, 2008.

National City Acquisition-Related Litigation

National City is a defendant in numerous lawsuits filed in and after October 2008 as class actions on behalf of National City stockholders. These lawsuits are pending in the Delaware Chancery Court (all of which were consolidated into a single lawsuit), the United States District Court for the Northern District of Ohio and the Cuyahoga County, Ohio, Court of Common Pleas. The consolidated Delaware case and most of the Ohio cases include PNC as a defendant. All of these lawsuits also name as defendants National City's directors and one of the Ohio federal lawsuits names National City officers as defendants.

The complaints in these cases allege that the National City directors breached their fiduciary duties to the stockholders of National City in connection with the proposed transaction with PNC. The lawsuits generally allege that National City directors breached their fiduciary duties by, among other things, causing National City to enter into the proposed transaction at an allegedly inadequate and unfair price, engaging in self-dealing and acting with divided loyalties, and failing to disclose material information to the stockholders. Some lawsuits allege violations of the federal securities laws. In the cases naming PNC as a defendant, PNC is alleged to have aided and abetted the other defendants' breaches of fiduciary duties. The various complaints seek, among other remedies, an accounting, imposition of a constructive trust, unspecified damages, rescission, costs of suit, and attorneys' fees.

In addition, the plaintiffs in one of the pending derivative lawsuits against the National City directors in the Cuyahoga County Court of Common Pleas referred to above have moved to amend their complaint to add merger-related claims, including claims that National City's directors agreed to sell National City in order to extinguish their own personal liability in derivative litigation pending against them. PNC is not named as a defendant in the proposed amended complaint. In December 2008, the Ohio state court denied the plaintiffs' motion to lift the stay and to conduct expedited discovery in support of the proposed amended complaint. Upon final approval of the settlement described below, the merger-related claims will be resolved and plaintiffs have agreed that they will seek to dismiss the derivative action without prejudice, subject to approval of the Ohio court.

The parties to the Delaware lawsuit and to certain of the Ohio state court lawsuits entered into a stipulation of settlement in February 2009 to resolve the Delaware lawsuit, one of the Ohio state court lawsuits and the acquisition-related claim proposed to be filed in a derivative lawsuit pending in Ohio state court. In February 2009, the Court of Chancery preliminarily approved a class of all persons who were National City common stockholders during the period from the close of business on October 23, 2008 through (and including) December 31, 2008. In July 2009, the Court of Chancery approved the settlement. In addition, in connection with the settlement, the Court of Chancery awarded attorneys' fees and expenses to plaintiffs' counsel to be paid by PNC. In September 2009, objectors to the settlement filed appeals of the approval to the Delaware Supreme Court. In addition, the plaintiffs have cross-appealed the size of the award of attorneys' fees and costs. The Delaware Supreme Court has scheduled oral argument on the appeals and the cross-appeal for April 2010. Upon final approval, the settlement would resolve and release all claims in all actions that were or could have been brought challenging any aspect of the merger, the merger agreement, and any disclosure made in connection therewith.

Adelphia

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.

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. Pursuant to Adelphia's plan of reorganization, this lawsuit is being prosecuted by a contingent value vehicle, known as the Adelphia Recovery Trust. In October 2007, the Adelphia Recovery Trust filed an amended complaint in this lawsuit, adding defendants and making additional allegations.

In June 2008, the district court granted in part defendants' motion to dismiss. The court dismissed the principal bankruptcy law claims that had not previously been dismissed by the Bankruptcy Court, including claims alleging voidable preference payments, fraudulent transfers, and equitable disallowance. The effect of this ruling is to dismiss from this lawsuit all claims against most of the defendants, but leave pending claims against PNC and other original members of Adelphia loan syndicates and then-affiliated investment banks. In December 2008, the court granted a motion made on behalf of a number of defendants to enter final judgment on the dismissed claims to permit immediate appellate review of the issues resolved by the district court in June 2008 and by the bankruptcy court prior to the filing of the amended complaint. The appeal on these issues to the United States Court of Appeals for the Second Circuit is pending. The district court has scheduled the case for trial on the remaining claims in September 2010.

The other pending lawsuits were brought by holders of debt or equity securities of Adelphia and have been consolidated for pretrial purposes in the United States District Court for the Southern District of New York.

The pending lawsuits arise out of lending and investment banking activities engaged in by PNC subsidiaries and many other financial services companies. Collectively, with respect to some or all of the defendants, the lawsuits allege federal law claims (including violations of federal securities and banking laws), violations of common law duties, aiding and abetting such violations, voidable preference payments, and fraudulent transfers, among other matters. The lawsuits seek monetary damages (including in some cases punitive or treble damages), interest, attorneys' fees and other expenses, and a return of the alleged voidable preference and fraudulent transfer payments, among other remedies.

CBNV Mortgage Litigation

Between 2001 and 2003, on behalf of either individual plaintiffs or a class of plaintiffs, several separate actions were filed in state and federal courts against Community Bank of Northern Virginia (CBNV) and other defendants challenging the validity of second mortgage loans the defendants made to the plaintiffs. CBNV was merged into one of Mercantile's banks prior to Mercantile's acquisition by PNC. These cases were either filed in, or removed to, the United States District Court for the Western District of Pennsylvania.

In August 2006, a proposed settlement agreement covering an action in which the plaintiffs and class members have second mortgages that were assigned to Residential Finance Corporation (RFC) was submitted to the district court for its approval. In August 2008, the district court entered an order giving final approval to the settlement agreement. Some objecting class members have appealed that order to the United States Court of Appeals for the Third Circuit. Separately, other individuals, whose loans were not acquired by RFC, have actions pending on behalf of themselves or a class alleging claims similar to those asserted in the settled action with respect to the RFC loans. In one of these actions, the alleged class overlaps the class in the settled action. These actions remain pending in the district court.

In January 2008, the district court also issued an order sending back to state court in North Carolina the claims of two class members. These two plaintiffs then sought to represent a class of North Carolina borrowers in state court, but the federal district court in Pennsylvania enjoined class proceedings in March 2008. In April 2008, the General Court of Justice, Superior Court Division, for Wake County, North Carolina granted these two plaintiffs' motion for summary judgment on their individual claims in this case. On appeal, the North Carolina Court of Appeals ruled that it had no jurisdiction over the appeal and remanded the case to the lower court. Currently pending before the North Carolina Supreme Court are appeals of both the jurisdictional decision of the Court of Appeals and the merits of the original grant of summary judgment.

The plaintiffs in all of these lawsuits seek unquantified monetary damages, rescission of loans, interest, attorneys' fees and other expenses.

BAE Derivative Litigation

In September 2007, a derivative lawsuit was filed on behalf of BAE Systems plc by a holder of its American Depositary Receipts against current and former directors and officers of BAE, Prince Bandar bin Sultan, PNC (as successor to Riggs National Corporation and Riggs Bank, N.A.), Joseph L. Allbritton, Robert L. Allbritton, and Barbara Allbritton. The complaint alleged that BAE directors and officers breached their fiduciary duties by making or permitting to be made improper or illegal bribes, kickbacks and other payments with respect to a military contract obtained in the mid-1980s from the Saudi Arabian Ministry of Defense, and that Prince Bandar was the primary recipient or beneficiary of these payments. The complaint also alleged that Riggs, together with the Allbrittons (as former directors, officers and controlling persons of Riggs), acted as the primary intermediaries through which the payments were laundered and actively concealed, and aided and abetted the BAE defendants' breaches of fiduciary duties, and sought unquantified monetary damages (including punitive damages), an accounting, interest, attorneys' fees and other expenses. In September 2008, the United States District Court for the District of Columbia granted the motions of all defendants to dismiss the plaintiff's complaint. Plaintiff appealed to the United States Court of Appeals for the District of Columbia Circuit, which, in December 2009, affirmed the ruling of district court.

Regulatory and Governmental Inquiries

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 of investigations and other forms of regulatory inquiry, in some cases as part of regulatory reviews of specified activities at multiple industry participants. Among the areas in which there is currently significant regulatory interest are practices in the mutual fund and mortgage lending businesses. Several of our subsidiaries have received requests for information and other inquiries from governmental and regulatory authorities in these and other areas.

The SEC is investigating activities at National City prior to its acquisition by PNC. Enforcement staff in the SEC's Chicago Regional Office and Washington Office are conducting investigations, in which PNC is cooperating. The SEC has requested that National City provide the SEC with documents concerning, among other things, National City's capital-raising activities, loan underwriting experience, allowance for loan losses, marketing practices, dividends, bank regulatory matters and the sale of First Franklin Financial Corporation.

The SEC is conducting a non-public investigation into events at Equipment Finance LLC (EFI), a subsidiary of Sterling Financial Corporation, which PNC acquired in April 2008. The United States Attorney's Office for the Eastern District of Pennsylvania is also investigating the EFI situation.

Our practice is to cooperate fully with regulatory and governmental investigations, audits and other inquiries, including those described above. Such investigations, audits and other inquiries may lead to remedies such as fines, restitution or alterations in our business practices.

Other

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.

See Note 25 Commitments and Guarantees for additional information regarding the Visa indemnification and our obligation to provide indemnification to current and former officers, directors, employees and agents of PNC and companies we have acquired, including National City.

NOTE 25 COMMITMENTS AND GUARANTEES

EQUITY FUNDING AND OTHER COMMITMENTS

Our unfunded commitments at December 31, 2009 included private equity investments of $453 million and other investments of $66 million.

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, such as remarketing programs for customers' variable rate demand notes. Net outstanding standby letters of credit totaled $10.0 billion at December 31, 2009 and $10.3 billion at December 31, 2008. Based on PNC's internal risk rating process for standby letters of credit as of December 31, 2009, 86% of the net outstanding balance had internal credit ratings of pass, indicating the expected risk of loss is currently low compared to 88% as of December 31, 2008, while 14% of the net outstanding balance as of December 31, 2009 had internal risk ratings below pass, indicating a higher degree of risk of default compared to 12% as of December 31, 2008.

If the customer fails to meet its financial or performance obligation to the third party under the terms of the contract or there is a need to support a remarketing program, 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, 2009 had terms ranging from less than 1 year to 9 years. The aggregate maximum amount of future payments PNC could be required to make under outstanding standby letters of credit and risk participations in standby letters of credit and bankers' acceptances was $13.1 billion at December 31, 2009, of which $6.1 billion support remarketing programs.

As of December 31, 2009, assets of approximately $1.0 billion secured certain specifically identified standby letters of credit. Approximately $3.1 billion in recourse provisions from third parties was also available for this purpose as of December 31, 2009. 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 $270 million at December 31, 2009.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES

We enter into standby bond purchase agreements to support municipal bond obligations. At December 31, 2009, the aggregate of our commitments under these facilities was $476 million. We also enter into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits including Market Street. At December 31, 2009, 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 and residential 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. Due to the nature of these indemnification provisions, we cannot calculate our aggregate potential exposure under them.

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 which were insignificant at December 31, 2009.

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 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 had to their officers, directors and sometimes employees and agents at the time of acquisition. We advanced such costs on behalf of several such individuals with respect to pending litigation or investigations during 2009. 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 facilitated by Global Investment Servicing 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, 2009, the total maximum potential exposure as a result of these indemnity obligations was $7.5 billion, although the collateral at the time exceeded that amount.

VISA INDEMNIFICATION

Our payment services business issues and acquires credit and debit card transactions through Visa U.S.A. Inc. card association or its affiliates (Visa).

In October 2007 Visa completed a restructuring and issued shares of Visa Inc. common stock to its financial institution members (Visa Reorganization) in contemplation of its initial public offering (IPO). As part of the Visa Reorganization, we received our proportionate share of a class of Visa Inc. common stock allocated to the US members. Prior to the IPO, the US members, which included PNC, were obligated to indemnify Visa for judgments and settlements related to the specified litigation. We continue to have an obligation to indemnify Visa for judgments and settlements for the remaining specified litigation.

As a result of the acquisition of National City, we became party to judgment and loss sharing agreements with Visa and certain other banks. The judgment and loss sharing agreements were designed to apportion financial responsibilities arising from any potential adverse judgment or negotiated settlements related to the specified litigation.

In July 2009, Visa funded $700 million to an escrow account and reduced the conversion ratio of Visa B to A shares. We consequently recognized our estimated $66 million share of the $700 million as a reduction of our indemnification liability and a reduction of noninterest expense.

Our Visa indemnification liability included on our Consolidated Balance Sheet at December 31, 2009 totaled $194 million as a result of the indemnification provision in Section 2.05j of the Visa By-Laws and/or the indemnification provided through the judgment and loss sharing agreements. Any ultimate exposure to the specified Visa litigation may be different than this amount.

RECOURSE AGREEMENTS

We are authorized to underwrite, originate, fund, sell and service commercial mortgage loans and then sell them to FNMA under FNMA's DUS program. We have similar arrangements with FHLMC.

Under these programs, we generally assume up to one-third of the risk of loss on unpaid principal balances through a loss share arrangement. At December 31, 2009, the potential exposure to loss was $6.0 billion. Accordingly, we maintain a reserve for such potential losses which approximates the fair value of this exposure. At December 31, 2009, the unpaid principal balance outstanding of loans sold as a participant in these programs was $19.7 billion. The approximate fair value of the loss share arrangement in the form of reserves for losses under these programs, totaled $71 million as of December 31, 2009 and is included in other liabilities on our Consolidated Balance Sheet. If payment is required under these programs, we would not have a contractual interest in the collateral underlying the mortgage loans on which losses occurred, although the value of the collateral is taken into account in determining our share of such losses. The serviced loans are not included on our Consolidated Balance Sheet.

We sell residential mortgage loans pursuant to agreements which contain representations concerning subjects such as credit information, loan documentation, collateral, and insurability. Prior to the acquisition, National City also sold home equity loans/lines of credit pursuant to such agreements. On a regular basis, investors may request PNC to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. During 2009 the frequency of such requests increased in relation to prior years. This increase was driven by higher loan delinquencies, resulting from deterioration in overall economic conditions and trends, particularly those impacting the residential housing sector.

Upon completion of its own investigation as to the validity of the claim, PNC will repurchase or provide indemnification on such loans. This may take the form of an outright repurchase of the loan or a settlement payment to the investor. If the loan is repurchased it is properly considered in our nonperforming loan disclosures and statistics. Indemnification requests are generally received within two years subsequent to the date of sale.

Management maintains a liability for estimated losses on loans expected to be repurchased, or on which indemnification is expected to be provided, and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. As part of its evaluation of the adequacy of this recourse liability, management considers estimated loss projections over the life of the subject loan portfolio. At December 31, 2009 the liability for estimated losses on repurchase and indemnification claims was $275 million, which is reported in other liabilities on the Consolidated Balance Sheet.

REINSURANCE AGREEMENTS

We have two wholly-owned captive insurance subsidiaries which provide reinsurance to third-party insurers related to insurance sold to our customers. These subsidiaries enter into various types of reinsurance agreements with third-party insurers where the subsidiary assumes the risk of loss through either an excess of loss or quota share agreement up to 100% reinsurance. In excess of loss agreements, these subsidiaries assume the risk of loss for an excess layer of coverage up to specified limits, once a defined first loss percentage is met. In quota share agreements, the subsidiaries and third-party insurers share the responsibility for payment of all claims. Reserves were recognized for probable losses on these policies of $220 million at December 31, 2009 and $207 million at December 31, 2008. The aggregate maximum exposure up to the specified limits for all reinsurance contracts was $1.7 billion as of December 31, 2009.

NOTE 26 PARENT COMPANY

Summarized financial information of the parent company is as follows:

Income Statement

Year ended December 31 - in millions	2009(a)	2008	2007
OPERATING REVENUE			
Dividends from:			
Bank subsidiaries and bank holding company	**$ 839**	$1,012	$1,078
Non-bank subsidiaries	**84**	168	74
Interest income	**12**	4	15
Noninterest income	**28**	18	23
Total operating revenue	**963**	1,202	1,190
OPERATING EXPENSE			
Interest expense	**495**	152	160
Other expense	**21**	46	84
Total operating expense	**516**	198	244
Income before income taxes and equity in undistributed net income of subsidiaries	**447**	1,004	946
Income tax benefits	**(147)**	(50)	(78)
Income before equity in undistributed net income of subsidiaries	**594**	1,054	1,024
Equity in undistributed net income of subsidiaries:			
Bank subsidiaries and bank holding company	**1,736**	(125)	229
Non-bank subsidiaries	**117**	(47)	214
Net income	**$2,447**	$ 882	$1,467

Balance Sheet

December 31 - in millions	2009	2008 (a)
ASSETS		
Cash and due from banks	**$ 104**	$ 15
Interest-earning deposits with banks	**95**	140
Investment securities		164
Loans (b)		2,275
Investments in:		
Bank subsidiaries and bank holding company	**32,966**	27,960
Non-bank subsidiaries	**2,650**	2,378
Other assets	**1,287**	1,821
Total assets	**$37,102**	$34,753
LIABILITIES		
Subordinated debt	**$ 3,859**	$ 4,122
Senior debt	**2,018**	2,707
Other borrowed funds		2
Bank affiliate borrowings	**92**	
Non-bank affiliate borrowings		945
Accrued expenses and other liabilities	**1,191**	1,554
Total liabilities	**7,160**	9,330
EQUITY		
Shareholder's equity	**29,942**	25,422
Noncontrolling interests		1
Total equity	**29,942**	25,423
Total liabilities and equity	**$37,102**	$34,753

(a) Includes the impact of National City.
(b) Balance represents National City loans with subsidiaries

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 and residential 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 $137 million in 2009, $92 million in 2008 and $65 million in 2007. Such refunds represent the parent company's portion of consolidated income taxes. The parent company paid interest of $427 million in 2009, $147 million in 2008 and $146 million in 2007.

Statement Of Cash Flows

Year ended December 31 - in millions	2009	2008	2007
OPERATING ACTIVITIES			
Net income	**$ 2,447**	$ 882	$ 1,467
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Equity in undistributed net (earnings) of subsidiaries	**(1,853)**	172	(443)
Other	**2,687**	156	61
Net cash provided by operating activities	**3,281**	1,210	1,085
INVESTING ACTIVITIES			
Net capital returned from (contributed to) subsidiaries	**(899)**	(8,298)	(165)
Investment securities:			
Sales and maturities	**267**		1,090
Purchases	**(228)**		(800)
Net cash received from (paid for) acquisitions	**5**	1,431	(2,212)
Other	**(182)**	(104)	(45)
Net cash used in investing activities	**(1,037)**	(6,971)	(2,132)
FINANCING ACTIVITIES			
Borrowings from non-bank subsidiary	**3,420**	2,100	3,910
Repayments on borrowings from non-bank subsidiary	**(4,274)**	(3,633)	(1,432)
Other borrowed funds	**(1,166)**		103
Preferred stock – TARP		7,275	
Preferred stock – other		492	
TARP warrant		304	
Supervisory Capital Assessment Program – common stock	**624**		
Common and treasury stock	**247**	375	253
Acquisition of treasury stock	**(188)**	(234)	(963)
Preferred stock cash dividends paid	**(388)**	(21)	
Common stock cash dividends paid	**(430)**	(902)	(806)
Net cash provided by (used in) financing activities	**(2,155)**	5,756	1,065
Increase (decrease) in cash and due from banks	**89**	(5)	18
Cash and due from banks at beginning of year	**15**	20	2
Cash and due from banks at end of year	**$ 104**	$ 15	$ 20

NOTE 27 SEGMENT REPORTING

In the first quarter of 2009, we made changes to our business organization structure and management reporting in conjunction with the acquisition of National City.

Business segment results for 2008 and 2007 have been reclassified to reflect current methodologies and current business and management structure and to present those periods on the same basis as 2009. As a result of its pending sale, GIS is no longer a reportable business segment.

Results of individual businesses are presented based on our management accounting practices and management structure.

There is no comprehensive, authoritative body of guidance for management accounting equivalent to GAAP; therefore, the financial results of our 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 similar 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 servicing businesses using our risk-based economic capital model. We have assigned capital to Retail Banking equal to 6% of funds to approximate market comparables for this business.

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 each business segment's loan portfolio. Our allocation of the costs incurred by operations and other shared support areas not directly aligned with the businesses is primarily based on the use of services.

Total business segment financial results differ from consolidated income from continuing operations. The impact of these differences is reflected in the "Other" category in the business segment tables. "Other" includes residual activities that do not meet the criteria for disclosure as a separate reportable business, including LTIP share distributions and obligations, earnings and gains related to Hilliard Lyons for the first quarter of 2008, integration costs, asset and liability management activities including net securities gains or losses and certain trading activities, exited businesses, equity management activities, alternative investments, intercompany eliminations, most corporate overhead, and differences between business segment performance reporting and

financial statement reporting (GAAP), including the presentation of net income attributable to noncontrolling interests. Assets, revenue and earnings attributable to foreign
activities were not material in the periods presented for comparative purposes.

BUSINESS SEGMENT PRODUCTS AND SERVICES

Retail Banking provides deposit, lending, brokerage, trust, investment management, and cash management services to consumer and small business customers within our primary geographic markets. Our customers are serviced through our branch network, call centers and the internet. The branch network is located primarily in Pennsylvania, Ohio, New Jersey, Michigan, Maryland, Illinois, Indiana, Kentucky, Florida, Missouri, Virginia, Delaware, Washington, D.C., and Wisconsin.

Corporate & Institutional Banking provides lending, treasury management, and capital markets-related products and services to mid-sized corporations, government and not-for-profit 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, and 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 offered nationally.

Asset Management Group includes personal wealth management for high net worth and ultra high net worth clients and institutional asset management. Wealth management products and services include financial planning, customized investment management, private banking, tailored credit solutions and trust management and administration for individuals and their families. Institutional asset management provides investment management, custody, and retirement planning services. The institutional clients include corporations, foundations and unions and charitable endowments located primarily in our geographic footprint. This segment includes the asset management businesses acquired through the National City acquisition and the legacy PNC wealth management business previously included in the Retail Banking segment.

Residential Mortgage Banking directly originates primarily first lien residential mortgage loans on a nationwide basis with a significant presence within the retail banking footprint and also originates loans through joint venture partners. Mortgage loans represent loans collateralized by one-to-four-family residential real estate and are made to borrowers in good credit standing. These loans are typically underwritten to government agency and/or third party standards, and sold, servicing retained, to primary mortgage market conduits Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association (Ginnie Mae) program. The mortgage servicing operation performs all functions related to servicing first mortgage loans for various investors. Certain loans originated through our joint ventures are serviced by a joint venture partner. In November 2009, we reduced our joint venture relationship related to our legacy PNC business and rebranded the former National City Mortgage as PNC Mortgage.

BlackRock is the largest publicly traded investment management firm in the world. BlackRock manages assets on behalf of institutional and individual investors worldwide through a variety of equity, fixed income, multi-asset class, alternative and cash management separate accounts and funds. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services globally to a broad base of clients. At December 31, 2009, our share of BlackRock's earnings was approximately 23%.

Distressed Assets Portfolio includes commercial residential development loans, cross-border leases, consumer brokered home equity loans, retail mortgages, non-prime mortgages, and residential construction loans. These loans require special servicing and management oversight given current market conditions. The majority of these loans are from acquisitions, primarily National City.

Results Of Businesses

Year ended December 31 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Distressed Assets Portfolio	Other	Consolidated
2009								
INCOME STATEMENT								
Net interest income	**$ 3,520**	**$ 3,801**	**$ 308**	**$ 332**		**$ 1,079**	**$ 43**	**$ 9,083**
Noninterest income	**2,199**	**1,433**	**611**	**996**	**$ 262**	**74**	**1,570**	**7,145**
Total revenue	**5,719**	**5,234**	**919**	**1,328**	**262**	**1,153**	**1,613**	**16,228**
Provision for credit losses	**1,330**	**1,603**	**97**	**(4)**		**771**	**133**	**3,930**
Depreciation and amortization	**263**	**141**	**41**	**5**			**323**	**773**
Other noninterest expense	**3,906**	**1,659**	**613**	**627**		**246**	**1,249**	**8,300**
Earnings (loss) from continuing operations before income taxes	**220**	**1,831**	**168**	**700**	**262**	**136**	**(92)**	**3,225**
Income taxes (benefit)	**84**	**641**	**63**	**265**	**55**	**52**	**(293)**	**867**
Earnings from continuing operations	**136**	**1,190**	**105**	**435**	**207**	**84**	**201**	**2,358**
Inter-segment revenue	**$ (3)**	**$ 11**	**$ 18**	**$ 6**	**$ 16**	**$ (17)**	**$ (31)**	
Average Assets (a)	**$65,320**	**$ 84,689**	**$ 7,341**	**$ 8,420**	**$ 6,249**	**$22,844**	**$82,013**	**$ 276,876**
2008								
INCOME STATEMENT								
Net interest income	$ 1,593	$ 1,302	$ 130				$ 829	$ 3,854
Noninterest income	1,137	536	429		$ 261		79	2,442
Total revenue	2,730	1,838	559		261		908	6,296
Provision for credit losses	388	575	6				548	1,517
Depreciation and amortization	125	22	7				149	303
Other noninterest expense	1,664	923	356				439	3,382
Earnings (loss) from continuing operations before income taxes	553	318	190		261		(228)	1,094
Income taxes (benefit)	225	103	71		54		(155)	298
Earnings (loss) from continuing operations	328	215	119		207		(73)	796
Inter-segment revenue	$ 2	$ 14	$ 15		$ 15		$ (46)	
Average Assets (a)	$32,922	$ 47,050	$ 3,001		$ 4,240		$54,807	$ 142,020
2007								
INCOME STATEMENT								
Net interest income	$ 1,741	$ 998	$ 133				$ 75	$ 2,947
Noninterest income	1,016	758	461		$ 334		375	2,944
Total revenue	2,757	1,756	594		334		450	5,891
Provision for credit losses	133	127	3				52	315
Depreciation and amortization	116	17	7				112	252
Other noninterest expense	1,515	820	332				733	3,400
Earnings (loss) from continuing operations before income taxes	993	792	252		334		(447)	1,924
Income taxes (benefit)	373	280	94		84		(270)	561
Earnings (loss) from continuing operations	620	512	158		250		(177)	1,363
Inter-segment revenue	$ 6	$ 9	$ 17		$ 16		$ (48)	
Average Assets (a)	$31,608	$ 36,416	$ 2,619		$ 4,259		$48,516	$ 123,418

(a) Period-end balances for BlackRock.

NOTE 28 SUBSEQUENT EVENTS

See Note 2 Acquisitions and Divestitures regarding our pending sale of GIS.

COMMON STOCK AND SENIOR NOTES OFFERINGS

On February 8, 2010, we raised $3.0 billion in new common equity through the issuance of 55.6 million shares of common stock in an underwritten offering at $54 per share. On March 4, 2010, the underwriters exercised their option to purchase an additional 8.3 million shares of common stock at the offering price of $54 per share, totaling approximately $450 million, to cover over-allotments. We expect to complete this issuance on March 11, 2010.

On February 8, 2010, PNC Funding Corp issued the following securities:

- $1 billion of senior notes due February 2015; interest will be paid semiannually at a fixed rate of 3.625%.
- $1 billion of senior notes due February 2020; interest will be paid semiannually at a fixed rate of 5.125%.

REPURCHASE OF OUTSTANDING TARP PREFERRED STOCK

See Note 19 Equity regarding our December 31, 2008, issuance of 75,792 shares of our Fixed Rate Cumulative Perpetual Preferred Shares, Series N (Series N Preferred Stock), related issuance discount and the warrant to purchase common shares to the US Treasury under the TARP Capital Purchase Program.

As approved by the Federal Reserve Board, US Treasury and our other banking regulators, on February 10, 2010, we redeemed all 75,792 shares of our Series N Preferred Stock held by the US Treasury totaling $7.6 billion. We used the net proceeds from the common stock and senior notes offerings described above and other funds to redeem the Series N Preferred Stock.

In connection with the redemption of the Series N Preferred Stock, we accelerated the accretion of the remaining issuance discount on the Series N Preferred Stock and recorded a corresponding reduction in retained earnings of $250.0 million. This resulted in a one-time, noncash reduction in net income available to common stockholders and related basic and diluted earnings per share. This transaction will be reflected in our consolidated financial statements for the first quarter of 2010.

Dividends of $89 million were paid on February 10, 2010 when the Series N Preferred Stock was redeemed. PNC paid total dividends of $421 million to the US Treasury while the Series N preferred shares were outstanding.

We did not exercise our right to seek to repurchase the related warrant to purchase common shares at the time we redeemed the Series N Preferred Stock.

STATISTICAL INFORMATION (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

Selected Quarterly Financial Data

Dollars in millions, except per share data	2009 (a) Fourth	Third	Second	First	2008 Fourth	Third	Second	First
Summary Of Operations								
Interest income	**$2,939**	**$2,888**	**$3,000**	**$3,259**	$1,541	$1,571	$1,574	$1,615
Interest expense	**593**	**664**	**807**	**939**	541	565	590	751
Net interest income	**2,346**	**2,224**	**2,193**	**2,320**	1,000	1,006	984	864
Noninterest income (b) (c)	**2,540**	**1,629**	**1,610**	**1,366**	468	416	823	735
Total revenue	**4,886**	**3,853**	**3,803**	**3,686**	1,468	1,422	1,807	1,599
Provision for credit losses (d)	**1,049**	**914**	**1,087**	**880**	990	190	186	151
Noninterest expense	**2,209**	**2,214**	**2,492**	**2,158**	959	947	920	859
Income (loss) from continuing operations before income taxes (benefit) and noncontrolling interests	**1,628**	**725**	**224**	**648**	(481)	285	701	589
Income taxes (benefit)	**525**	**185**	**29**	**128**	(210)	58	216	234
Income (loss) from continuing operations before noncontrolling interests	**1,103**	**540**	**195**	**520**	(271)	227	485	355
Income from discontinued operations, net of income taxes	**4**	**19**	**12**	**10**	25	32	32	29
Net income (loss)	**1,107**	**559**	**207**	**530**	(246)	259	517	384
Less: Net income (loss) attributable to noncontrolling interests	**(37)**	**(20)**	**9**	**4**	2	11	12	7
Preferred stock dividends	**119**	**99**	**119**	**51**	21			
Preferred stock discount accretion	**14**	**13**	**14**	**15**				
Net income (loss) attributable to common shareholders	**$1,011**	**$ 467**	**$ 65**	**$ 460**	$ (269)	$ 248	$ 505	$ 377
Per Common Share Data								
Book value	**$47.68**	**$45.52**	**$42.00**	**$41.67**	$39.44	$39.44	$42.17	$42.26
Basic earnings (loss) (e)								
Continuing operations	**2.18**	**.97**	**.11**	**1.02**	(.84)	.63	1.37	1.02
Discontinued operations	**.01**	**.04**	**.03**	**.02**	.07	.09	.09	.09
Net income (loss)	**2.19**	**1.01**	**.14**	**1.04**	(.77)	.72	1.46	1.11
Diluted earnings (loss) (e)								
Continuing operations	**2.16**	**.96**	**.11**	**1.01**	(.84)	.60	1.36	1.00
Discontinued operations	**.01**	**.04**	**.03**	**.02**	.07	.10	.09	.09
Net income (loss)	**2.17**	**1.00**	**.14**	**1.03**	(.77)	.70	1.45	1.09

(a) Includes the impact of National City, which we acquired on December 31, 2008.
(b) Fourth quarter 2009 included a $1.076 billion gain related to BlackRock's acquisition of BGI on December 1, 2009.
(c) Noninterest income included equity management gains /(losses) and net gains on sales of securities in each quarter as follows (in millions):

	2009 Fourth	Third	Second	First	2008 Fourth	Third	Second	First
Equity management gains/(losses)	**$ 35**	**$ 3**	**$ (13)**	**$ (52)**	$ (16)	$ (24)	$ (7)	$ 23
Net gains on sales of securities	**144**	**168**	**182**	**56**	2	55	8	41

(d) The fourth quarter 2008 provision for credit losses included a $504 million conforming provision for credit losses related to our acquisition of National City.
(e) The sum of quarterly amounts for 2009 and 2008 does not equal the respective year's amount because the quarterly calculations are based on a changing number of average shares.

Analysis Of Year-To-Year Changes In Net Interest Income

Taxable-equivalent basis - in millions	2009/2008 Increase/(Decrease) in Income/ Expense Due to Changes in: Volume	Rate	Total	2008/2007 Increase/(Decrease) in Income/ Expense Due to Changes in: Volume	Rate	Total
Interest-Earning Assets						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	**$ 572**	**$ (79)**	**$ 493**	$ 137		$ 137
Non-agency	**(3)**	**126**	**123**	20	$ 4	24
Commercial mortgage-backed	**(51)**	**8**	**(43)**	89	(4)	85
Asset-backed	**(71)**	**57**	**(14)**	37		37
U.S. Treasury and government agencies	**135**	**(1)**	**134**	(14)	4	(10)
State and municipal	**31**	**7**	**38**	25		25
Other debt	**39**	**(5)**	**34**	9	(1)	8
Corporate stocks and other		**(9)**	**(9)**	1	(7)	(6)
Total securities available for sale	**819**	**(63)**	**756**	308	(8)	300
Securities held to maturity	**200**	**(1)**	**199**	23		23
Total investment securities	**1,016**	**(61)**	**955**	331	(8)	323
Loans						
Commercial	**1,626**	**(200)**	**1,426**	350	(378)	(28)
Commercial real estate	**809**	**(59)**	**750**	117	(178)	(61)
Equipment lease financing	**159**	**58**	**217**		5	5
Consumer	**1,673**	**(63)**	**1,610**	171	(203)	(32)
Residential mortgage	**763**	**37**	**800**	27	(3)	24
Total loans	**5,032**	**(229)**	**4,803**	644	(736)	(92)
Loans held for sale	**100**	**4**	**104**	(29)	11	(18)
Federal funds sold and resale agreements	**(15)**	**(14)**	**(29)**	13	(46)	(33)
Other	**217**	**(245)**	**(28)**	9	(33)	(24)
Total interest-earning assets	**$6,359**	**$ (554)**	**$5,805**	$ 966	$ (810)	$ 156
Interest-Bearing Liabilities						
Interest-bearing deposits						
Money market	**$ 375**	**$ (393)**	**$ (18)**	$ 116	$ (377)	$(261)
Demand	**54**	**(55)**	**(1)**	8	(43)	(35)
Savings	**8**	**(2)**	**6**		(4)	(4)
Retail certificates of deposit	**834**	**(388)**	**446**	(2)	(177)	(179)
Other time	**18**	**(107)**	**(89)**	88	(49)	39
Time deposits in foreign offices	**(21)**	**(67)**	**(88)**	18	(146)	(128)
Total interest-bearing deposits	**1,210**	**(954)**	**256**	226	(794)	(568)
Borrowed funds						
Federal funds purchased and repurchase agreements	**(44)**	**(96)**	**(140)**	(34)	(204)	(238)
Federal Home Loan Bank borrowings	**122**	**(243)**	**(121)**	256	(44)	212
Bank notes and senior debt	**236**	**10**	**246**	(12)	(128)	(140)
Subordinated debt	**287**	**94**	**381**	40	(72)	(32)
Other	**(33)**	**(44)**	**(77)**	50	(45)	5
Total borrowed funds	**383**	**(94)**	**289**	351	(544)	(193)
Total interest-bearing liabilities	**1,753**	**(1,208)**	**545**	534	(1,295)	(761)
Change in net interest income	**$4,679**	**$ 581**	**$5,260**	$ 530	$ 387	$ 917

Changes attributable to rate/volume are prorated into rate and volume components.

Average Consolidated Balance Sheet And Net Interest Analysis

Taxable-equivalent basis Dollars in millions	2009 Average Balances	2009 Interest Income/ Expense	2009 Average Yields/ Rates	2008 Average Balances	2008 Interest Income/ Expense	2008 Average Yields/ Rates	2007 Average Balances	2007 Interest Income/ Expense	2007 Average Yields/ Rates
Assets									
Interest-earning assets:									
Investment securities									
Securities available for sale									
Residential mortgage-backed									
Agency	$ 21,889	$ 1,038	4.74%	$ 10,003	$ 545	5.45%	$ 7,481	$ 408	5.45%
Non-agency	11,993	780	6.50	12,055	657	5.45	11,682	633	5.42
Commercial mortgage-backed	4,748	264	5.56	5,666	307	5.42	4,025	222	5.52
Asset-backed	1,963	145	7.39	3,126	159	5.09	2,394	122	5.10
U.S. Treasury and government agencies	4,477	137	3.06	50	3	6.00	293	13	4.44
State and municipal	1,354	74	5.47	764	36	4.71	227	11	4.85
Other debt	1,327	46	3.47	220	12	5.45	47	4	8.51
Corporate stocks and other	398	3	.75	412	12	2.91	392	18	4.59
Total securities available for sale	48,149	2,487	5.17	32,296	1,731	5.36	26,541	1,431	5.39
Securities held to maturity	4,146	222	5.35	402	23	5.72			
Total investment securities	52,295	2,709	5.18	32,698	1,754	5.36	26,541	1,431	5.39
Loans									
Commercial	61,183	3,288	5.37	31,267	1,862	5.96	25,941	1,890	7.29
Commercial real estate	24,775	1,292	5.21	9,368	542	5.79	7,671	603	7.86
Equipment lease financing	6,201	298	4.81	2,566	81	3.16	2,559	76	2.97
Consumer	52,368	2,745	5.24	20,526	1,135	5.53	17,718	1,167	6.59
Residential mortgage	21,116	1,336	6.33	9,017	536	5.94	8,564	512	5.98
Total loans	165,643	8,959	5.41	72,744	4,156	5.71	62,453	4,248	6.80
Loans held for sale	3,976	270	6.79	2,502	166	6.63	2,955	184	6.23
Federal funds sold and resale agreements	1,865	42	2.25	2,472	71	2.87	2,152	104	4.83
Other	14,708	174	1.18	4,068	202	4.97	3,909	226	5.78
Total interest-earning assets/interest income	238,487	12,154	5.10	114,484	6,349	5.55	98,010	6,193	6.32
Noninterest-earning assets:									
Allowance for loan and lease losses	(4,316)			(962)			(690)		
Cash and due from banks	3,648			2,705			3,018		
Other	39,057			25,793			23,080		
Total assets	$276,876			$142,020			$123,418		
Liabilities and Equity									
Interest-bearing liabilities:									
Interest-bearing deposits									
Money market	$ 55,326	548	.99	$ 27,625	566	2.05	$ 23,840	827	3.47
Demand	23,477	67	.29	9,947	68	.68	9,259	103	1.11
Savings	6,495	14	.22	2,714	8	.29	2,687	12	.45
Retail certificates of deposit	54,584	1,043	1.91	16,642	597	3.59	16,690	776	4.65
Other time	5,009	60	1.20	4,424	149	3.37	2,119	110	5.19
Time deposits in foreign offices	3,637	9	.25	5,006	97	1.94	4,623	225	4.87
Total interest-bearing deposits	148,528	1,741	1.17	66,358	1,485	2.24	59,218	2,053	3.47
Borrowed funds									
Federal funds purchased and repurchase agreements	4,439	16	.36	7,228	156	2.16	7,983	394	4.94
Federal Home Loan Bank borrowings	14,177	200	1.41	9,303	321	3.45	2,168	109	5.03
Bank notes and senior debt	12,981	443	3.41	6,064	197	3.25	6,282	337	5.36
Subordinated debt	10,191	600	5.89	4,990	219	4.39	4,247	251	5.91
Other	2,345	35	1.49	3,737	112	3.00	2,344	107	4.56
Total borrowed funds	44,133	1,294	2.93	31,322	1,005	3.21	23,024	1,198	5.20
Total interest-bearing liabilities/interest expense	192,661	3,035	1.58	97,680	2,490	2.55	82,242	3,251	3.95
Noninterest-bearing liabilities and equity:									
Demand and other noninterest-bearing deposits	41,416			18,155			17,587		
Allowance for unfunded loan commitments and letters of credit	328			134			125		
Accrued expenses and other liabilities	12,179			10,033			8,195		
Equity	30,292			16,018			15,269		
Total liabilities and equity	$276,876			$142,020			$123,418		
Interest rate spread			3.52			3.00			2.37
Impact of noninterest-bearing sources			.30			.37			.63
Net interest income/margin		$ 9,119	3.82%		$ 3,859	3.37%		$ 2,942	3.00%

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 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. The interest-earning deposits with the Federal Reserve are included in the 'Other' interest-earning assets category.

Loan fees for the years ended December 31, 2009, 2008 and 2007 were $162 million, $55 million and $39 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, 2009, 2008 and 2007 were $65 million, $36 million and $27 million, respectively.

LOANS OUTSTANDING

December 31 - in millions	**2009 (a)**	2008 (a)	2007	2006	2005
Commercial	**$ 54,818**	$ 69,220	$28,952	$20,883	$19,599
Commercial real estate	**23,131**	25,736	8,903	3,527	3,157
Equipment lease financing	**6,202**	6,461	2,514	2,789	2,792
TOTAL COMMERCIAL LENDING	**84,151**	101,417	40,369	27,199	25,548
Consumer	**53,582**	52,489	18,393	16,569	16,246
Residential real estate	**19,810**	21,583	9,557	6,337	7,307
TOTAL CONSUMER LENDING	**73,392**	74,072	27,950	22,906	23,553
Total loans	**$157,543**	$175,489	$68,319	$50,105	$49,101

(a) Amounts include the impact of National City, which we acquired on December 31, 2008.

NONPERFORMING ASSETS AND RELATED INFORMATION

December 31 - dollars in millions	**2009 (a)**	2008 (a)	2007	2006	2005
Nonaccrual loans					
Commercial	**$1,792**	$ 576	$193	$109	$ 134
Commercial real estate	**2,132**	766	212	12	14
Equipment lease financing	**130**	97	3	1	17
Consumer	**152**	70	17	13	10
Residential real estate	**1,025**	153	27	25	24
Total nonaccrual loans	**5,231**	1,662	452	160	199
Troubled debt restructured loans	**440**		2		
Total nonperforming loans	**5,671**	1,662	454	160	199
Foreclosed and other assets					
Commercial lending	**266**	50	11	12	13
Consumer lending	**379**	469	30	12	12
Total foreclosed and other assets	**645**	519	41	24	25
Total nonperforming assets	**$6,316**	$2,181	$495	$184	$ 224
Nonperforming loans to total loans	**3.60%**	.95%	.66%	.32%	.41%
Nonperforming assets to total loans and foreclosed assets	**3.99**	1.24	.72	.37	.46
Nonperforming assets to total assets	**2.34**	.75	.36	.18	.24
Interest on nonperforming loans					
Computed on original terms	**$ 302**	$ 115	$ 51	$ 15	$ 16
Recognized prior to nonperforming status	**90**	60	32	4	5
Past due loans (b) (c)					
Accruing loans past due 90 days or more	**$ 884**	$ 395	$136	$ 55	$ 53
As a percentage of total loans	**.60%**	.24%	.20%	.11%	.11%
Past due loans held for sale					
Accruing loans held for sale past due 90 days or more	**$ 45**	$ 40	$ 8	$ 9	$ 47
As a percentage of total loans held for sale	**1.77**	.92%	.20%	.38%	1.92%

(a) Amounts include the impact of National City, which we acquired on December 31, 2008.
(b) Excludes loans that are government insured/guaranteed, primarily residential mortgages.
(c) Excludes impaired loans acquired from National City totaling $2.7 billion at December 31, 2009 and $2.0 billion at December 31, 2008. These loans are excluded as they were recorded at estimated fair value when acquired and are currently considered performing loans due to the accretion of interest in purchase accounting.

SUMMARY OF LOAN LOSS EXPERIENCE

Year ended December 31 - dollars in millions	**2009**	2008	2007	2006	2005
Allowance for loan and lease losses – January 1	**$ 3,917**	$ 830	$ 560	$ 596	$ 607
Charge-offs					
Commercial	**(1,276)**	(301)	(156)	(108)	(52)
Commercial real estate	**(510)**	(165)	(16)	(3)	(1)
Equipment lease financing	**(149)**	(3)		(14)	(29)
Consumer	**(961)**	(143)	(73)	(52)	(45)
Residential real estate	**(259)**	(6)		(3)	(2)
Total charge-offs	**(3,155)**	(618)	(245)	(180)	(129)
Recoveries					
Commercial (a)	**181**	53	30	19	82
Commercial real estate	**38**	10	1	1	1
Equipment lease financing	**27**	1		5	1
Consumer	**105**	15	14	15	15
Residential real estate	**93**				
Total recoveries	**444**	79	45	40	99
Net charge-offs (a)	**(2,711)**	(539)	(200)	(140)	(30)
Provision for credit losses (b)	**3,930**	1,517	315	124	21
Acquired allowance – National City	**(112)**	2,224			
Acquired allowance – other		20	152		23
Net change in allowance for unfunded loan commitments and letters of credit	**48**	(135)	3	(20)	(25)
Allowance for loan and lease losses – December 31	**$ 5,072**	$3,917	$ 830	$ 560	$ 596
Allowance as a percent of December 31:					
Loans	**3.22%**	2.23%	1.21%	1.12%	1.21%
Nonperforming loans	**89**	236	183	350	299
As a percent of average loans					
Net charge-offs (a)	**1.64**	.74	.32	.28	.06
Provision for credit losses	**2.37**	2.09	.50	.25	.04
Allowance for loan and lease losses	**3.06**	5.38	1.33	1.13	1.26
Allowance as a multiple of net charge-offs (a)	**1.87x**	7.27x	4.15x	4.00x	19.87x

(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.

(b) Amount for 2008 included a $504 million conforming provision for credit losses related to National City.

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, 2009, the portion of the reserves for these factors was zero.

ALLOCATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES

	2009		2008		2007		2006		2005	
December 31 Dollars in millions	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	**$ 1,869**	**34.8%**	$ 1,668	39.4%	$ 564	42.4%	$ 447	41.7%	$ 492	39.9%
Commercial real estate	**1,305**	**14.7**	833	14.7	153	13.0	30	7.0	32	6.4
Equipment lease financing	**171**	**3.9**	179	3.7	36	3.7	48	5.6	41	5.7
Consumer	**957**	**34.0**	929	29.9	68	26.9	28	33.1	24	33.1
Residential real estate	**770**	**12.6**	308	12.3	9	14.0	7	12.6	7	14.9
Total	**$ 5,072**	**100.0%**	$ 3,917	100.0%	$ 830	100.0%	$ 560	100.0%	$ 596	100.0%

RECONCILIATION OF CERTAIN RISK-BASED CAPITAL AND RATIOS AT DECEMBER 31, 2009

December 31, 2009 Dollars in billions	Tier 1 common	Tier 1 risk-based
Ratios – as reported	**6.0%**	**11.4%**
Capital – as reported	**$ 13.9**	**$ 26.5**
Adjustments:		
TARP preferred stock redemption – February 2010	**(.3)**	**(7.6)**
Common equity offering – February 2010 (a)	**3.0**	**3.0**
Net impact of pending 2010 sale of GIS (b)	**1.6**	**1.6**
Capital – pro forma	**$ 18.2**	**$ 23.5**
Ratios – pro forma	**8.0%**	**10.3%**

(a) Excludes the impact of the additional shares expected to be issued in March 2010 to cover the over-allotments as further described in Note 28 Subsequent Events.
(b) The estimated net impact of this pending sale is as follows:

In billions	
Sales price	**$ 2.3**
Less:	
Book equity / intercompany debt	**(1.5)**
Pretax gain	**.8**
Income taxes	**(.3)**
After-tax gain / increase in cash	**.5**
Elimination of net intangible assets:	
Goodwill and other intangible assets	**1.3**
Eligible deferred income taxes on goodwill and other intangible assets	**(.2)**
Net intangible assets	**1.1**
Estimated net impact of pending sale of GIS	**$ 1.6**

We believe that the disclosure of these ratios reflecting the impact of the TARP preferred stock redemption, common equity offering and pending sale of GIS provides additional meaningful information regarding the risk-based capital ratios at that date and the impact of these events on these ratios.

SHORT-TERM BORROWINGS

Federal funds purchased include overnight borrowings and term federal funds, which are payable at maturity.

	2009		2008		2007	
Dollars in millions	**Amount**	**Rate**	Amount	Rate	Amount	Rate
Federal funds purchased						
Year-end balance	**$ 182**	**.06%**	$ 128	.01%	$7,037	3.17%
Average during year	**324**	**.18**	4,518	2.15	5,533	5.13
Maximum month-end balance during year	**421**		7,343		8,798	

SELECTED LOAN MATURITIES AND INTEREST SENSITIVITY

December 31, 2009 In millions	1 Year or Less	1 Through 5 Years	After 5 Years	Gross Loans
Commercial	**$18,867**	**$29,313**	**$6,638**	**$54,818**
Real estate projects	**7,082**	**7,845**	**655**	**15,582**
Total	**$25,949**	**$37,158**	**$7,293**	**$70,400**
Loans with Predetermined rate	**$ 4,289**	**$ 7,198**	**$2,754**	**$14,241**
Floating or adjustable rate	**21,660**	**29,960**	**4,539**	**56,159**
Total	**$25,949**	**$37,158**	**$7,293**	**$70,400**

At December 31, 2009, we had no pay-fixed interest rate swaps designated to commercial loans as part of fair value hedge strategies. At December 31, 2009, $11.8 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 and 3 month LIBOR) 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 $4.6 billion at December 31, 2009, 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, 2009 – in millions	Domestic Certificates of Deposit
Three months or less	**$ 3,734**
Over three through six months	**2,130**
Over six through twelve months	**4,003**
Over twelve months	**6,001**
Total	**$ 15,868**

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
2009 Quarter				
First	**$50.42**	**$16.20**	**$29.29**	**$ .66**
Second	**53.22**	**27.50**	**38.81**	**.10**
Third	**48.78**	**33.06**	**48.59**	**.10**
Fourth	**57.86**	**43.37**	**52.79**	**.10**
Total				**$ .96**
2008 Quarter				
First	$71.20	$53.10	$65.57	$ .63
Second	73.00	55.22	57.10	.66
Third	87.99	49.01	74.70	.66
Fourth	80.00	39.09	49.00	.66
Total				$ 2.61

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

(a) None.

(b) None.

ITEM 9A – CONTROLS AND PROCEDURES

(a) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The PNC Financial Services Group, Inc. and subsidiaries (PNC) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Exchange Act Rule 13a-15(f).

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We performed an evaluation under the supervision and with the participation of our management, including the Chairman and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, of the effectiveness of PNC's internal control over financial reporting as of December 31, 2009. 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 concludes that PNC maintained effective internal control over financial reporting as of December 31, 2009.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited our consolidated financial statements as of and for the year ended December 31, 2009 included in this Report, has also issued a report on the effectiveness of PNC's internal control over financial reporting as of December 31, 2009. The report of PricewaterhouseCoopers LLP is included under Item 8 of this Annual Report on Form 10-K.

(b) DISCLOSURE CONTROLS AND PROCEDURES AND CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

As of December 31, 2009, we performed an evaluation under the supervision and with the participation of our management, including the Chairman and Chief Executive Officer and the Executive Vice President and

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 Chairman and Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, as amended) were effective as of December 31, 2009, and that there has been no change in PNC's internal control over financial reporting that occurred during the fourth quarter of 2009 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 (or 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 "Item 1 – Election of Directors," and "Corporate Governance at PNC – Audit Committee," and "Requirements for Director Nominations and Shareholder Proposals," and "Director and Executive Officer Relationships – Family Relationships" in our Proxy Statement to be filed for the 2010 annual meeting of shareholders and is incorporated herein by reference. In accordance with Item 407(d) (3) of Regulation S-K, the information set forth under the caption "Item 2 – Ratification of the Audit Committee's Selection of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm for 2010 – *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 2010 annual meeting of shareholders 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/corporategovernance. In addition, any future amendments to, or waivers from, a provision of the PNC Code of Business Conduct and Ethics that applies to our 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 Compensation in 2009," "Corporate Governance at PNC – Personnel and Compensation Committee – Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Compensation and Risk," and "Executive Compensation Tables" in our Proxy Statement to be filed for the 2010 annual meeting of shareholders and is incorporated herein by reference. In accordance with Item 407(e) (5) of Regulation S-K, the information set forth under the caption "Executive Compensation – *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.

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 "Security Ownership of Directors, Executive Officers and Certain Beneficial Owners" in our Proxy Statement to be filed for the 2010 annual meeting of shareholders and is incorporated herein by reference.

Information regarding our compensation plans under which PNC equity securities are authorized for issuance as of December 31, 2009 is included in the table which follows. Additional information regarding these plans is included in Note 16 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Equity Compensation Plan Information
At December 31, 2009

	(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)			**1,945,317**
Stock Options	**9,289,529**	**$ 63.23**	
2006 Incentive Award Plan (Note 2 and Note 3)			
Stock Options	**9,106,882**	**$ 48.69**	**28,738,247**
Incentive Performance Unit Awards (Note 4)	**285,500**	**N/A**	
Stock-Payable Restricted Stock Units	**290,516**	**N/A**	
1996 Executive Incentive Award Plan Incentive Awards		**N/A**	**(Note 5)**
Employee Stock Purchase Plan (Note 6)			**1,841,464**
Total approved by security holders	**18,972,427**		**32,525,028**
Equity compensation plans not approved by security holders (Note 7)			
Former National City Corporation Stock Option Plans	**1,522,015**	**$ 637.64**	
Former National City Corporation 2004 Deferred Compensation Plan and Other Equity-Based Compensation Plans	**313,291**	**N/A**	**(Note 8)**
Former Sterling Financial Corporation Stock Option Plan	**100,120**	**$ 68.23**	
Total not approved by security holders	**1,935,426**		
Total	**20,907,853**		**32,525,028**

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 2 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, 2009, the number of remaining shares reserved under this plan for that purpose was 1,945,317.

Note 2 – 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 3 – Under the 2006 Incentive Award Plan, awards or portions of awards that, by their terms, are payable only in cash do not reduce the number of shares that remain available for issuance under the plan (the number in column (c)). During 2009, a total of 1,030,824 cash-payable share units plus cash-payable dividend equivalents with respect to 379,979 of those share units were granted under the plan. This number includes an incremental change in the cash-payable portion of the 2007 and 2008 incentive performance unit award grants described in Note 4 below, a separate 2009 incentive performance unit award grant payable solely in cash, and 2009 grants of share units (some of which include rights to cash dividend equivalents) payable solely in cash. Payments are subject to the conditions of the individual grants, including, where applicable, the achievement of any performance goals or service requirement established for such grants. The comparable amount for 2007 was 189,581 cash-payable share units plus cash-payable dividend equivalents with respect to 68,288 share-payable restricted share units and the comparable amount for 2008 was 371,302 cash-payable share units plus cash-payable dividend equivalents with respect to 91,449 cash-payable restricted share units.

Note 4 – 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 (Committee) have been achieved, and, if a premium level of such performance is achieved, for further payment in cash. The numbers in column (a) of this table for these awards reflect the maximum number of shares that could be issued pursuant to grants outstanding at December 31, 2009 upon achievement of the performance goals and other conditions of the grants. Grants under the 2006 Incentive Award Plan were made in the first quarter of 2007 and the first quarter of 2008.

Note 5 – The 1996 Executive Incentive Award Plan is a shareholder-approved plan that enables PNC to pay annual bonuses to its senior executive officers based upon the achievement of specified levels of performance. The plan as amended and restated as of January 1, 2007 was adopted by the Board on February 14, 2007 and approved by the PNC shareholders at the 2007 annual meeting on April 24, 2007. The plan does not specify a fixed share amount for awards under the plan. Rather, it provides for maximum bonus awards for a given period (generally a year) for each individual plan participant of 0.2% of incentive income for that period. Incentive income is based on PNC's consolidated pre-tax net income as further adjusted for the impact of changes in tax law, extraordinary items, discontinued operations, acquisition and merger integration costs, and for the impact of PNC's obligation to fund certain BlackRock long-term incentive programs. Although the size of awards under the plan is dollar-denominated, payment may be made in cash, in stock, or in a combination of cash and stock. During 2009, PNC did not pay bonuses in the form of restricted stock from this plan.

Note 6 – The purchase price for shares sold under the plan represents 95% of the fair market value on the last day of each six-month offering period.

Note 7 – The plans in this section of the table reflect awards under pre-acquisition plans of National City Corporation and Sterling Financial Corporation, respectively. National City was merged into PNC on December 31, 2008 and Sterling was merged into PNC on April 4, 2008. Pursuant to the respective merger agreements for these acquisitions, common shares of National City or Sterling, as the case may be, issuable upon the exercise or settlement of various equity awards granted under the National City or Sterling plans were converted into corresponding awards covering PNC common stock. Additional information regarding these plans is included in Note 16 Stock-Based Compensation Plans in the Notes To Consolidated Financial Statements in Item 8 of this Report.

Note 8 – The National City Corporation 2004 Deferred Compensation Plan provided eligible employees the opportunity to defer the receipt of cash compensation which would have otherwise been received as salary, as variable pay, or as an incentive award and provided participants with nonelective deferred compensation. The plan was frozen in December 2008 as to new deferral elections and nonelective deferred compensation earned after 2008. Deferred compensation already in the plan at that time, or contributed to the plan pursuant to previous deferral elections, is credited with gains or losses based upon investment options made available from time to time, and, as such, there is no weighted-average exercise price. The plan does not limit the number of shares that may be issued for the plan.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is included under the captions "Director and Executive Officer Relationships – Director Independence, – Transactions with Directors,
– Indemnification and Advancement of Costs, and – Related Person Transactions Policies and Procedures" in our Proxy Statement to be filed for the 2010 annual meeting of shareholders and is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is included under the caption "Item 2 – Ratification of the Audit Committee's Selection of PricewaterhouseCoopers LLP as the Independent Registered Public Accounting Firm for 2010" in our Proxy Statement to be filed for the 2010 annual meeting of shareholders and is incorporated herein by reference.

PART IV

ITEM 15 – EXHIBITS, FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS, FINANCIAL STATEMENT SCHEDULES

Our consolidated financial statements required in response to this Item are incorporated by reference from Item 8 of this Report.

Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2009 and 2008 and for each of the three years ended December 31, 2009 are filed with this Report as Exhibit 99.2 and incorporated herein by reference.

EXHIBITS

Our exhibits listed on the Exhibit Index on pages E-1 through E-8 of this Form 10-K are filed with this Report or are incorporated herein by reference.

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
Executive Vice President and Chief Financial Officer
March 10, 2010

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 10, 2010.

Signature	Capacities
/s/ James E. Rohr James E. Rohr	Chairman, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Richard J. Johnson Richard J. Johnson	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Samuel R. Patterson Samuel R. Patterson	Senior Vice President and Controller (Principal Accounting Officer)
* Richard O. Berndt; Charles E. Bunch; Paul W. Chellgren; Robert N. Clay; Kay Coles James; Richard B. Kelson; Bruce C. Lindsay; Anthony A. Massaro; Jane G. Pepper; Donald J. Shepard; 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 24, 2008, by and between the Corporation and National City Corporation	Incorporated herein by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K filed October 30, 2008
3.1	Articles of Incorporation of the Corporation, as amended effective as of January 2, 2009	Incorporated herein by reference to Exhibit 3.1 to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 (2008 Form 10-K)
3.2	By-Laws of the Corporation, as amended and restated effective as of February 12, 2009	Incorporated herein by reference to Exhibit 3.2 of the Corporation's Current Report on Form 8-K filed February 19, 2009
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 3.1 of the Corporation's 2008 Form 10-K
4.3	Terms of $1.80 Cumulative Convertible Preferred Stock, Series B	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.4	Terms of $1.60 Cumulative Convertible Preferred Stock, Series C	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.5	Terms of $1.80 Cumulative Convertible Preferred Stock, Series D	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.6	Terms of 7.00% Non-Cumulative Preferred Stock, Series H	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.7	Terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series I	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.8	Terms of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series J	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.9	Terms of Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series K	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.10	Terms of 9.875% Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series L	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.11	Terms of Non-Cumulative Perpetual Preferred Stock, Series M	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.12	Terms of Fixed Rate Cumulative Perpetual Preferred Stock, Series N	Incorporated herein by reference to Exhibit 3.1 of the Corporation's 2008 Form 10-K
4.13	Warrant for Purchase of Shares of PNC Common Stock	Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed January 2, 2009

4.14	Letter Agreement dated December 31, 2008 by and between the Corporation and the United States Department of the Treasury	Incorporated herein by reference to Exhibit 10.1 of the Corporation's Current Report on Form 8-K filed January 2, 2009
4.15	First Supplemental Indenture, dated as of January 29, 2008, between National City Corporation, as Issuer, and The Bank of New York Trust Company, N.A., as Trustee, related to the issuance of 4.0% Convertible Senior Notes due 2011	Incorporated herein by reference to Exhibit 4.2 of the Current Report on Form 8-K filed by National City Corporation (Commission File No. 001-10074) on February 4, 2008
4.16	Second Supplemental Indenture, dated as of December 31, 2008, between the Corporation and The Bank of New York evidencing the succession of the Corporation to National City	Incorporated herein by reference to Exhibit 4.16 to the Corporation's 2008 Form 10-K
4.17	Deposit Agreement dated January 30, 2008 by and among National City Corporation, Wilmington Trust Company, National City Bank as Transfer Agent and Registrar, and all holders from time to time of Receipts issued pursuant thereto	Incorporated herein by reference to Exhibit 4.2 of the Form 8-A filed by National City Corporation on January 30, 2008
4.18	Letter Agreement dated as of December 31, 2008 between the Corporation and Wilmington Trust Company	Incorporated herein by reference to Exhibit 4.4 of the Corporation's Form 8-A filed December 31, 2008
4.19	Stock Purchase Contract between National City Corporation and National City Preferred Capital Trust I acting through the Bank of New York Trust Company, N.A. as Property Trustee, dated January 30, 2008	Incorporated herein by reference to Exhibit 4.7 of the Form 8-A filed by National City Corporation (Commission File No. 001-10074) on January 30, 2008
4.20	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 (3rd Quarter 2004 Form 10-Q)
4.21	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 3rd Quarter 2004 Form 10-Q
4.22	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 3rd Quarter 2004 Form 10-Q
4.23	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 3rd Quarter 2004 Form 10-Q
4.24	Exchange Agreement, dated March 29, 2007, by and among the Corporation, PNC Bank, National Association, and PNC Preferred Funding Trust II	Incorporated herein by reference to Exhibit 4.16 of the Corporation's Current Report on Form 8-K filed March 30, 2007
4.25	First Supplemental Indenture, dated as of February 13, 2008, between the Corporation and The Bank of New York	Incorporated herein by reference to Exhibit 4.4 of the Corporation's Current Report on Form 8-K filed February 13, 2008
4.26	Exchange Agreement, dated February 14, 2008, by and among the Corporation, PNC Bank, National Association, and PNC Preferred Funding Trust III	Incorporated herein by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K filed February 19, 2008
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 (2nd Quarter 2004 Form 10-Q)*
10.2	The Corporation's Supplemental Executive Retirement Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.2 to the Corporation's 2008 Form 10-K*

10.3	Amendment 2009-1 to the Corporation's Supplemental Executive Retirement Plan as amended and restated as of January 1, 2009	Filed herewith*
10.4	The Corporation's ERISA Excess Pension Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.2 of the Corporation's 2nd Quarter 2004 Form 10-Q*
10.5	The Corporation's ERISA Excess Pension Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.4 to the Corporation's 2008 Form 10-K*
10.6	Amendment 2009-1 to the Corporation's ERISA Excess Plan as amended and restated as of January 1, 2009	Filed herewith*
10.7	The Corporation's Key Executive Equity Program, as amended and restated	Incorporated herein by reference to Exhibit 10.3 of the Corporation's 2nd Quarter 2004 Form 10-Q*
10.8	The Corporation's Key Executive Equity Program, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 10.6 to the Corporation's 2008 Form 10-K*
10.9	Amendment 2009-1 to the Corporation's Key Executive Equity Program as amended and restated as of January 1, 2009	Filed herewith*
10.10	The Corporation's Supplemental Incentive Savings Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.4 of the Corporation's 2nd Quarter 2004 Form 10-Q*
10.11	The Corporation's Supplemental Incentive Savings Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 4.3 to the Registration Statement on Form S-8 filed by the Corporation on January 22, 2009*
10.12	The Corporation's Supplemental Incentive Savings Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.61 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 (2nd Quarter 2009 Form 10-Q)*
10.13	Amendment 2009-1 to the Corporation's Supplemental Incentive Savings Plan, as amended and restated May 5, 2009	Filed herewith*
10.14	The Corporation and Affiliates Deferred Compensation Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.7 of the Corporation's 2nd Quarter 2004 Form 10-Q*
10.15	The Corporation and Affiliates Deferred Compensation Plan, as amended and restated effective January 1, 2009	Incorporated herein by reference to Exhibit 4.5 to the Registration Statement on Form S-8 filed by the Corporation on January 22, 2009*
10.16	The Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Incorporated herein by reference to Exhibit 10.62 to the Corporation's 2nd Quarter 2009 Form 10-Q*
10.17	Amendment 2009-1 to the Corporation and Affiliates Deferred Compensation Plan, as amended and restated May 5, 2009	Filed herewith*
10.18	AJCA transition amendments to the Corporation's Supplemental Incentive Savings Plan and the Corporation and Affiliates Deferred Compensation Plan	Incorporated herein 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)*
10.19	Further AJCA transition amendments to the Corporation and Affiliates Deferred Compensation Plan	Incorporated herein by reference to Exhibit 10.12 to the Corporation's 2008 Form 10-K*
10.20	The Corporation's 2006 Incentive Award Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.53 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008*
10.21	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 2nd Quarter 2004 Form 10-Q*

10.22	The Corporation's 1996 Executive Incentive Award Plan, as amended and restated effective as of January 1, 2007	Incorporated herein by reference to Exhibit 10.10 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K)*
10.23	1992 Director Share Incentive Plan	Incorporated herein by reference to Exhibit 10.11 of the 2007 Form 10-K*
10.24	The Corporation's Directors Deferred Compensation Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.12 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 (1st Quarter 2004 Form 10-Q)*
10.25	The Corporation's Directors Deferred Compensation Plan, effective as of January 1, 2008	Incorporated herein by reference to Exhibit 10.14 of the Corporation's 2007 Form 10-K*
10.26	The Corporation's Outside Directors Deferred Stock Unit Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.13 of the Corporation's 1st Quarter 2004 Form 10-Q*
10.27	The Corporation's Outside Directors Deferred Stock Unit Plan, effective as of January 1, 2008	Incorporated herein by reference to Exhibit 10.15 of the Corporation's 2007 Form 10-K*
10.28	Amended and Restated Trust Agreement between PNC Investment Corp., as settlor, and Hershey Trust Company, as trustee	Incorporated herein by reference to Exhibit 10.35 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 (3rd Quarter 2005 Form 10-Q)*
10.29	Trust Agreement between PNC Investment Corp., as settlor, and PNC Bank, National Association, as trustee	Incorporated herein by reference to Exhibit 10.34 of the Corporation's 3rd Quarter 2005 Form 10-Q*
10.30	The Corporation's Employee Stock Purchase Plan, as amended and restated	Incorporated herein by reference to Exhibit 10.18 of the Corporation's 2007 Form 10-K
10.31	The Corporation's Employee Stock Purchase Plan, as amended and restated as of January 1, 2009	Incorporated herein by reference to Exhibit 4.5 to the Registration Statement on Form S-8 filed by the Corporation on December 31, 2008
10.32	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 3rd Quarter 2004 Form 10-Q*
10.33	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)*
10.34	2006 forms of employee stock option, restricted stock and restricted deferral agreements	Incorporated herein by reference to Exhibit 10.17 of the Corporation's 2005 Form 10-K*
10.35	Forms of employee stock option and restricted stock agreements under 2006 Incentive Award Plan	Incorporated by reference to Exhibit 10.40 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006*
10.36	2006 forms of employee incentive performance unit and senior officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.20 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006 as filed on March 1, 2007 (2006 Form 10-K)*
10.37	2007 forms of employee stock option and restricted stock agreements	Incorporated herein by reference to Exhibit 10.21 of the Corporation's 2006 Form 10-K*

10.38	2006-2007 forms of employee incentive performance units agreements	Incorporated herein by reference to Exhibit 10.51 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 (2nd Quarter 2007 Form 10-Q)*
10.39	2008 forms of employee stock option and restricted stock/share unit agreements	Incorporated herein by reference to Exhibit 10.26 of the Corporation's 2007 Form 10-K*
10.40	2008 forms of employee performance units agreements	Incorporated herein by reference to Exhibit 10.33 to the Corporation's 2008 Form 10-K*
10.41	Form of employee stock option agreement with varied vesting schedule or circumstances	Incorporated herein by reference to Exhibit 10.50 of the Corporation's Current Report on Form 8-K filed April 18, 2008*
10.42	Form of employee restricted stock agreement with varied vesting schedule or circumstances	Incorporated herein by reference to Exhibit 10.51 of the Corporation's Current Report on Form 8-K filed April 18, 2008*
10.43	Form of employee stock option agreement with performance vesting schedule	Incorporated herein by reference to Exhibit 10.54 of the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008*
10.44	2009 forms of employee stock option, restricted stock, restricted share unit and performance unit agreements	Incorporated by reference to Exhibit 10.61 to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009*
10.45	Form of agreement regarding portion of salary payable in stock units	Incorporated by reference to Exhibit 10.63 to the Corporation's Current Report on Form 8-K filed August 21, 2009*
10.46	Form of agreement for long-term restricted stock	Incorporated by reference to Exhibit 10.64 to the Corporation's Current Report on Form 8-K filed December 23, 2009*
10.47	Form of agreement for long-term stock	Incorporated by reference to Exhibit 10.65 to the Corporation's Current Report on Form 8-K filed December 23, 2009*
10.48	2010 forms of employee stock option, restricted stock, and restricted share unit agreements	Filed herewith*
10.49	Forms of director stock option and restricted stock agreements	Incorporated herein by reference to Exhibit 10.32 of the Corporation's 3rd Quarter 2004 Form 10-Q*
10.50	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*
10.51	Form of time sharing agreements between the Corporation and certain executives	Incorporated herein by reference to Exhibit 10.39 to the Corporation's 2008 Form 10-K*
10.52	Form of Change in Control Employment Agreements	Incorporated herein by reference to Exhibit 99.1 of the Corporation's Current Report on Form 8-K filed September 12, 2008*
10.53	Form of former 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*
10.54	Forms of first amendment to former 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*

10.55	Forms of second amendment to former 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*
10.56	Forms of third amendment to former senior officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.26 of the Corporation's 1st Quarter 2004 Form 10-Q*
10.57	Form of former other officer change in control severance agreements	Incorporated herein by reference to Exhibit 10.31 of the 3rd Quarter 2004 Form 10-Q*
10.58	The National City Corporation 2004 Deferred Compensation Plan, as amended and restated effective January 1, 2005	Incorporated herein by reference to Exhibit 10.35 to National City Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006
10.59	BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated herein by reference to the Quarterly Report on Form 10-Q of BlackRock Holdco 2, Inc. (Commission File No. 001-15305) for the quarter ended September 30, 2002 (BlackRock Holdco 2 3rd Quarter 2002 Form 10-Q)
10.60	First Amendment to the BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated herein by reference to the Quarterly Report on Form 10-Q of BlackRock Holdco 2, Inc. (Commission File No. 001-15305) for the quarter ended March 31, 2004
10.61	Second Amendment to the BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan	Incorporated herein by reference to the Annual Report on Form 10-K of BlackRock Holdco 2, Inc. (Commission File No. 001-15305) for the year ended December 31, 2004
10.62	Share Surrender Agreement, dated October 10, 2002, among BlackRock, Inc., PNC Asset Management, Inc., and the Corporation	Incorporated herein by reference to the BlackRock Holdco 2 3rd Quarter 2002 Form 10-Q
10.63	First Amendment, dated as of February 15, 2006, to the Share Surrender Agreement among BlackRock, Inc., PNC Bancorp, Inc. and the Corporation	Incorporated herein by reference to the Current Report on Form 8-K of BlackRock Holdco 2, Inc. (Commission File No. 001-15305) filed February 22, 2006 (BlackRock Holdco 2 February 22, 2006 Form 8-K)
10.64	Second Amendment to Share Surrender Agreement made and entered into as of June 11, 2007 by and between the Corporation, BlackRock, Inc., and PNC Bancorp, Inc.	Incorporated herein by reference to Exhibit 10.50 of the Corporation's Current Report on Form 8-K filed June 14, 2007
10.65	Third Amendment to Share Surrender Agreement, dated as of February 27, 2009, between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.3 of BlackRock, Inc.'s Current Report on Form 8-K filed February 27, 2009
10.66	Implementation and Stockholder Agreement, dated as of February 15, 2006, among BlackRock, Inc., New Boise, Inc. and the Corporation	Incorporated herein by reference to the BlackRock Holdco 2 February 22, 2006 Form 8-K
10.67	Amended and Restated Implementation and Stockholder Agreement, dated as of February 27, 2009, between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed February 27, 2009
10.68	Amendment No. 1, dated as of June 11, 2009, to the Amended and Restated Implementation and Stockholder Agreement between the Corporation and BlackRock, Inc.	Incorporated herein by reference to Exhibit 10.2 of BlackRock, Inc.'s Current Report on Form 8-K filed June 17, 2009

10.69	Exchange Agreement by and between the Corporation and BlackRock, Inc. dated as of December 26, 2008	Incorporated herein by reference to Exhibit 10.2 of the Current Report on Form 8-K of BlackRock, Inc. (Commission File No. 001-33099) filed December 29, 2008
10.70	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 3rd Quarter 2004 Form 10-Q
10.71	Agreement and Plan of Merger dated as of October 24, 2008 by and between the Corporation and National City Corporation	Incorporated herein by reference to Exhibit 2.1 of the Corporation's Current Report on Form 8-K filed October 30, 2008
10.72	Warrant for Purchase of Shares of PNC Common Stock	Incorporated herein by reference to Exhibit 4.2 of the Corporation's Current Report on Form 8-K filed January 2, 2009
10.73	Letter Agreement dated December 31, 2008 by and between the Corporation and the United States Department of the Treasury	Incorporated herein by reference to Exhibit 10.1 of the Corporation's Current Report on Form 8-K filed January 2, 2009
10.74	Stock Purchase Agreement, dated as of February 1, 2010, by and between the Corporation and The Bank of New York Mellon Corporation	Incorporated herein by reference to Exhibit 2.1 to the Corporation's Current Report on Form 8-K filed February 3, 2010
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
23.1	Consent of PricewaterhouseCoopers LLP, the Corporation's Independent Registered Public Accounting Firm	Filed herewith
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm of BlackRock, Inc.	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 and filed July 18, 2002

99.2	Audited consolidated financial statements of BlackRock, Inc. as of December 31, 2009 and 2008 and for each of the three years ended December 31, 2009	Filed herewith
99.3	Certification of Chief Executive Officer Pursuant to Section 111(b)(4) of the Emergency Economic Stabilization Act of 2008	Filed herewith
99.4	Certification of Chief Financial Officer Pursuant to Section 111(b)(4) of the Emergency Economic Stabilization Act of 2008	Filed herewith
101	Interactive Data File (XBRL)	Filed herewith

\+ Incorporated document references to filings by the Corporation are to SEC File No. 001-09718, to filings by National City Corporation are to SEC File No. 001-10074, to filings by BlackRock through its second quarter 2006 Form 10-Q are to BlackRock Holdco 2, Inc. SEC File No. 001-15305, and to filings by BlackRock, Inc. are to SEC File No. 001-33099.

* 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/secfilings under "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. The Interactive Data File (XBRL) exhibit is only available electronically.

EXHIBIT 10.3

AMENDMENT 2009-1

THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(as amended and restated as of January 1, 2009)

WHEREAS, The PNC Financial Services Group, Inc. (the "Corporation") sponsors The PNC Financial Services Group, Inc. Supplemental Executive Retirement Plan (the "Plan");

WHEREAS, the Corporation wishes to amend the Plan to coordinate the timing of' payments from the Plan with the Corporation's new payroll system and to change the definition of compensation; and

WHEREAS, Section 15 of the Plan authorizes the Corporation to amend the Plan.

NOW, THEREFORE, IT IS RESOLVED, that the Plan is hereby amended as follows:

1. Effective January 1, 2009, the last paragraph of Section 3.1 ("Grandfathered Participants") is amended to delete the first sentence and insert the following new sentence in its place:

"Unless otherwise elected, the annual amount payable pursuant to Section 3.1(a) or 3.1(b) and the preceding sentence will be paid in the form of a lump-sum cash payment equal to the present value of such monthly benefit, calculated using the interest rate used under the Prior Pension Plan as of the date the payment is to be made, commencing as soon as administratively practicable following but no later than ninety (90) days after the six-month anniversary of the Vested Termination of Employment of the Grandfathered Participant (or in the case of a Grandfathered Participant who has incurred a Vested Termination of Employment as the result of a Total Disability, commencing as soon as administratively practicable following but no later than ninety (90) days after the date on which the Grandfathered Participant attains the maximum age for which benefits could be payable to such Grandfathered Participant under the Employer's applicable long-term disability plan as a result of such Total Disability, regardless of whether the Grandfathered Participant ceases to receive long-term disability benefits prior to attaining such maximum age)."

2. Effective July 1, 2009, Section 3 ("Retirement Income Supplement for Grandfathered Participants") is amended to add the following new Section 3.3 ("TARP Provisions"):

"3.3 TARP Provisions.

For purposes of calculating benefits under this Plan, with respect to amounts paid on or after July 1, 2009, amounts paid in the form of salary share units shall be excluded from Compensation and Average Final Compensation. For purposes of calculating benefits under this Plan, with respect to amounts paid on or after September 1, 2009, in the event that payment of annual incentive compensation which is included in Compensation and Average Final Compensation as variable pay is made in the form of “long-term restricted stock” as defined in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance in advance of the date on which payment of annual incentive compensation under the applicable executive and management incentive plan(s) is made in cash to those employees whose compensation is not restricted under the Interim Final Rule (the “normal payment date”), the payment of such long-term restricted stock shall be deemed to be made on the normal payment date.”

3. Effective September 1, 2009, Section 4 (“Retirement Income Supplement for Participants who are not Grandfathered Participants”) is amended to add the following new Section 4.8 (“TARP Provisions”):

“4.8 TARP Provisions

For purposes of calculating benefits under this Plan, with respect to amounts paid on or after July 1, 2009, amounts paid in the form of salary share units shall be excluded from Compensation and Average Final Compensation. For purposes of calculating benefits under this Plan, with respect to amounts paid on or after September 1, 2009, in the event that payment of annual incentive compensation which is included in Compensation and Average Final Compensation as variable pay is made in the form of “long-term restricted stock” as defined in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance in advance of the date on which payment of annual incentive compensation under the applicable executive and management incentive plan(s) is made in cash to those employees whose compensation is not restricted under the Interim Final Rule (the “normal payment date”), the payment of such long-term restricted stock shall be deemed to be made on the normal payment date.”

4. Effective January 1, 2009, Section 4.5 (“Payment of Benefits”) is amended to delete the first sentence thereof and insert the following new sentence in its place:

“A Participant covered under this Section 4 may elect, pursuant to Section 10 of the Plan, to receive his or her benefit under this Plan in either a single lump-sum payment or in an annuity form of payment available under the Pension Plan, commencing in either case on the first payroll date of the month coincident with or next following the six-month anniversary of the Vested Termination of Employment of the Participant (or in the case of a Participant who has incurred a Vested Termination of Employment as the result of a Total Disability, commencing on the first payroll date of the month coincident with or next following the date on which the Participant attains the maximum age for which benefits could be payable to such Participant under the Employer’s applicable long-term disability plan as a result of such Total Disability, regardless of whether the Participant ceases to receive long-term disability benefits prior to attaining such maximum age).”

Except as herein amended, the Plan shall remain in full force and effect.

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 24 day of December, 2009 pursuant to the authority delegated by the Corporation's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President and
Chief Human Resources Officer

EXHIBIT 10.6

AMENDMENT 2009-1

THE PNC FINANCIAL SERVICES GROUP, INC.
ERISA EXCESS PLAN

(as amended and restated as of January 1, 2009)

WHEREAS, The PNC Financial Services Group, Inc. (the “Corporation”) sponsors The PNC Financial Services Group, Inc. ERISA Excess Plan (the “Plan”);

WHEREAS, the Corporation wishes to amend the Plan to coordinate the timing of payments from the Plan with the Corporation’s new payroll system, to reflect the merger of the National City Corporation Supplemental Cash Balance Pension Plan into the Plan, and to change the definition of compensation under the Plan; and

WHEREAS, Section 9 of the Plan authorizes the Corporation to amend the Plan.

NOW, THEREFORE, IT IS RESOLVED, that the Plan is hereby amended as follows:

1. Effective January 1, 2010, the second clause of the last sentence of Section 1.1 (“Account”) is amended in its entirety to read as follows:

“(ii) amounts representing accounts merged into this Plan from a prior excess pension plan, to the extent separate accounting is determined by the Committee or its delegate to be necessary in order to ensure compliance with Section 409A of the Code or otherwise, including without limitation amounts included in this Plan as a result of the mergers of the Mercantile Plan and the National City Plan into this Plan.”

2. Effective September 1, 2009, Section 1.12 (“Excess Benefits”) is amended to add the following new sentence immediately at the end thereof:

“For purposes of (A) above, in the event that payment of annual incentive compensation which is included in Compensation as variable pay is made in the form of “long-term restricted stock” as defined in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance in advance of the date on which payment of annual incentive compensation under the applicable executive and management incentive plan(s) is made in cash to those employees whose compensation is not restricted under the Interim Final Rule (the “normal payment date”), the payment of such long-term restricted stock shall be deemed to be made on the normal payment date for purposes of determining the amount in (A) to be used to calculate a Participant’s Excess Benefits under this Plan.”

3. Effective January 1, 2010, Section 1 (“Definitions”) is amended to insert the following new Section 1.15 (“National City Plan”) immediately following Section 1.14 (“Mercantile Plan”) and the sections that follow are renumbered accordingly:

“1.15 “National City Plan” means the National City Corporation Supplemental Cash Balance Pension Plan, which was merged into this Plan effective January 1, 2010.”

4. Effective January 1, 2010, the second sentence of Section 3 (“Benefits”) is amended in its entirety to read as follows:

“With respect to any period; a Participant’s Account under this Plan will be allocated Earnings Credits, Transitional Earnings Credits and Interest Credits in the same manner as such Credits are allocated to the Participant’s account under the Pension Plan for such period.”

5. Effective January 1, 2009, the second sentence of Section 4.2 (“Distribution at Severance from Service Other Than Death or Total Disability”) is amended in its entirety to read as follows:

“Amounts deferred and vested prior to January 1, 2005 will be paid in such manner as benefits are paid to the Participant under the Pension Plan.”

6. Effective January 1, 2009, Section 4.3 (“Distribution at Severance from Service Due to Total Disability”) is amended to delete the first sentence thereof and insert the following new sentence in its place:

“If a Participant incurs a Severance from Service as a result of a Total Disability, amounts deferred and vested prior to January 1, 2005 will be paid in such manner as benefits are paid to the Participant under the Pension Plan.”

7. Effective January 1, 2009, Section 4.4 (“Distributions at Death”) is amended in its entirety to read as follows:

“In the event of a Participant’s death prior to the distribution of his Account, amounts deferred and vested prior to January 1, 2005 will be paid to the Participant’s Beneficiary or Beneficiaries designated under the Pension Plan in such manner as benefits are paid to such Beneficiary or Beneficiaries under the Pension Plan. Amounts deferred or first vesting on or after January 1, 2005 will be distributed to the Participant’s Beneficiary or Beneficiaries designated hereunder in a single lump-sum payment as soon as administratively practicable following, but no later than ninety (90) days after, the Participant’s death.”

8. Effective January 1, 2009, Section 7.1 (“initial Claim”) is amended to delete the last sentence of such Section.

9. Effective January 1, 2010, Section 13 (“Miscellaneous”) is amended to insert the following new Section 13.13 (“Merger of National City Plan”) immediately at the end thereof:

“13.13 Merger of National City Plan.

The National City Plan was merged into the Plan effective January 1, 2010. Under the Plan, each individual who had an account balance merged into the Plan from the National City Plan has an Account equal to or greater than the account balance such individual had under the National City Plan immediately before the merger.”

Except as herein amended, the Plan shall remain in full force and effect.

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc- this 24 day of December, 2009 pursuant to the authority delegated by the Corporation’s Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President and
Chief Human Resources Officer

EXHIBIT 10.9

AMENDMENT 2009-1

THE PNC FINANCIAL SERVICES GROUP, INC.
KEY EXECUTIVE EQUITY PROGRAM

(as amended and restated as of January 1, 2009)

WHEREAS, The PNC Financial Services Group, Inc. (the “Corporation”) sponsors The PNC Financial Services Group, Inc. Key Executive Equity Program (the “Plan”);

WHEREAS, the Corporation wishes to amend the Plan to change the definition of annual base salary; and

WHEREAS, Section 7 of the Plan authorizes the Corporation to amend the Plan.

NOW, THEREFORE, IT IS RESOLVED, that the Plan is hereby amended as follows:

1. Effective July 1, 2009, Section 1.1 (“Annual Base Salary”) is amended to add the following new sentence immediately at the end thereof:

“Notwithstanding any other provision of the Plan, with respect to amounts paid on or after July 1, 2009, Annual Base Salary shall not include amounts paid in the form of salary share units.”

Except as herein amended, the Plan shall remain in full force and effect.

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 24th day of December, 2009 pursuant to the authority delegated by the Corporation’s Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President and
Chief Human Resources Officer

EXHIBIT 10.13

AMENDMENT 2009-1
THE PNC FINANCIAL SERVICES GROUP, INC.

SUPPLEMENTAL INCENTIVE SAVINGS PLAN

(as amended and restated effective May 5, 2009)

WHEREAS, The PNC Financial Services Group, Inc. ("PNC") sponsors The PNC Financial Services Group, Inc. Supplemental Incentive Savings Plan (the "Plan");

WHEREAS, Section 10 of the Plan authorizes PNC to amend the Plan; and

WHEREAS, PNC wishes to amend the Plan to change the definition of annual incentive award.

NOW THEREFORE, IT IS RESOLVED, that the Plan is hereby amended in the following respects:

1. Effective September 1, 2009, Section 1.3 ("Annual Incentive Award") is amended to add the following new sentence immediately at the end thereof:

"Notwithstanding any other provision of the Plan, with respect to amounts paid on or after September 1, 2009, "Annual Incentive Award" shall not include annual incentive compensation paid in the form of "long-term restricted stock" as defined in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance."

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 24th day of December, 2009 pursuant to the authority delegated by the Corporation's Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L. Gulley
Executive Vice President
Chief Human Resources Officer

EXHIBIT 10.17

AMENDMENT 2009-1

THE PNC FINANCIAL SERVICES GROUP, INC. AND AFFILIATES
DEFERRED COMPENSATION PLAN

(as amended and restated effective May 5, 2009)

WHEREAS, The PNC Financial Services Group, Inc. (the “Corporation”) sponsors The PNC Financial Services Group, Inc. and Affiliates Deferred Compensation Plan (the “Plan”);

WHEREAS. Article X of the Plan authorizes the Corporation to amend the Plan; and

WHEREAS, the Corporation wishes to amend the Plan.

NOW THEREFORE, IT IS RESOLVED, that the Plan is hereby amended in the following respect:

1. Effective January 1, 2010, Section 1.16 of the Plan (“Eligible Annual Cash Incentive Award”) is amended in its entirety to read as follows:

“1.16 “Eligible Annual Cash Incentive Award” means: (A) in the case of a participant in the ISP, the amount of the Participant’s Annual Cash Incentive Award includes 100% of variable pay, such as annual bonus amounts, up to $25,000, and 50% of variable pay in excess of $25,000, up to a maximum of $250,000, provided, however, that for a Participant who is a member of the Corporate Executive Group in the CX00 job grade, Annual Cash Incentive Award includes variable pay not in excess of the greater of (i) $25,000, or (ii) 50% of such variable pay; and (B) in the case of a participant in the RSP, 100% of any Annual Cash Incentive Award.

2. Effective September 1, 2009, Section 3.3 of the Plan (“Stock Deferrals”) is amended to add the following new paragraph immediately at the end thereof:

“Notwithstanding any other provision of the Plan, no amount of annual incentive compensation that is paid to a Participant by the Employer in the form of “long-term restricted stock” as defined in the Interim Final Rule on TARP Standards for Compensation and Corporate Governance shall be eligible for deferral under this Plan.”

3. Effective January 1, 2009, Section 8.1 of the Plan (“Initial Claim”) is amended to delete the last sentence therefrom.

Executed and adopted by the Chief Human Resources Officer of The PNC Financial Services Group, Inc. this 24 day of December, 2009 pursuant to the authority delegated by the Corporation’s Personnel and Compensation Committee.

/s/ Joan L. Gulley
Joan L Gulley
Executive Vice President
Chief Human Resources Officer

EXHIBIT 10.48

2010 FORMS OF EMPLOYEE STOCK OPTION, RESTRICTED STOCK
AND RESTRICTED SHARE UNIT AGREEMENTS

FORMS OF EMPLOYEE STOCK OPTION AGREEMENTS

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

NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE:	«First Name MI» «Last Name»
GRANT DATE:	______, 20__
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 hereto (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 at any time and from time to time through the Expiration Date as defined in Section A.18 of Annex A hereto, including and subject to the early termination provisions set forth in said definition.

To the extent that the Option or relevant portion thereof is then outstanding and the Expiration Date has not yet occurred, the Option will become exercisable as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Option has previously become exercisable pursuant to another subsection of this Section 2.2, the Option will become exercisable as follows:

(i) as to one-third ($1/3^{rd}$) of the Covered Shares (rounded down to the nearest whole Share), commencing on the first (1^{st}) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such anniversary 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 (2nd) anniversary date of the Grant Date provided that Optionee is still an employee of the Corporation on such anniversary 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 anniversary 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 Disability and not for Cause, the Option will become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable, 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 Change of Control Triggering Event but prior to the occurrence of a Change of Control Failure or of the Change of Control triggered by the Change of Control Triggering Event, Optionee's employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Option will become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 has not yet become fully exercisable at the time a Change of Control occurs, the Option will become exercisable as to all then outstanding Covered Shares as to which it has not otherwise become exercisable, effective as of the day immediately prior to the occurrence of the Change of Control, provided that, at the time the Change of Control occurs, Optionee is either (i) an employee of the Corporation or (ii) a former employee of the Corporation whose Option, or portion thereof, has not yet become exercisable but is then outstanding and continues to qualify for becoming exercisable pursuant to the terms of Section 2.2(a)(i), (ii) and/or (iii).

(f) The Committee or its delegate may in their sole discretion, but need not, accelerate the date as of which all or any portion of the Option first becomes exercisable subject, if applicable, to such limitations as may be set forth in the Plan.

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 Judicial Criminal Proceedings. If any criminal charges are brought against Optionee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Optionee's employment or other service relationship with the Corporation, then to the extent that the Option is then outstanding and exercisable or would otherwise become exercisable, the Committee may determine to suspend the exercisability of the Option 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 results in a 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;

(ii) resolution of the criminal proceedings 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;

(iii) Optionee's death;

(iv) the occurrence of a Change of Control; or

(v) 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 (v) 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, to the extent outstanding and exercisable, 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 by PNC 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 one year 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 or, if Optionee was a party to a Change of Control Employment Agreement that was in effect at the time of such termination of employment, within three years after the occurrence of a Change of Control, 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 one year 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 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 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 of the Internal Revenue Code 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. 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, 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) <u>"Cause" during a Coverage Period</u>. 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) <u>"Cause" other than during a Coverage Period</u>. 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 of Control” means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the “Outstanding PNC Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the “Outstanding PNC Voting Securities”); provided, however, that, for purposes of this Section A.5(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an “Affiliated Company”), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.5(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC’s shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a “Business Combination”), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an “Excluded Combination”); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.6 “Change of Control Employment Agreement” means the written agreement, if any, between Optionee and PNC providing, among other things, for certain payments and benefits upon a qualifying termination of employment following a change of control.

A.7 “Change of Control Failure” means the following:

(a) with respect to a Change of Control 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 Change of Control 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 “Change of Control Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (c) of the definition of Change of 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 Change of Control Triggering Event and (ii) the date of a Change of Control and (b) ending on the date that is two (2) years after the date of the Change of Control; provided, however, that in the event that a Coverage Period commences on the date of a Change of Control Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a Change of Control Failure and (y) the date that is two (2) years after the date of the Change of Control triggered by the Change of Control 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 have a service relationship with the Corporation;

(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 or his or her designee (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 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Optionee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Optionee has been determined to be eligible for Social Security disability benefits, Optionee shall be presumed to be Disabled as defined herein.

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) (with the Option expiring on the first date determined under any of such sections);

provided, however, if there is a Change of Control, then notwithstanding Sections A.18(c) and A.18(d), to the extent that the Option is outstanding and exercisable or becomes exercisable at the time the Change of 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 of 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 of 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 of 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 of 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 the Option has become exercisable 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 the Option has become exercisable, 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 exercisable on the Retirement date or thereafter becomes exercisable 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) Disability. If Optionee's employment is terminated by the Corporation by reason of 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) Displacement Benefits Plan or Agreement or Arrangement in lieu of or in addition to Displacement Benefits Plan. 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 Displacement Benefits Plan, or any successor plan by whatever name known ("Displacement Benefits Plan"), 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 Displacement Benefits Plan, 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 exercisable; 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 or not it has become exercisable, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the Option (or portion thereof) has become exercisable while Optionee was still an employee of the Corporation but will expire on Optionee's Termination Date unless the conditions set forth in this Section A.18(c)(5) are met, then such 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, 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 of 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) (i) the assignment to Optionee of any duties inconsistent in any respect with, or any other diminution in, Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities such that Optionee's position, authority, duties or responsibilities are not at least commensurate in all material respects with the most significant of those held, exercised and assigned to Optionee at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) the assignment to Optionee of any duties inconsistent in any material respect with, or any other material diminution in, Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to the Change of Control Triggering Event, excluding in either case for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and 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 to an annual rate (i) that is less than 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the 12-month period immediately preceding the month in which the Change of Control occurs or, if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) that is less than 12 times the monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the month immediately preceding the month in which the Change of Control Triggering Event occurs;

(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 Change of Control Triggering Event or the Change of Control;

(d) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue Optionee's participation in annual bonus, long-term cash incentive, equity incentive, savings and retirement plans, practices, policies and programs that provide Optionee with annual bonus opportunities, long-term incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, no less favorable, in the aggregate, than the most favorable of those provided by the Corporation for Optionee under such plans, practices, policies and programs as in effect (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event; or

(e) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue to provide Optionee with benefits under welfare benefit plans, practices, policies and programs provided by the Corporation (including, without limitation, medical, prescription, dental, vision, disability, employee life, group life, accidental death and travel accident insurance plans and programs) no less favorable, in the aggregate, than those provided to Optionee under the most favorable of such plans, practices, policies and programs in effect for Optionee (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event.

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 “Plan” means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

A.29 “PNC” means The PNC Financial Services Group, Inc.

A.30 “Retire” or “Retirement” means, for purposes of this Option and all PNC stock options held by Optionee, whether granted under the Plan or under an earlier PNC plan, termination of Optionee’s employment with the Corporation at any time and for any reason (other than termination by reason of Optionee’s death or by the Corporation for Cause and, if the Committee or the CEO or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Optionee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

A.31 “Retiree” means an Optionee who has Retired.

A.32 “SEC” means the U.S. Securities and Exchange Commission.

A.33 “Service relationship” or “having a service relationship with the Corporation” means being engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

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.

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

NONSTATUTORY STOCK OPTION AGREEMENT

OPTIONEE:	«First Name MI» «Last Name»
GRANT DATE:	______, 20__
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 hereto (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 at any time and from time to time through the Expiration Date as defined in Section A.18 of Annex A hereto, including and subject to the early termination provisions set forth in said definition.

To the extent that the Option is then outstanding and the Expiration Date has not yet occurred, the Option will become exercisable as to Covered Shares as set forth in this Section 2.2.

(b) Unless the Option has previously become exercisable pursuant to another subsection of this Section 2.2, the Option will become exercisable commencing on the third (3^{rd}) anniversary date of the Grant Date, provided that Optionee is still an employee of the Corporation on such anniversary date.

(b) If Optionee’s employment is terminated by the Corporation by reason of Disability and not for Cause, the Option will become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable, 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.

(e) If, after the occurrence of a Change of Control Triggering Event but prior to the occurrence of a Change of Control Failure or of the Change of Control triggered by the Change of Control Triggering Event, Optionee’s employment with the Corporation is terminated by the Corporation without Cause or by Optionee with Good Reason, the Option will become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 has not yet become exercisable at the time a Change of Control occurs, the Option will become exercisable as to all then outstanding Covered Shares as to which it has not otherwise become exercisable, effective as of the day immediately prior to the occurrence of the Change of Control, provided that, at the time the Change of Control occurs, Optionee is an employee of the Corporation.

(f) The Committee or its delegate may in their sole discretion, but need not, accelerate the date as of which all or any portion of the Option first becomes exercisable, subject, if applicable, to such limitations as may be set forth in the Plan.

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 Judicial Criminal Proceedings. If any criminal charges are brought against Optionee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Optionee's employment or other service relationship with the Corporation, then to the extent that the Option is then outstanding and exercisable or would otherwise become exercisable, the Committee may determine to suspend the exercisability of the Option 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 results in a 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;

(ii) resolution of the criminal proceedings 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;

(iii) Optionee's death;

(iv) the occurrence of a change of control; or

(v) 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 (v) 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, to the extent outstanding and exercisable, 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 by PNC 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 one year 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 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 or, if Optionee was a party to a Change of Control Employment Agreement that was in effect at the time of such termination of employment, within three years after the occurrence of a Change of Control, 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 one year 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 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 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 of the Internal Revenue Code 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. 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, 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 of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.5(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.5(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.6 “Change of Control Employment Agreement” means the written agreement, if any, between Optionee and PNC providing, among other things, for certain payments and benefits upon a qualifying termination of employment following a change of control.

A.7 “Change of Control Failure” means the following:

(a) with respect to a Change of Control 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 Change of Control 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 “Change of Control Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (c) of the definition of Change of 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 Change of Control Triggering Event and (ii) the date of a Change of Control and (b) ending on the date that is two (2) years after the date of the Change of Control; provided, however, that in the event that a Coverage Period commences on the date of a Change of Control Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a Change of Control Failure and (y) the date that is two (2) years after the date of the Change of Control triggered by the Change of Control 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 have a service relationship with the Corporation;

(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 or his or her designee (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 “Disabled” or “Disability” means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Optionee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Optionee has been determined to be eligible for Social Security disability benefits, Optionee shall be presumed to be Disabled as defined herein.

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) (with the Option expiring on the first date determined under any of such sections);

provided, however, if there is a Change of Control, then notwithstanding Sections A.18(c) and A.18(d), to the extent that the Option is outstanding and exercisable or becomes exercisable at the time the Change of 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 of 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 of 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 is outstanding at the time the Change of 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 of 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 the Option has become exercisable 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 the Option has become exercisable, 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 the Option. If more than one of such exceptions is applicable to the Option, then 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 and the Option became exercisable while Optionee was still an employee of the Corporation, 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 exercisable on the Retirement date.

(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) Disability. If Optionee's employment is terminated by the Corporation by reason of 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) Displacement Benefits Plan or Agreement or Arrangement in lieu of or in addition to Displacement Benefits Plan. In the event that the Option became exercisable while Optionee was still an employee of the Corporation and (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 Displacement Benefits Plan, or any successor plan by whatever name known (“Displacement Benefits Plan”), 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 Displacement Benefits Plan, 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 (90^{th}) day after Optionee’s Termination Date (but in no event later than on the tenth (10^{th}) anniversary of the Grant Date) with respect to any Covered Shares as to which the Option has already become exercisable; provided, however, that if Optionee returns to employment with the Corporation no later than said ninetieth (90^{th}) day, then for purposes of the Agreement, the entire Option, whether or not it had become exercisable, will be treated as if the termination of Optionee’s employment with the Corporation had not occurred.

If the Option became exercisable while Optionee was still an employee of the Corporation but will expire on Optionee’s Termination Date unless the conditions set forth in this Section A.18(c)(5) are met, then such Option 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 (90^{th}) day after Optionee’s Termination Date (but in no event later than on the tenth (10^{th}) 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, 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 of 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) (i) the assignment to Optionee of any duties inconsistent in any respect with, or any other diminution in, Optionee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities such that Optionee's position, authority, duties or responsibilities are not at least commensurate in all material respects with the most significant of those held, exercised and assigned to Optionee at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) the assignment to Optionee of any duties inconsistent in any material respect with, or any other material diminution in, Optionee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to the Change of Control Triggering Event, excluding in either case for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and 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 to an annual rate (i) that is less than 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the 12-month period immediately preceding the month in which the Change of Control occurs or, if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) that is less than 12 times the monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the month immediately preceding the month in which the Change of Control Triggering Event occurs;

(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 Change of Control Triggering Event or the Change of Control;

(d) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue Optionee's participation in annual bonus, long-term cash incentive, equity incentive, savings and retirement plans, practices, policies and programs that provide Optionee with annual bonus opportunities, long-term incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, no less favorable, in the aggregate, than the most favorable of those provided by the Corporation for Optionee under such plans, practices, policies and programs as in effect (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event; or

(e) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue to provide Optionee with benefits under welfare benefit plans, practices, policies and programs provided by the Corporation (including, without limitation, medical, prescription, dental, vision, disability, employee life, group life, accidental death and travel accident insurance plans and programs) no less favorable, in the aggregate, than those provided to Optionee under the most favorable of such plans, practices, policies and programs in effect for Optionee (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event.

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 “Plan” means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

A.29 “PNC” means The PNC Financial Services Group, Inc.

A.30 “Retire” or “Retirement” means, for purposes of this Option and all PNC stock options held by Optionee, whether granted under the Plan or under an earlier PNC plan, termination of Optionee’s employment with the Corporation at any time and for any reason (other than termination by reason of Optionee’s death or by the Corporation for Cause and, if the Committee or the CEO or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Optionee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

A.31 “Retiree” means an Optionee who has Retired.

A.32 “SEC” means the U.S. Securities and Exchange Commission.

A.33 “Service relationship” or “having a service relationship with the Corporation” means being engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

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.

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 at any time and from time to time through the Expiration Date as defined in Section A.15 of Annex A hereto, including and subject to the early termination provisions set forth in said definition.

To the extent that the Reload Option is otherwise outstanding and the Expiration Date has not yet occurred, the Reload Option will become exercisable as to Covered Shares as set forth in this Section 2.2.

(a) Unless the Reload Option has previously become exercisable pursuant to another subsection of this Section 2.2, the Reload Option will become exercisable 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 anniversary 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 Disability and not for Cause, the Reload Option will become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable, 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 Change of Control Triggering Event but prior to the occurrence of a Change of Control Failure or of the Change of Control triggered by the Change of Control 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 become exercisable as to all outstanding Covered Shares as to which it has not otherwise become exercisable 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 has not yet become fully exercisable at the time a Change of Control occurs, the Reload Option will become exercisable as to all then outstanding Covered Shares as to which it has not otherwise become exercisable, effective as of the day immediately prior to the occurrence of the Change of Control, provided that, at the time the Change of Control occurs, Optionee is either (i) an employee of the Corporation or (ii) a former employee of the Corporation whose Reload Option, or portion thereof, has not yet become exercisable but is then outstanding and continues to qualify for becoming exercisable pursuant to the terms of Section 2.2(a).

(f) The Committee or its delegate may in their sole discretion, but need not, accelerate the date as of which all or any portion of the Reload Option first becomes exercisable, subject, if applicable, to such limitations as may be set forth in the Plan.

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, to the extent outstanding and exercisable, 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 Reload Option Price with respect to that portion of the Reload 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 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 by PNC 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 one year after Optionee's Termination Date regardless of the reason for such termination of employment.

(c) 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 or, if Optionee was a party to a Change of Control Employment Agreement that was in effect at the time of such termination of employment, within three years after the occurrence of a Change of Control, 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 one year 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 or its subsidiaries 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.

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, 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 of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.4(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.4(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.5 “Change of Control Employment Agreement” means the written agreement, if any, between Optionee and PNC providing, among other things, for certain payments and benefits upon a qualifying termination of employment following a change of control.

A.6 “Change of Control Failure” means the following:

(a) with respect to a Change of Control 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 Change of Control 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.7 “Change of Control Triggering Event” means the occurrence of either of the following:

(a) the Board or PNC’s shareholders approve a transaction described in Subsection (c) of the definition of Change of 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 or appointed by that committee as its delegate or designee.

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 Change of Control Triggering Event and (ii) the date of a Change of Control and (b) ending on the date that is two (2) years after the date of the Change of Control; provided, however, that in the event that a Coverage Period commences on the date of a Change of Control Triggering Event, such Coverage Period will terminate upon the earlier to occur of (x) the date of a Change of Control Failure and (y) the date that is two (2) years after the date of the Change of Control triggered by the Change of Control 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 have a service relationship with the Corporation;

(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 “Disabled” or “Disability” means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Optionee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Optionee has been determined to be eligible for Social Security disability benefits, Optionee shall be presumed to be Disabled as defined herein.

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 receipt by PNC of full payment of the aggregate Reload 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 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) (with the Reload Option expiring on the first date determined under any of such sections);

provided, however, if there is a Change of Control, then notwithstanding Sections A.15(c) and A.15(d), to the extent that the Reload Option is outstanding and exercisable or becomes exercisable at the time the Change of 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 of 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 of 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 of 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 of 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 the Reload Option has become exercisable 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 the Reload Option has become exercisable, 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 exercisable on the Retirement date or thereafter becomes exercisable 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) Disability. If Optionee's employment is terminated by the Corporation by reason of 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) Displacement Benefits Plan or Agreement or Arrangement in lieu of or in addition to Displacement Benefits Plan. 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 Displacement Benefits Plan, or any successor plan by whatever name known ("Displacement Benefits Plan"), 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 Displacement Benefits Plan, 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 exercisable; 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 or not it has become exercisable, will be treated as if the termination of Optionee's employment with the Corporation had not occurred.

If the Reload Option (or portion thereof) has become exercisable while Optionee was still an employee of the Corporation but will expire on Optionee's Termination Date unless the conditions set forth in this Section A.15(c)(5) are met, then such 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, 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 of Control.

A.16 "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.17 “Good Reason” means:

(a) (i) the assignment to Optionee of any duties inconsistent in any respect with, or any other diminution in, Optionee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities such that Optionee’s position, authority, duties or responsibilities are not at least commensurate in all material respects with the most significant of those held, exercised and assigned to Optionee at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) the assignment to Optionee of any duties inconsistent in any material respect with, or any other material diminution in, Optionee’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities immediately prior to the Change of Control Triggering Event, excluding in either case for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and 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 to an annual rate (i) that is less than 12 times the highest monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the 12-month period immediately preceding the month in which the Change of Control occurs or, if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) that is less than 12 times the monthly base salary paid or payable, including any base salary that has been earned but deferred, to Optionee by the Corporation in respect of the month immediately preceding the month in which the Change of Control Triggering Event occurs;

(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 Change of Control Triggering Event or the Change of Control;

(d) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue Optionee’s participation in annual bonus, long-term cash incentive, equity incentive, savings and retirement plans, practices, policies and programs that provide Optionee with annual bonus opportunities, long-term incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, no less favorable, in the aggregate, than the most favorable of those provided by the Corporation for Optionee under such plans, practices, policies and programs as in effect (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event; or

(e) other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the Corporation promptly after receipt of notice thereof given by Optionee, the failure by the Corporation to continue to provide Optionee with benefits under welfare benefit plans, practices, policies and programs provided by the Corporation (including, without limitation, medical, prescription, dental, vision, disability, employee life, group life, accidental death and travel accident insurance plans and programs) no less favorable, in the aggregate, than those provided to Optionee under the most favorable of such plans, practices, policies and programs in effect for Optionee (i) at any time during the 120-day period immediately preceding the Change of Control, or if a Change of Control has not yet occurred but there has been a Change of Control Triggering Event, (ii) immediately prior to the Change of Control Triggering Event.

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 “PNC” means The PNC Financial Services Group, Inc.

A.22 “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.23 “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.24 “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.25 “Retiree” means an Optionee who has Retired.

A.26 “Retire” or “Retirement” means termination of Optionee’s employment with the Corporation at any time and for any reason (other than termination by reason of Optionee’s death or by the Corporation for Cause and, if the Committee or the CEO or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more Subsidiaries of the Corporation) on or after the first date on which Optionee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

A.27 “Right(s)” means stock appreciation right(s) in accordance with the terms of Article 7 of the Plan.

A.28 “SEC” means the U.S. Securities and Exchange Commission.

A.29 “Service relationship” or “having a service relationship with the Corporation” means being engaged by the Corporation in any capacity for which Optionee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

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.

FORMS OF EMPLOYEE RESTRICTED STOCK
AND RESTRICTED SHARE UNIT AGREEMENTS

20 Long-Term Incentive Award Program
Continued Employment Performance Goal
Restricted Period: Three Years (100%)

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
20 LONG-TERM INCENTIVE AWARD PROGRAM
* * *
RESTRICTED STOCK AWARD AGREEMENT
* * *

GRANTEE:	< name >
AWARD DATE:	______, 20__
RESTRICTED SHARES:	< number of whole shares>

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1. Definitions. Certain terms used in this Restricted Stock Award 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. Restricted Shares Award. 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 grants to the Grantee named above ("Grantee") a Restricted Shares Award of the number of restricted shares of PNC common stock set forth above (the "Award" and the "Restricted Shares"), all subject to acceptance of the Award by Grantee in accordance with Section 16 and subject to the terms and conditions of the Agreement and the Plan.

3. Terms of Award. The Award is subject to the following terms and conditions.

Restricted Shares are subject to a Restricted Period as provided in Section A.20 of Annex A. During the Restricted Period and until all of the conditions of the Agreement have been satisfied and the shares become Awarded Shares, Restricted Shares are subject to forfeiture and to transfer restrictions pursuant to the terms and conditions of the Agreement.

Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee in a restricted account or credited to a restricted book-entry account. Restricted Shares will be held in a restricted account until either all of the conditions of the Agreement have been satisfied or the shares are forfeited pursuant to the terms of the Agreement. Restricted Shares that are forfeited by Grantee pursuant to and in accordance with the terms of Section 7 will be cancelled without payment of any consideration by PNC.

Any certificate or certificates representing the 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 that become Awarded Shares as provided in Section A.3 of Annex A upon satisfaction of all of the conditions of the Agreement will be released from the restricted account 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 Sections 6 through 9 and subject 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 issued pursuant to the Award 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 Restricted Shares that have not yet been released from the terms of the Agreement 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) Restricted 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 Provisions.

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, 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 Award 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 any 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(b), 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 Detrimental Conduct; Judicial Criminal Proceedings.

(a) 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: (i) this Section 7.2(a) 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; (ii) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (iii) 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 (iv) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change of Control.

(b) Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, the Committee may determine to suspend the vesting of the Restricted Shares or to require the escrow of the proceeds of the shares.

Any such suspension or escrow is subject to the following restrictions:

(1) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that results in a 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;

(B) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) 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;

(C) Grantee's death;

(D) the occurrence of a Change of Control; or

(E) termination of the suspension or escrow in the discretion of the Committee; and

(2) 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 (1)(B) or (E) above.

If the suspension is terminated by the occurrence of an event set forth in clause (1)(A) above, the Restricted Shares will, upon such occurrence, be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

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 Award 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 Award Date by the Corporation by reason of Grantee's 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.12 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 Award 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 Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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. 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 Award Date but prior to the third (3rd) anniversary of the Award 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.12 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 Award 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 Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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. 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 of Control. Notwithstanding anything in the Agreement to the contrary, if Grantee's employment with the Corporation is terminated by the Corporation prior to the third (3rd) anniversary of the Award Date and such termination is an Anticipatory Termination as defined in Section A.2 of Annex A, 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; 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.

7.7 Other Committee Authority. Prior to the third (3rd) anniversary of the Award Date, the Committee or its delegate may in their sole discretion, but need not, determine that, with respect to some or all of Grantee's outstanding Unvested Shares, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to such shares will terminate, all subject to such restrictions, terms or conditions as the Committee or its delegate may in their sole discretion determine.

8. Change of Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change of Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change of 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 of Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change of 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.12 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change of 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 of 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 Restrictions; Payment to Legal Representative. Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2(b), if and to the extent applicable, PNC will release and issue or reissue the outstanding whole Restricted Shares that have not been forfeited and have become Awarded Shares following termination of the Restricted Period, without the legend referred to in Section 3.

Upon release of shares that have satisfied all of the conditions of the Agreement and 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 Restricted Shares that have become Awarded Shares 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 Award and the 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 Award 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 Award 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 Award 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 Award (regardless of whether the Restricted 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 one year 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 and such termination is an Anticipatory Termination, 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 one year 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 Award and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code 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 Award 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 Award; PNC Right to Cancel. If Grantee does not accept the Award 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 Award 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 as of the Award Date and the Restricted Shares will be issued as soon thereafter as administratively practicable.

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 in connection with 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 Award Date but before 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 Restricted Shares been issued on the Award Date. Any such amount will be payable in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award 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," "Award," and "Award Date." "Agreement" means the Restricted Stock Award Agreement between PNC and Grantee evidencing the Award made to Grantee pursuant to the Plan. "Award" means the Award made to Grantee pursuant to the Plan and evidenced by the Agreement. "Award Date" means the Award Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares are authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.2 "Anticipatory Termination." If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause, death or Disability prior to the date on which a Change of Control occurs, and if it is reasonably demonstrated by Grantee that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, such a termination of employment is an "Anticipatory Termination."

For purposes of this definition, "Cause" shall mean:

(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.3 "Awarded Shares." Provided that the Restricted Shares are then outstanding and have not been forfeited, 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(b) of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.4 "Board" means the Board of Directors of PNC.

A.5 "Cause." Except as otherwise provided in Section A.2, "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 PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee 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;

(c) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(d) 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

(e) entry of any order against Grantee, 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 Grantee's employment or other service relationship with the Corporation.

Except as otherwise provided in Section A.2, 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 (a), (b) or (c) above or that an event described in clause (d) or (e) 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.

A.6 "CEO" means the chief executive officer of PNC.

A.7 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.7(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.7(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.8 "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.9 "Competitive Activity" means 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.13(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.10 "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.11 "Corporation" means PNC and its Consolidated Subsidiaries.

A.12 "Designated Person" will be either: (a) the Committee or its delegate, 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.12(a).

A.13 "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 have a service relationship with the Corporation;

(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 or his or her designee (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.14 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

A.15 "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.16 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.17 "Grantee" means the person to whom the Restricted Stock Award is granted, and is identified as Grantee on page 1 of the Agreement.

A.18 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.19 "PNC" means The PNC Financial Services Group, Inc.

A.20 "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 Award Date through (and including) the earlier of: (a) the date of Grantee's death; (b) the day immediately preceding the day a Change of Control is deemed to have occurred; and (c) the day immediately preceding the third (3^{rd}) anniversary of the Award 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.21 "Retire" or "Retirement" means termination of Grantee's employment with the Corporation at any time and for any reason (other than termination by reason of Grantee's death or by the Corporation for Cause and, if the Committee or the CEO or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Grantee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

A.22 "Retiree" means a Grantee who has Retired.

A.23 "SEC" means the United States Securities and Exchange Commission.

A.24 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

A.25 "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.26 "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 Award Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3^{rd}) anniversary of the Award Date; (b) the date of Grantee's death; and (c) the day a Change of Control is deemed to have occurred.

A.27 "Unvested Shares" means any Restricted Shares that are outstanding but have not yet become Awarded Shares in accordance with the terms of the Agreement.

Restricted Stock Award
Continued Employment Performance Goal
Restricted Period: Three Years (100%)

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
RESTRICTED STOCK AWARD AGREEMENT
* * *

GRANTEE:	< name >
AWARD DATE:	__________, 20__
ISSUANCE DATE:	__________, 20__
RESTRICTED SHARES:	< number of whole shares>

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1. Definitions. Certain terms used in this Restricted Stock Award 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. Restricted Shares Award. 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 grants to the Grantee named above ("Grantee") a Restricted Shares Award of the number of restricted shares of PNC common stock set forth above (the "Award" and the "Restricted Shares"), all subject to acceptance of the Award by Grantee in accordance with Section 16 and subject to the terms and conditions of the Agreement and the Plan.

3. Terms of Award. The Award is subject to the following terms and conditions.

Restricted Shares are subject to a Restricted Period as provided in Section A.21 of Annex A. During the Restricted Period and until all of the conditions of the Agreement have been satisfied and the shares become Awarded Shares, Restricted Shares are subject to forfeiture and to transfer restrictions pursuant to the terms and conditions of the Agreement.

Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee in a restricted account or credited to a restricted book-entry account. Restricted Shares will be held in a restricted account until either all of the conditions of the Agreement have been satisfied or the shares are forfeited pursuant to the terms of the Agreement. Restricted Shares that are forfeited by Grantee pursuant to and in accordance with the terms of Section 7 will be cancelled without payment of any consideration by PNC.

Any certificate or certificates representing the 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 that become Awarded Shares as provided in Section A.3 of Annex A upon satisfaction of all of the conditions of the Agreement will be released from the restricted account 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 Sections 6 through 9 and subject to Section 7.6(b), if applicable, and to Section 16, Grantee will have all the rights and privileges of a shareholder with respect to the Restricted Shares from and after the Issuance Date 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 issued pursuant to the Award 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 Restricted Shares that have not yet been released from the terms of the Agreement 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) Restricted 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 Provisions.

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, 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 Award 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 any 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(c), 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 Detrimental Conduct; Judicial Criminal Proceedings.

(a) 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: (i) this Section 7.2(a) 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; (ii) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (iii) 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 (iv) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change of Control.

(b) Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, the Committee may determine to suspend the vesting of the Restricted Shares or to require the escrow of the proceeds of the shares.

Any such suspension or escrow is subject to the following restrictions:

(1) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that results in a 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;

(B) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) 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;

(C) Grantee's death;

(D) the occurrence of a Change of Control; or

(E) termination of the suspension or escrow in the discretion of the Committee; and

(2) 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 (1)(B) or (E) above.

If the suspension is terminated by the occurrence of an event set forth in clause (1)(A) above, the Restricted Shares will, upon such occurrence, be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

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 Award 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 (3d) anniversary of the Award Date by the Corporation by reason of Grantee's 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.12 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 Award 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 Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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. 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 (3d) anniversary of the Award 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.12 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 Award 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 Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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. 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 Displacement Benefits Plan Termination

(a) In the event that Grantee's employment with the Corporation is terminated prior to the third (3rd) anniversary of the Award 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 Displacement Benefits Plan, or any successor plan by whatever name known ("Displacement Benefits Plan"), 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 Displacement Benefits Plan, 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 and Section 7.6(c), 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.12 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 Award 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 Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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. 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 of Control. Notwithstanding anything in the Agreement to the contrary, if Grantee's employment with the Corporation is terminated by the Corporation prior to the third (3rd) anniversary of the Award Date and such termination is an Anticipatory Termination as defined in Section A.2 of Annex A, 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; 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.

7.8 Other Committee Authority. Prior to the third (3rd) anniversary of the Award Date, the Committee or its delegate may in their sole discretion, but need not, determine that, with respect to some or all of Grantee's outstanding Unvested Shares, the Three-Year Continued Employment Performance Goal will be deemed to have been achieved and the Restricted Period with respect to such shares will terminate, all subject to such restrictions, terms or conditions as the Committee or its delegate may in their sole discretion determine.

8. Change of Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change of Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change of 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 of Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change of 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.12 of Annex A, then with respect to all Unvested Shares outstanding as of the day immediately preceding the Change of 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 of 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 Restrictions; Payment to Legal Representative. Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2(b), if and to the extent applicable, PNC will release and issue or reissue the outstanding whole Restricted Shares that have not been forfeited and have become Awarded Shares following termination of the Restricted Period, without the legend referred to in Section 3.

Upon release of shares that have satisfied all of the conditions of the Agreement and 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 Restricted Shares that have become Awarded Shares 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 Award and the 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 Award 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 Award 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 Award 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 Award (regardless of whether the Restricted 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 one year 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 and such termination is an Anticipatory Termination, 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 one year 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 Award and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code 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 Award 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 Award; PNC Right to Cancel. If Grantee does not accept the Award 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 Award 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 as of the Award Date and the Restricted Shares will be issued effective as of the Issuance Date.

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 in connection with such shares, until the Issuance Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award 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" and "Award." "Agreement" means the Restricted Stock Award Agreement between PNC and Grantee evidencing the Award made to Grantee pursuant to the Plan. "Award" means the Award made to Grantee pursuant to the Plan and evidenced by the Agreement.

A.2 "Anticipatory Termination." If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause, death or Disability prior to the date on which a Change of Control occurs, and if it is reasonably demonstrated by Grantee that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, such a termination of employment is an "Anticipatory Termination."

For purposes of this definition, Cause shall mean:

(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.3 "Awarded Shares." Provided that the Restricted Shares are then outstanding and have not been forfeited, 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(b) of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.4 "Board" means the Board of Directors of PNC.

A.5 "Cause." Except as otherwise provided in Section A.2, "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 PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee 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;

(c) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(d) 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

(e) entry of any order against Grantee, 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 Grantee's employment or other service relationship with the Corporation.

Except as otherwise provided in Section A.2, 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 (a), (b) or (c) above or that an event described in clause (d) or (e) 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.

A.6 "CEO" means the chief executive officer of PNC.

A.7 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.7(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.7(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.8 "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.9 "Competitive Activity" means 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.13(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.10 "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.11 "Corporation" means PNC and its Consolidated Subsidiaries.

A.12 "Designated Person" will be either: (a) the Committee or its delegate, 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.12(a).

A.13 "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 have a service relationship with the Corporation;

(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 or his or her designee (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.14 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

A.15 "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.16 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.17 "Grantee" means the person to whom the Restricted Stock Award is granted, and is identified as Grantee on page 1 of the Agreement.

A.18 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.19 "Issuance Date" means the Issuance Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares are authorized to be issued by the Committee or its delegate in accordance with the Plan and Section 16 of the Agreement.

A.20 "PNC" means The PNC Financial Services Group, Inc.

A.21 "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 Award Date through (and including) the earlier of: (a) the date of Grantee's death; (b) the day immediately preceding the day a Change of Control is deemed to have occurred; and (c) the day immediately preceding the third (3^{rd}) anniversary of the Award 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.22 "Retire" or "Retirement" means termination of Grantee's employment with the Corporation at any time and for any reason (other than termination by reason of Grantee's death or by the Corporation for Cause and, if the Committee or the CEO or his or her designee so determines prior to such divestiture, other than by reason of termination in connection with a divestiture of assets or a divestiture of one or more subsidiaries of the Corporation) on or after the first date on which Grantee has both attained at least age fifty-five (55) and completed five (5) years of service, where a year of service is determined in the same manner as the determination of a year of vesting service calculated under the provisions of The PNC Financial Services Group, Inc. Pension Plan.

A.23 "Retiree" means a Grantee who has Retired.

A.24 "SEC" means the United States Securities and Exchange Commission.

A.25 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

A.26 "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.27 "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 Award Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3^{rd}) anniversary of the Award Date; (b) the date of Grantee's death; and (c) the day a Change of Control is deemed to have occurred.

A.28 "Unvested Shares" means any Restricted Shares that are outstanding but have not yet become Awarded Shares in accordance with the terms of the Agreement.

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

* * *

CASH-PAYABLE RESTRICTED SHARE UNITS AGREEMENT

* * *

GRANTEE:	[Name]
AWARD DATE:	___________, 20__
SHARE UNITS:	[Number]

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1. Definitions. Certain terms used in this Cash-Payable Restricted Share Units 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. Restricted Share Units with Dividend Equivalents Award. 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 grants to the Grantee named above ("Grantee") an award of Restricted Share Units ("Restricted Share Units") of the number of share units of PNC common stock set forth above, together with Dividend Equivalents ("Dividend Equivalents"), payable in cash, with respect to the same number of shares of PNC common stock as the number of share units set forth above (together, the "Award"), all subject to acceptance of the Award by Grantee in accordance with Section 15 and subject to the terms and conditions of the Agreement and the Plan.

3. Terms of Award. The Award is subject to the following terms and conditions.

Restricted Share Units and Dividend Equivalents are not transferable. The Restricted Share Units and ongoing Dividend Equivalents are subject to forfeiture pursuant to the terms and conditions of the Agreement prior to vesting; provided, however, that there shall be no forfeiture of Dividend Equivalents with respect to dividend payment dates that occur prior to a forfeiture of the Restricted Share Units to which they relate.

Restricted Share Units that vest in accordance with the terms of Section 6 will be settled pursuant to and in accordance with the terms of that Section. Unvested Share Units that are forfeited by Grantee pursuant to and in accordance with the terms of Section 5 will be cancelled without payment of any consideration by PNC.

The right to ongoing Dividend Equivalents is granted in connection with the Restricted Share Units and therefore shall terminate, without payment of any consideration by PNC, upon the settlement of Vested Share Units or the cancellation of Unvested Share Units, whichever is applicable.

4. Dividend Equivalents. From and after the Award Date until such time as the Restricted Share Units granted in connection with such Dividend Equivalents are either (i) settled pursuant to and in accordance with the terms of Section 6 or (ii) cancelled upon forfeiture in accordance with the terms of Section 5, the Corporation will make cash payments to Grantee equivalent to the amounts of the quarterly cash dividends Grantee would have received, if any, had the Restricted Share Units to which such Dividend Equivalents relate been shares of PNC common stock issued and outstanding on the record dates for cash dividends on PNC common stock that occur during such period.

The Corporation will make such payments to Grantee pursuant to this Section 4 each quarter following the dividend payment date that relates to each such record date, if any. Such amounts shall be paid in cash in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees within 30 days after the applicable dividend payment date.

Termination or cancellation of Dividend Equivalents will have no effect on cash payments made pursuant to this Section 4 prior to such termination or cancellation.

If the right to ongoing Dividend Equivalents terminates because the Restricted Share Units to which they relate have been settled pursuant to and in accordance with the terms of Section 6 and such termination occurs after the dividend record date for a quarter but before the related dividend payment date, the Corporation will nonetheless make such a quarterly dividend equivalent payment to Grantee with respect to that record date, if any.

5. Forfeiture Events.

(a) Termination for Cause. In the event that Grantee's employment with the Corporation is terminated by the Corporation for Cause prior to the 3rd anniversary of the Award Date and prior to the occurrence of a Change of Control, if any, all Restricted Share Units that are Unvested Share Units on Grantee's Termination Date, together with the right to Dividend Equivalents granted in connection with such Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

(b) Competitive Activities. Unvested Share Units that would otherwise remain outstanding after Grantee's Termination Date, if any, together with the right to Dividend Equivalents granted in connection with such Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC in the event that, at any time prior to the date such units vest in accordance with Section 6, PNC, by PNC's Designated Person, determines in its sole discretion that Grantee has engaged in Competitive Activities; provided, however, that no determination that Grantee has engaged in Competitive Activities may be made on or after the date of Grantee's death or on or after the date of a Change of Control.

For purposes of this Section 5(b), "Competitive Activities" shall mean any participation in, employment by, ownership of any equity interest exceeding 1% in, or promotion or organization of, any Person (other than PNC or any of its subsidiaries) engaged in financial services activities, including but not limited to a bank, bank affiliate, broker, dealer, or hedge fund, 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.

(c) Upon forfeiture and cancellation pursuant to the provisions of this Section 5 of Unvested Share Units and the right to Dividend Equivalents granted in connection with such Restricted Share Units, the Award will terminate and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in such Unvested Share Units or Dividend Equivalents.

6. Vesting; Cash Settlement of Vested Share Units.

(a) Vesting. For the purpose of determining the vesting date applicable to each portion of the Award, the Restricted Share Units are divided into three "Tranches" as follows: (1) 1/3 of the share units (rounded down to the nearest whole share unit) are in the First Tranche of the Restricted Share Units; (2) another 1/3 of the share units (rounded down to the nearest whole share unit) are in the Second Tranche of the Restricted Share Units; and (3) the remaining share units are in the Third Tranche of the Restricted Share Units.

Unless Unvested Share Units have been forfeited pursuant to the provisions of Section 5, Grantee's Unvested Share Units will vest upon the earliest to occur of the following:

(i) the 1st anniversary of the Award Date in the case of the First Tranche share units, the 2nd anniversary of the Award Date in the case of the Second Tranche share units, and the 3rd anniversary of the Award Date in the case of the Third Tranche share units, respectively;

(ii) Grantee's death; and

(iii) the occurrence of a Change of Control.

(b) Settlement. Vested Share Units will be settled at the time set forth in this Section 6(b) by the payment to Grantee of cash in an amount equal to the number of Vested Share Units being settled multiplied by the Fair Market Value of a share of PNC common stock on the settlement date or as otherwise determined pursuant to Section 8 if applicable.

Payment will be made to Grantee with respect to the settlement of Vested Share Units as soon as practicable, but in no event later than 30 days, following the settlement date, which shall be the earliest to occur of the following:

(i) the 1st, 2nd, or 3rd anniversary of the Award Date, as the case may be, with respect to the First, Second or Third Tranche of the Restricted Share Units, as applicable;

(ii) the date of Grantee's death; and

(iii) the occurrence of a Change of Control, but only if such Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code and any regulations, revenue procedures or revenue rulings issued by the Secretary of the United States Treasury applicable to such Section 409A.

7. No Rights as Shareholder. Grantee will have no rights as a shareholder of PNC by virtue of this Award.

8. Capital Adjustments. Upon the occurrence of a corporate transaction or transaction (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 Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award that it deems appropriate in its discretion 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 by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Restricted Share Units and Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time vested Restricted Share Units are settled in accordance with the terms of Section 6, 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 PNC.

(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.

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 amounts then payable hereunder to Grantee. If any withholding is required prior to the time amounts are payable to Grantee hereunder, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

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 herewith, no additional withholding may be made.

11. Employment. Neither the granting of the Restricted Share Units and Dividend Equivalents 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 Compensation Committee. In all respects the Award 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 Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award 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 with respect to the subject matters addressed herein, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties concerning the subject matters hereof.

14. Enforcement Provisions. Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

14.1 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.

14.2 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.

14.3 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.

14.4. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Award and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code 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 Award 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.

15. Acceptance of Award; PNC Right to Cancel. If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award 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 the event that one or more record dates for dividends on PNC common stock occur after the Award Date but before the date the Agreement is effective in accordance with this Section 15, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equal to the amount of the dividend equivalent payment Grantee would have received had the Agreement been effective on the Award Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award 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 Cash-Payable Restricted Share Units Agreement between PNC and Grantee evidencing the Restricted Share Units with Dividend Equivalents award granted to Grantee pursuant to the Plan.

A.2 “Award” and “Award Date.” “Award” means the Restricted Share Units with Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement. “Award Date” means the Award Date set forth on page 1 of the Agreement and is the date as of which the Restricted Share Units with Dividend Equivalents are authorized to be granted by the Compensation Committee or its delegate in accordance with the Plan.

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 PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee’s duties;

(b) a material breach by Grantee 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;

(c) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(d) 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

(e) entry of any order against Grantee, 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 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 PNC, by PNC’s Designated Person, determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) 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.

A.5 “Change of Control” means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the “Outstanding PNC Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the “Outstanding PNC Voting Securities”); provided, however, that, for purposes of this Section A.5(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an “Affiliated Company”), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.5(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.6 "Compensation 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.7 "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.8 "Corporation" means PNC and its Consolidated Subsidiaries.

A.9 "Designated Person" shall mean PNC's CEO or any other executive officer of PNC.

A.10 "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.11 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.12 "Grantee" means the person to whom the Restricted Share Units with Dividend Equivalents award is granted, and is identified as Grantee on page 1 of the Agreement.

A.13 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.14 "PNC" means The PNC Financial Services Group, Inc.

A.15 "SEC" means the United States Securities and Exchange Commission.

A.16 "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.17 "Unvested Share Units" means any Restricted Share Units that are outstanding but have not vested in accordance with the terms of Section 6 of the Agreement.

A.18 "Vested Share Units." Provided that the Restricted Share Units have not been forfeited pursuant to the terms of Section 5 of the Agreement and are then outstanding, Restricted Share Units will vest in accordance with the terms of Section 6 of the Agreement. Restricted Share Units that have vested and become Vested Share Units are no longer subject to forfeiture under the terms of the Agreement.

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

* * *

CASH-PAYABLE RESTRICTED SHARE UNITS AWARD AGREEMENT

* * *

GRANTEE:	[Name]
AWARD DATE:	__________, 20__
SHARE UNITS:	__________share units

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1. Definitions. Certain terms used in this Cash-Payable Restricted Share Units 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. Restricted Share Units with Dividend Equivalents Award. 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 grants to the Grantee named above ("Grantee") an award of Restricted Share Units ("Restricted Share Units") of the number of share units of PNC common stock set forth above, together with Dividend Equivalents ("Dividend Equivalents"), payable in cash, with respect to the same number of shares of PNC common stock as the number of share units set forth above (together, the "Award"), all subject to acceptance of the Award by Grantee in accordance with Section 16 and subject to the terms and conditions of the Agreement and the Plan.

3. Terms of Award. The Award is subject to the following terms and conditions.

Restricted Share Units and Dividend Equivalents are not transferable. The Restricted Share Units and ongoing Dividend Equivalents are subject to forfeiture pursuant to the terms and conditions of the Agreement prior to vesting; provided, however, that there shall be no forfeiture of Dividend Equivalents with respect to dividend payment dates that occur prior to a forfeiture of the Restricted Share Units to which they relate.

Restricted Share Units that vest in accordance with the terms of Section 6 will be settled pursuant to and in accordance with the terms of that Section. Unvested Share Units that are forfeited by Grantee pursuant to and in accordance with the terms of Section 5 will be cancelled without payment of any consideration by PNC.

The right to ongoing Dividend Equivalents is granted in connection with the Restricted Share Units and therefore shall terminate, without payment of any consideration by PNC, upon the settlement of Vested Share Units or the cancellation of Unvested Share Units, whichever is applicable.

4. Dividend Equivalents. From and after the Award Date until such time as the Restricted Share Units granted in connection with such Dividend Equivalents are either (i) settled pursuant to and in accordance with the terms of Section 6 or (ii) cancelled upon forfeiture in accordance with the terms of Section 5, the Corporation will make cash payments to Grantee equivalent to the amounts of the quarterly cash dividends Grantee would have received, if any, had the Restricted Share Units to which such Dividend Equivalents relate been shares of PNC common stock issued and outstanding on the record dates for cash dividends on PNC common stock that occur during such period.

The Corporation will make such payments to Grantee pursuant to this Section 4 each quarter following the dividend payment date that relates to each such record date, if any. Such amounts shall be paid in cash in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees within 30 days after the applicable dividend payment date.

Termination or cancellation of Dividend Equivalents will have no effect on cash payments made pursuant to this Section 4 prior to such termination or cancellation.

If the right to ongoing Dividend Equivalents terminates because the Restricted Share Units to which they relate have been settled pursuant to and in accordance with the terms of Section 6 and such termination occurs after the dividend record date for a quarter but before the related dividend payment date, the Corporation will nonetheless make such a quarterly dividend equivalent payment to Grantee with respect to that record date, if any.

5. Forfeiture Events.

5.1 Termination for Cause. In the event that Grantee’s employment with the Corporation is terminated by the Corporation for Cause prior to [date], all Restricted Share Units that are Unvested Share Units on Grantee’s Termination Date, together with the right to Dividend Equivalents granted in connection with such Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC; provided, however, this Section 5.1 shall only apply if the Termination Date occurs prior to the occurrence of a Change of Control, if any.

5.2 Termination Other than for Death or Disability. In the event that Grantee’s employment with the Corporation terminates prior to [date] for any reason other than (i) Grantee’s death or (ii) termination of Grantee’s employment by the Corporation by reason of Grantee’s Disability, all Restricted Share Units that are Unvested Share Units on Grantee’s Termination Date, together with the right to Dividend Equivalents granted in connection with such Restricted Share Units, will be forfeited by

Grantee to PNC and cancelled without payment of any consideration by PNC; provided, however, this Section 5.2 shall only apply if the Termination Date occurs prior to the occurrence of a Change of Control, if any.

5.3 Detrimental Conduct. Unvested Share Units that would otherwise remain outstanding after Grantee's Termination Date, if any, together with the right to Dividend Equivalents granted in connection with such Restricted Share Units, will be forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC in the event that, at any time prior to the date such units vest in accordance with Section 6, PNC, by PNC's Designated Person, determines in its sole discretion that Grantee has engaged in Detrimental Conduct; provided, however, that no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death or on or after the date of a Change of Control.

5.4 Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Share Units are still outstanding and have not yet vested, the vesting of the Unvested Share Units shall be automatically suspended.

Such suspension of vesting shall continue until the earliest to occur of the following:

(1) resolution of the criminal proceedings in a manner that results in a 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;

(2) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) 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;

(3) Grantee's death; or

(4) the occurrence of a Change of Control.

If the suspension is terminated by the occurrence of an event set forth in clause (1) above, the Restricted Share Units, together with all Dividend Equivalents granted in connection with such Restricted Share Units, will, upon such occurrence, be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

If the suspension is terminated by the occurrence of an event set forth in clause (2), (3) or (4) above, vesting and settlement shall proceed in accordance with Section 6, as applicable.

5.5 Termination of Award Upon Forfeiture of Units. The Award will terminate, and neither Grantee nor any successors, heirs, assigns or legal representatives of Grantee will thereafter have any further rights or interest in the Restricted Share Units or the related right to Dividend Equivalents evidenced by the Agreement, upon forfeiture and cancellation pursuant to the provisions of Section 5 of such Restricted Share Units and related right to Dividend Equivalents.

6. Vesting; Cash Settlement of Vested Share Units.

6.1 Vesting. Unless Unvested Share Units have been forfeited pursuant to the provisions of Section 5, Grantee's Unvested Share Units will vest upon the earliest to occur of the following:

(i) [date] or, if later, on the date as of which any suspension imposed pursuant to Section 5.4 is lifted and the units vest, as applicable;

(ii) Grantee's death; and

(iii) the occurrence of a Change of Control.

6.2 Settlement. Vested Share Units will be settled at the time set forth in this Section 6.2 by the payment to Grantee of cash in an amount equal to the number of Vested Share Units being settled multiplied by the Fair Market Value of a share of PNC common stock on the settlement date or as otherwise determined pursuant to Section 8 if applicable.

Payment will be made to Grantee with respect to the settlement of Vested Share Units as soon as practicable, but in no event later than 30 days, following the settlement date, which shall be the earliest to occur of the following:

(i) [date] or, if later, the date as of which any suspension imposed pursuant to Section 5.4 is lifted and the units vest, as applicable;

(ii) the date of Grantee's death; and

(iii) the occurrence of a Change of Control, but only if such Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code and any regulations, revenue procedures or revenue rulings issued by the Secretary of the United States Treasury applicable to such Section 409A.

In the event that the settlement date is the date as of which any suspension imposed pursuant to Section 5.4 is lifted, payment will be made no later than the earlier of (a) 30 days after the settlement date and (b) December 31 of the year in which the settlement date occurs.

7. No Rights as Shareholder. Grantee will have no rights as a shareholder of PNC by virtue of this Award.

8. Capital Adjustments. Upon the occurrence of a corporate transaction or transaction (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 Compensation Committee or its delegate shall make those adjustments, if any, in the number, class or kind of Restricted Share Units and related Dividend Equivalents then outstanding under the Award that it deems appropriate in its discretion 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 by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction.

All determinations hereunder shall be made by the Compensation Committee or its delegate in its sole discretion and shall be final, binding and conclusive for all purposes on all parties, including without limitation Grantee.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Restricted Share Units and Dividend Equivalents may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time vested Restricted Share Units are settled in accordance with the terms of Section 6, 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 PNC.

(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. 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 amounts then payable hereunder to Grantee. If any withholding is required prior to the time amounts are payable to Grantee hereunder, the withholding will be taken from other compensation then payable to Grantee or as otherwise determined by PNC.

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 herewith, no additional withholding may be made.

11. Employment. Neither the granting of the Restricted Share Units and Dividend Equivalents 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 Compensation Committee. In all respects the Award 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 Award and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Compensation Committee or its delegate or under the authority of the Compensation Committee, whether made or issued before or after the Award 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 with respect to the subject matters addressed herein, and supersedes all other discussions, negotiations, correspondence, representations, understandings and agreements between the parties concerning the subject matters 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 Restricted Share Units and Dividend Equivalents Award (regardless of whether such share units ultimately vest and settle); 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.

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 Award and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code 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 Award 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 Award; PNC Right to Cancel. If Grantee does not accept the Award by executing and delivering a copy of the Agreement to PNC, without altering or changing the terms thereof in any way, within 30 days of receipt by Grantee of a copy of the Agreement, PNC may, in its sole discretion, withdraw its offer and cancel the Award 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 the event that one or more record dates for dividends on PNC common stock occur after the Award Date but before the date the Agreement is effective in accordance with this Section 16, then upon the effectiveness of the Agreement, the Corporation will make a cash payment to Grantee equal to the amount of the dividend equivalent payment Grantee would have received had the Agreement been effective on the Award Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award 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 Cash-Payable Restricted Share Units Agreement between PNC and Grantee evidencing the Restricted Share Units with Dividend Equivalents award granted to Grantee pursuant to the Plan.

A.2 “Award” and “Award Date.” “Award” means the Restricted Share Units with Dividend Equivalents award granted to Grantee pursuant to the Plan and evidenced by the Agreement. “Award Date” means the Award Date set forth on page 1 of the Agreement and is the date as of which the Restricted Share Units with Dividend Equivalents are authorized to be granted by the Compensation Committee or its delegate in accordance with the Plan.

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 PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee’s duties;

(b) A material breach by Grantee 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;

(c) Any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(d) 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

(e) Entry of any order against Grantee, 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 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 PNC, by PNC's Designated Person, determines that Grantee is guilty of conduct described in clause (a), (b) or (c) above or that an event described in clause (d) or (e) 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.

A.5 "CEO" means the chief executive officer of PNC.

A.6 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.6(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.6(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.7 "Compensation 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.8 "Competitive Activity" means 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.12(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.9 "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.10 "Corporation" means PNC and its Consolidated Subsidiaries.

A.11 "Designated Person" shall mean PNC's CEO or any other executive officer of PNC.

A.12 "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 (1^{st}) 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 have a service relationship with the Corporation;

(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 PNC, by PNC's Designated Person, 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.13 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

A.14 "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.15 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.16 "Grantee" means the person to whom the Restricted Share Units with Dividend Equivalents award is granted, and is identified as Grantee on page 1 of the Agreement.

A.17 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.18 "PNC" means The PNC Financial Services Group, Inc.

A.19 "SEC" means the United States Securities and Exchange Commission.

A.20 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

A.21 "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.22 "Unvested Share Units" means any Restricted Share Units that are outstanding but have not vested in accordance with the terms of Section 6 of the Agreement.

A.23 "Vested Share Units." Provided that the Restricted Share Units have not been forfeited pursuant to the terms of Section 5 of the Agreement and are then outstanding, Restricted Share Units will vest in accordance with the terms of Section 6 of the Agreement.

Restricted Stock Award
Continued Employment Performance Goals
Restricted Periods: Three Years (25%); Four Years (25%); Five Years (50%)

THE PNC FINANCIAL SERVICES GROUP, INC.
2006 INCENTIVE AWARD PLAN
* * *
RESTRICTED STOCK AWARD AGREEMENT
* * *

GRANTEE:	< name >
AWARD DATE:	__________, 20__
RESTRICTED SHARES:	< number of whole shares>

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1. Definitions. Certain terms used in this Restricted Stock Award 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. Restricted Shares Award. 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 grants to the Grantee named above (“Grantee”) a Restricted Shares Award of the number of restricted shares of PNC common stock set forth above (the “Award” and the “Restricted Shares”), all subject to acceptance of the Award by Grantee in accordance with Section 16 and subject to the terms and conditions of the Agreement and the Plan.

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 Award. The Award 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.23 of Annex A. During the applicable Restricted Period and until all of the conditions of the Agreement with respect to such shares have been satisfied and the shares become Awarded Shares, Restricted Shares are subject to forfeiture and to transfer restrictions pursuant to the terms and conditions of the Agreement.

Once issued in accordance with Section 16, Restricted Shares will be deposited with PNC or its designee in a restricted account or credited to a restricted book-entry account. Restricted Shares will be held in a restricted account until either all of the conditions of the Agreement with respect to such shares have been satisfied or the shares are forfeited pursuant to the terms of the Agreement. Restricted Shares that are forfeited by Grantee pursuant to and in accordance with the terms of Section 7 will be cancelled without payment of any consideration by PNC.

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 that become Awarded Shares as provided in Section A.3 of Annex A upon satisfaction of all of the conditions of the Agreement with respect to such shares will be released from the restricted account 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 Sections 6 through 9 and subject 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 issued pursuant to the Award 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 Restricted Shares that have not yet been released from the terms of the Agreement 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) Restricted 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 Provisions.

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, or Section 8, if applicable, in the event that Grantee's employment with the Corporation terminates prior to the fifth (5^{th}) anniversary of the Award 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 any forfeiture of Unvested Shares pursuant to the provisions of this Section 7.1 or the provisions of Section 7.2 or Section 7.4(b), 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 Detrimental Conduct; Judicial Criminal Proceedings.

(a) 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: (i) this Section 7.2(a) 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; (ii) no determination that Grantee has engaged in Detrimental Conduct may be made on or after the date of Grantee's death; (iii) 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 (iv) Detrimental Conduct will cease to apply to any Restricted Shares upon a Change of Control.

(b) Judicial Criminal Proceedings. If any criminal charges are brought against Grantee, in an indictment or in other analogous formal charges commencing judicial criminal proceedings, alleging the commission of a felony that relates to or arises out of Grantee's employment or other service relationship with the Corporation, then to the extent that the Restricted Shares are still outstanding and have not yet become Awarded Shares, the Committee may determine to suspend the vesting of the Restricted Shares or to require the escrow of the proceeds of the shares.

Any such suspension or escrow is subject to the following restrictions:

(1) It may last only until the earliest to occur of the following:

(A) resolution of the criminal proceedings in a manner that results in a 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;

(B) resolution of the criminal proceedings in one of the following ways: (i) the charges as they relate to such alleged felony have been dismissed (with or without prejudice); (ii) Grantee has been acquitted of such alleged felony; or (iii) 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;

(C) Grantee's death;

(D) the occurrence of a Change of Control; or

(E) termination of the suspension or escrow in the discretion of the Committee; and

(2) 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 (1)(B) or (E) above.

If the suspension is terminated by the occurrence of an event set forth in clause (1)(A) above, the Restricted Shares will, upon such occurrence, be automatically forfeited by Grantee to PNC and cancelled without payment of any consideration by PNC.

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 Award 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 Award Date by the Corporation by reason of Grantee's 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.13 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 Award Date in the case of First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Award 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 Award Date in the case of First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Award 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 or its delegate, whichever is applicable; provided, however, if the Committee has acted to suspend the vesting of the Restricted Shares pursuant to Section 7.2(b), 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 for the respective Tranche of shares, including any extension of such Restricted Period, if applicable, then the applicable Continued Employment Performance Goal with respect to such Tranche of shares will be deemed to have been achieved, and the Restricted Period with respect to all Unvested Shares in such Tranche then outstanding, if any, will terminate as of the end of the day on the date of such approval. 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 Committee Authority. Prior to the third (3rd) anniversary of the Award Date in the case of the First Tranche shares, or the fourth (4th) or fifth (5th) anniversary of the Award Date in the case of the Second or Third Tranche shares, respectively, the Committee or its delegate may in their sole discretion, but need not, determine that, with respect to some or all of Grantee's then outstanding Unvested Shares, the applicable Continued Employment Performance Goal(s) with respect to such Tranche or Tranches of shares will be deemed to have been achieved and the Restricted Period with respect to some or all of the Unvested Shares in such Tranche or Tranches then outstanding, if any, will terminate, all subject to such restrictions, terms or conditions as the Committee or its delegate may in their sole discretion determine.

7.6 Termination in Anticipation of a Change of Control. Notwithstanding anything in the Agreement to the contrary, if Grantee's employment with the Corporation is terminated by the Corporation prior to the fifth (5th) anniversary of the Award Date and such termination is an Anticipatory Termination as defined in Section A.2 of Annex A, 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; 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.

8. Change of Control. Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change of Control: (i) if Grantee is an employee of the Corporation as of the day immediately preceding the Change of 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 of Control; (ii) if Grantee's employment with the Corporation terminated prior to the occurrence of the Change of 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.13 of Annex A, then with respect to all such Unvested Shares outstanding as of the day immediately preceding the Change of 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 of 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 Restrictions; Payment to Legal Representative. Except as otherwise directed by the Committee pursuant to the suspension or escrow provisions of Section 7.2(b), if and to the extent applicable, PNC will release and issue or reissue the outstanding whole Restricted Shares that have not been forfeited and have become Awarded Shares upon satisfaction of all of the conditions of the Agreement with respect to such shares following termination of the applicable Restricted Period for such shares, without the legend referred to in Section 3.

Upon release of shares that have satisfied all of the conditions of the Agreement with respect to such shares and 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 Restricted Shares that have become Awarded Shares 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 Award and the 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 Award 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 Award 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 Award 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 Award (regardless of whether the Restricted 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 one year 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 and such termination is an Anticipatory Termination, 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 one year 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 Award and the Agreement comply with the provisions of Section 409A of the Internal Revenue Code 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 Award 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 Award; PNC Right to Cancel. If Grantee does not accept the Award 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 Award 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 as of the Award Date and the Restricted Shares will be issued as soon thereafter as administratively practicable.

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 in connection with 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 Award Date but before 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 Restricted Shares been issued on the Award Date. Any such amount will be payable in accordance with applicable regular payroll practice as in effect from time to time for similarly situated employees.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Award 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," "Award," and "Award Date." "Agreement" means the Restricted Stock Award Agreement between PNC and Grantee evidencing the Award made to Grantee pursuant to the Plan. "Award" means the Award made to Grantee pursuant to the Plan and evidenced by the Agreement. "Award Date" means the Award Date set forth on page 1 of the Agreement and is the date as of which the Restricted Shares are authorized to be granted by the Committee or its delegate in accordance with the Plan.

A.2 "Anticipatory Termination." If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause, death or Disability prior to the date on which a Change of Control occurs, and if it is reasonably demonstrated by Grantee that such termination of employment (i) was at the request of a third party that has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, such a termination of employment is an "Anticipatory Termination."

For purposes of this definition, "Cause" shall mean:

(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.3 "Awarded Shares." Provided that the Restricted Shares are then outstanding and have not been forfeited, 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(b) of the Agreement, the terms of such suspension have been satisfied and the Restricted Shares have not been forfeited.

A.4 "Board" means the Board of Directors of PNC.

A.5 "Cause." Except as otherwise provided in Section A.2, "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 PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(b) a material breach by Grantee 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;

(c) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or one of its subsidiaries or any client or customer of PNC or a subsidiary;

(d) 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

(e) entry of any order against Grantee, 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 Grantee's employment or other service relationship with the Corporation.

Except as otherwise provided in Section A.2, 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 (a), (b) or (c) above or that an event described in clause (d) or (e) 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.

A.6 "CEO" means the chief executive officer of PNC.

A.7 "Change of Control" means:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of PNC (the "Outstanding PNC Common Stock") or (B) the combined voting power of the then-outstanding voting securities of PNC entitled to vote generally in the election of directors (the "Outstanding PNC Voting Securities"); provided, however, that, for purposes of this Section A.7(a), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from PNC, (2) any acquisition by PNC, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by PNC or any company controlled by, controlling or under common control with PNC (an "Affiliated Company"), (4) any acquisition pursuant to an Excluded Combination (as defined in Section A.7(c)) or (5) an acquisition of beneficial ownership representing between 20% and 40%, inclusive, of the Outstanding PNC Voting Securities or Outstanding PNC Common Stock shall not be considered a Change of Control if the Incumbent Board as of immediately prior to any such acquisition approves such acquisition either prior to or immediately after its occurrence;

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board (excluding any Board seat that is vacant or otherwise unoccupied); provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by PNC's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving PNC or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of PNC, or the acquisition of assets or stock of another entity by PNC or any of its subsidiaries (each, a "Business Combination"), excluding, however, a Business Combination following which all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns PNC or all or substantially all of PNC's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding PNC Common Stock and the Outstanding PNC Voting Securities, as the case may be (such a Business Combination, an "Excluded Combination"); or

(d) Approval by the shareholders of PNC of a complete liquidation or dissolution of PNC.

A.8 "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.9 "Competitive Activity" means 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.14(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.10 "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.11 "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.12 "Corporation" means PNC and its Consolidated Subsidiaries.

A.13 "Designated Person" will be either: (a) the Committee or its delegate, 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.13(a).

A.14 "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 have a service relationship with the Corporation;

(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 or his or her designee (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.15 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A of the Internal Revenue Code, that Grantee either (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving (and has received for at least three months) income replacement benefits under any Corporation-sponsored disability benefit plan. If Grantee has been determined to be eligible for Social Security disability benefits, Grantee shall be presumed to be Disabled as defined herein.

A.16 "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.17 "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 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Award Date through (and including) the day immediately preceding the first of the following to occur: (a) the fifth (5th) anniversary of the Award Date; (b) the date of Grantee's death; and (c) the day a Change of Control is deemed to have occurred.

A.18 "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 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Award Date through (and including) the day immediately preceding the first of the following to occur: (a) the fourth (4th) anniversary of the Award Date; (b) the date of Grantee's death; and (c) the day a Change of Control is deemed to have occurred.

A.19 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

A.20 "Grantee" means the person to whom the Restricted Stock Award is granted, and is identified as Grantee on page 1 of the Agreement.

A.21 "Internal Revenue Code" means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

A.22 "PNC" means The PNC Financial Services Group, Inc.

A.23 "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 Award Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change of Control is deemed to have occurred; and (iii) the day immediately preceding the third (3rd) anniversary of the Award 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 Award Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change of Control is deemed to have occurred; and (iii) the day immediately preceding the fourth (4th) anniversary of the Award 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 Award Date through (and including) the earlier of: (i) the date of Grantee's death; (ii) the day immediately preceding the day a Change of Control is deemed to have occurred; and (iii) the day immediately preceding the fifth (5th) anniversary of the Award 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.24 "SEC" means the United States Securities and Exchange Commission.

A.25 "Service relationship" or "having a service relationship with the Corporation" means being engaged by the Corporation in any capacity for which Grantee receives compensation from the Corporation, including but not limited to acting for compensation as an employee, consultant, independent contractor, officer, director or advisory director.

A.26 "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.27 "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 7.6, or Section 8 of the Agreement, if applicable, that Grantee has been continuously employed by the Corporation for the period from the Award Date through (and including) the day immediately preceding the first of the following to occur: (a) the third (3rd) anniversary of the Award Date; (b) the date of Grantee's death; and (c) the day a Change of Control is deemed to have occurred.

A.28 "Tranche(s)" or "First, Second or Third Tranche" have the meanings set forth in Section 2 of the Agreement.

A.29 "Unvested Shares" means any Restricted Shares that are outstanding but have not yet become Awarded Shares in accordance with the terms of the Agreement.

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges (1)

Dollars in millions	Year Ended December 31 2009	2008	2007	2006	2005
Earnings					
Pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries or income or loss from equity investees	$3,135	$ 946	$1,612	$3,737	$1,801
Add:					
Distributed income of equity investees	171	157	124	20	
Fixed charges excluding interest on deposits	1,396	1,026	1,208	778	610
Less:					
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	126	122	101	33	20
Interest capitalized	3				
Earnings excluding interest on deposits	4,573	2,007	2,843	4,502	2,391
Interest on deposits	1,741	1,485	2,053	1,590	981
Total earnings	$6,314	$3,492	$4,896	$6,092	$3,372
Fixed charges					
Interest on borrowed funds	$1,225	$ 961	$1,143	$ 719	$ 552
Interest component of rentals	131	64	64	59	58
Amortization of notes and debentures	37	1	1		
Interest capitalized	3				
Fixed charges excluding interest on deposits	1,396	1,026	1,208	778	610
Interest on deposits	1,741	1,485	2,053	1,590	981
Total fixed charges	$3,137	$2,511	$3,261	$2,368	$1,591
Ratio of earnings to fixed charges					
Excluding interest on deposits	3.28x	1.96x	2.35x	5.79x	3.92x
Including interest on deposits	2.01	1.39	1.50	2.57	2.12

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

EXHIBIT 12.2

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges and Preferred Stock Dividends (1)

Dollars in millions	Year Ended December 31 2009	2008	2007	2006	2005
Earnings					
Pretax income from continuing operations before adjustment for noncontrolling interests in consolidated subsidiaries or income or loss from equity investees	$3,135	$ 946	$1,612	$3,737	$1,801
Add:					
Distributed income of equity investees	171	157	124	20	
Fixed charges and preferred stock dividends excluding interest on deposits	1,993	1,059	1,209	779	611
Less:					
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	126	122	101	33	20
Interest capitalized	3				
Preferred stock dividend requirements	597	33	1	1	1
Earnings excluding interest on deposits	4,573	2,007	2,843	4,502	2,391
Interest on deposits	1,741	1,485	2,053	1,590	981
Total earnings	$6,314	$3,492	$4,896	$6,092	$3,372
Fixed charges and preferred stock dividends					
Interest on borrowed funds	$1,225	$ 961	$1,143	$ 719	$ 552
Interest component of rentals	131	64	64	59	58
Amortization of notes and debentures	37	1	1		
Interest capitalized	3				
Preferred stock dividend requirements	597	33	1	1	1
Fixed charges and preferred stock dividends excluding interest on deposits	1,993	1,059	1,209	779	611
Interest on deposits	1,741	1,485	2,053	1,590	981
Total fixed charges and preferred stock dividends	$3,734	$2,544	$3,262	$2,369	$1,592
Ratio of earnings to fixed charges and preferred stock dividends					
Excluding interest on deposits	2.29x	1.90x	2.35x	5.78x	3.91x
Including interest on deposits	1.69	1.37	1.50	2.57	2.12

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

EXHIBIT 21

THE PNC FINANCIAL SERVICES GROUP, INC.
SCHEDULE OF CERTAIN SUBSIDIARIES
(As of December 31, 2009)

Name	State or Other Jurisdiction of Incorporation or Organization
PNC Bancorp, Inc. (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 Preferred Funding LLC	Delaware
PNC Holding, LLC (1)	Delaware
PNC Global Investment Servicing Inc. (1)	Delaware
PNC Funding Corp	Pennsylvania
PNC Investment Corp. (1)	Delaware
PNC Venture, LLC	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.

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on

- Form S-3 (No. 333-164364, No. 333-164463-01, No. 333-164365, No. 333-164365-01, No. 333-164365-02, No. 333-164365-03, No. 333-136807, No. 333-156345, No. 333-50651, No. 333-50651-01, No. 333-50651-02, No. 333-50651-03, No. 333-50651-04, No. 333-130744, No. 333-139912, No. 333-139912-01, No. 333-139913, No. 333-139913-01, No. 333-139913-02, No. 333-139913-03, and No. 333-139913-04)
- Form S-4 (No. 333-155248 and No. 333-149076)
- Form S-8 (No. 33-28828, No. 33-54960, No. 333-53806, No. 333-110758, No. 333-25867, No. 333-156540, No. 33-25140, No. 333-03901, No. 333-65042, No. 333-139347, No. 333-18069, No. 333-65040, No. 333-136808, No. 333-156886, No. 333-74666, No. 333-115388, No. 333-158087, No. 333-134169, No. 333-139345, No. 333-143182, No. 333-156527, and No. 333-149076)

of The PNC Financial Services Group, Inc. of our report dated March 10, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania

March 10, 2010

EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report dated March 10, 2010, relating to the consolidated financial statements of BlackRock, Inc. (which report expresses an unqualified opinion) appearing in Exhibit 99.2 to this Annual Report on Form 10-K of The PNC Financial Services Group, Inc. (the "Corporation") for the year ended December 31, 2009, in the following Registration Statements of the Corporation:

- Form S-3 relating to the shelf registration of debt securities, purchase contracts, units, and warrants to be issued by PNC Funding Corp and common stock, preferred stock, purchase contracts, units, warrants, guarantees, and depositary shares to be issued by the Corporation (Nos. 333-164364 and 333-164364-01)
- Form S-3 relating to the shelf registration of capital securities of PNC Capital Trusts F, G and H (Nos. 333-164365, 333-164365-01, 333-164365-02, and 333-164365-03)
- 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. 333-136807 and 333-156345)
- Forms S-8 relating to the Corporation's Employee Stock Purchase Plan (Nos. 333-25867 and 333-156540)
- 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)
- Form S-8 relating to the National City Savings and Investment Plan, the Corporation's Supplemental Incentive Savings Plan, and the Corporation and Affiliates' Deferred Compensation Plan (No. 333-156886)
- 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-8 relating to the Corporation's Incentive Savings Plan and the PNC Global Investment Servicing Inc. Retirement Savings Plan (formerly the PFPC Inc. Retirement Savings Plan) (No. 333-158087)

- 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, 333-139345 and 333-143182)
- 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)
- Form S-4 relating to the Corporation’s acquisition of National City Corporation (No. 333-155248)
- Form S-8 relating to various National City plans (No. 333-156527)
- Form S-4 relating to the Corporation’s acquisition of Sterling Financial Corporation (No. 333-149076)
- Form S-8 relating to the Sterling Financial Corporation 1996 Stock Incentive Plan (No. 333-149076)

/s/ Deloitte & Touche LLP
New York, New York
March 10, 2010

EXHIBIT 24

POWER OF ATTORNEY

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, as such person's true and lawful attorney-in-fact with power of substitution and resubstitution to sign in his or her name, place and stead, in any and all capacities, and to do any and all things and execute any and all instruments that such attorney may deem necessary or advisable under the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission (the "Commission"), in connection with the filing with the Commission of an Annual Report on Form 10-K of the Corporation for the fiscal year ended December 31, 2009 (the "2009 Form 10-K"); including specifically, but without limiting the generality of the foregoing, the power and authority to sign his or her name in his or her capacity as a member of the Board of Directors of the Corporation to the 2009 Form 10-K and such other form or forms as may be appropriate to be filed with the Commission as he or she may deem appropriate, together with all exhibits thereto, and to any and all amendments or supplements thereto and to any other documents filed with the Commission, as fully for all intents and purposes as he or she might or could do in person, and hereby ratifies and confirms that said attorney-in-fact and agent, acting alone may lawfully do or cause to be done by virtue hereof.

This Power of Attorney will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The execution of this Power of Attorney is not intended to, and does not, revoke any prior powers of attorney other than the revocation, in accordance with applicable laws, of any power of attorney previously granted specifically in connection with the filing of the 2009 Form 10-K (and any and all related documents, including any amendments or supplements to the 2009 Form 10-K).

WITNESS the due execution hereof by the following persons in the capacities indicated as of this 10th day of March, 2010.

Name/Signature	Capacity
/s/ James E. Rohr James E. Rohr	Chairman, Chief Executive Officer (Principal Executive Officer) and Director
/s/ Richard J. Johnson Richard J. Johnson	Chief Financial Officer (Principal Financial Officer)
/s/ Samuel R. Patterson Samuel R. Patterson	Controller (Principal Accounting Officer)
/s/ Richard O. Berndt Richard O. Berndt	Director
/s/ Charles E. Bunch Charles E. Bunch	Director
/s/ Paul W. Chellgren Paul W. Chellgren	Director
/s/ Robert N. Clay Robert N. Clay	Director
/s/ Kay Coles James Kay Coles James	Director
/s/ Richard B. Kelson Richard B. Kelson	Director
/s/ Bruce C. Lindsay Bruce C. Lindsay	Director
/s/ Anthony A. Massaro Anthony A. Massaro	Director
/s/ Jane G. Pepper Jane G. Pepper	Director
/s/ Donald J. Shepard Donald J. Shepard	Director
/s/ Lorene K. Steffes Lorene K. Steffes	Director
/s/ Dennis F. Strigl Dennis F. Strigl	Director

/s/ Stephen G. Thieke Stephen G. Thieke	Director
/s/ Thomas J. Usher Thomas J. Usher	Director
/s/ George H. Walls, Jr. George H. Walls, Jr.	Director
/s/ Helge H. Wehmeier Helge H. Wehmeier	Director

EXHIBIT 31.1

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files or XBRL-Related Documents as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, James E. Rohr, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2009 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 10, 2010

/s/ JAMES E. ROHR

James E. Rohr
Chairman and Chief Executive Officer

EXHIBIT 31.2

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files or XBRL-Related Documents as defined in Rule 11 of Regulation S-T.

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Richard J. Johnson, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2009 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 fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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 10, 2010

/s/ RICHARD J. JOHNSON

Richard J. Johnson
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files or XBRL-Related Documents as defined in Rule 11 of Regulation S-T.

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, 2009 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 10, 2010

EXHIBIT 32.2

In accordance with Exchange Act Rules 13a-14(f) and 15d-14(f), this certification does not relate to Interactive Data Files or XBRL-Related Documents as defined in Rule 11 of Regulation S-T.

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, 2009 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, Executive Vice President and 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
Executive Vice President and Chief Financial Officer
March 10, 2010

Exhibit 99.2

**Audited consolidated financial statements of BlackRock, Inc.
as of December 31, 2009 and 2008 and for each of the three years
ended December 31, 2009**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of BlackRock, Inc.:

We have audited the accompanying consolidated statements of financial condition of BlackRock, Inc. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the 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 BlackRock, Inc. and subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

New York, New York
March 10, 2010

BlackRock, Inc.

Consolidated Statements of Financial Condition
(Dollar amounts in millions, except per share data)

	December 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 4,708	$ 2,032
Accounts receivable	1,730	901
Due from related parties	189	309
Investments	1,049	1,429
Separate account assets	119,629	2,623
Collateral held under securities lending agreements	19,335	—
Deferred mutual fund sales commissions, net	103	135
Property and equipment (net of accumulated depreciation of $333 and $259 at December 31, 2009 and 2008, respectively)	445	260
Intangible assets (net of accumulated amortization of $466 and $324 at December 31, 2009 and 2008, respectively)	17,648	6,441
Goodwill	12,570	5,533
Other assets	588	261
Total assets	$ 177,994	$ 19,924
Liabilities		
Accrued compensation and benefits	$ 1,482	$ 826
Accounts payable and accrued liabilities	845	545
Due to related parties	439	103
Short-term borrowings	2,234	200
Convertible debentures	243	245
Long-term borrowings	3,191	697
Separate account liabilities	119,629	2,623
Collateral liability under securities lending agreements	19,335	—
Deferred tax liabilities	5,526	1,826
Other liabilities	468	299
Total liabilities	153,392	7,364
Commitments and contingencies (Note 14)		
Temporary equity		
Redeemable non-controlling interests	49	266

BlackRock, Inc.

Consolidated Statements of Financial Condition (continued)
(Dollar amounts in millions, except per share data)

	December 31, 2009	December 31, 2008
Permanent Equity		
BlackRock, Inc. stockholders' equity		
Common stock, $0.01 par value;	1	1
Shares authorized: 500,000,000 at December 31, 2009 and 2008; Shares issued: 62,776,777 and 118,573,367 at December 31, 2009 and 2008, respectively; Shares outstanding: 61,896,236 and 117,291,110 at December 31, 2009 and 2008, respectively		
Series A participating preferred stock, $0.01 par value;	—	—
Shares authorized: 20,000,000 at December 31, 2009 and 2008; Shares issued: 0 and 12,604,918 at December 31, 2009 and 2008, respectively; Shares outstanding: 0 and 12,604,918 at December 31, 2009 and 2008, respectively		
Series B participating preferred stock, $0.01 par value;	1	—
Shares authorized: 150,000,000 and 0 at December 31, 2009 and 2008, respectively; Shares issued: 112,817,151 and 0 at December 31, 2009 and 2008, respectively; Shares outstanding: 112,817,151 and 0 at December 31, 2009 and 2008, respectively		
Series C participating preferred stock, $0.01 par value;	—	—
Shares authorized: 6,000,000 and 0 at December 31, 2009 and 2008, respectively; Shares issued: 2,889,467 and 0 at December 31, 2009 and 2008, respectively; Shares outstanding: 2,889,467 and 0 at December 31, 2009 and 2008, respectively		
Series D participating preferred stock, $0.01 par value;	—	—
Shares authorized: 20,000,000 and 0 at December 31, 2009 and 2008, respectively; Shares issued: 11,203,442 and 0 at December 31, 2009 and 2008, respectively; Shares outstanding: 11,203,442 and 0 at December 31, 2009 and 2008, respectively		
Additional paid-in capital	22,127	10,473
Retained earnings	2,436	1,982
Accumulated other comprehensive (loss)	(96)	(186)
Escrow shares, common, at cost (868,940 and 911,266 shares held at December 31, 2009 and 2008, respectively)	(137)	(143)
Treasury stock, common, at cost (11,601 and 370,991 shares held at December 31, 2009 and 2008, respectively)	(3)	(58)
Total BlackRock, Inc. stockholders' equity	24,329	12,069
Nonredeemable non-controlling interests	224	225
Total permanent equity	24,553	12,294
Total liabilities, temporary equity and permanent equity	$ 177,994	$ 19,924

See accompanying notes to consolidated financial statements.

BlackRock, Inc.

Consolidated Statements of Income
(Dollar amounts in millions, except per share data)

	Year Ended December 31, 2009	2008	2007
Revenue			
Investment advisory, administration fees and securities lending revenue			
Related parties	$ 2,616	$ 2,962	$ 2,640
Other third parties	1,210	1,295	1,397
Investment advisory, administration fees and securities lending revenue	3,826	4,257	4,037
Investment advisory performance fees	202	177	350
BlackRock Solutions and advisory	477	393	190
Distribution fees	100	139	123
Other revenue	95	98	145
Total revenue	4,700	5,064	4,845
Expenses			
Employee compensation and benefits	1,802	1,815	1,767
Distribution and servicing costs			
Related parties	368	495	470
Other third parties	109	96	69
Amortization of deferred mutual fund sales commissions	100	130	108
Direct fund expenses	95	86	80
General and administration	779	665	799
Restructuring charges	22	38	—
Termination of closed-end fund administration and servicing arrangements	—	—	128
Amortization of intangible assets	147	146	130
Total expenses	3,422	3,471	3,551
Operating income	1,278	1,593	1,294
Non-operating income (expense)			
Net gain (loss) on investments	42	(573)	504
Interest and dividend income	20	65	74
Interest expense	(68)	(69)	(52)
Total non-operating income (expense)	(6)	(577)	526
Income before income taxes	1,272	1,016	1,820
Income tax expense	375	387	463
Net income	897	629	1,357
Less:			
Net income (loss) attributable to redeemable non-controlling interests	2	(1)	2
Net income (loss) attributable to nonredeemable non-controlling interests	20	(154)	362
Net income attributable to BlackRock, Inc.	$ 875	$ 784	$ 993
Earnings per share attributable to BlackRock, Inc. common stockholders:			
Basic	$ 6.24	$ 5.86	$ 7.53
Diluted	$ 6.11	$ 5.78	$ 7.37
Cash dividends declared and paid per share	$ 3.12	$ 3.12	$ 2.68
Weighted-average common shares outstanding:			
Basic	136,669,164	129,543,443	128,488,561
Diluted	139,481,449	131,376,517	131,378,061

See accompanying notes to consolidated financial statements.

BlackRock, Inc.

Consolidated Statements of Comprehensive Income
(Dollar amounts in millions)

	Year ended December 31,		
	2009	**2008**	**2007**
Net income	$897	$ 629	$1,357
Other comprehensive income:			
Change in net unrealized gain (loss) from available-for-sale investments, net of tax[1]	15	(19)	(3)
Minimum pension liability adjustment	1	(1)	—
Foreign currency translation adjustments	74	(237)	29
Comprehensive income attributable to BlackRock, Inc.	$987	$ 372	$1,383

(1) The tax benefit (expense) on the change in net unrealized gain (loss) from available-for-sale investments was ($8), $8 and $2 in 2009, 2008 and 2007, respectively.

See accompanying notes to consolidated financial statements.

BlackRock, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(Dollar amounts in millions)

	Additional Paid-in Capital [1]	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Common Shares held in Escrow	Treasury Stock Common	Total Stockholders' Equity	Nonredeemable Non-controlling Interests	Total Permanent Equity	Redeemable Non-controlling Interests/ Temporary Equity
December 31, 2006	$ 9,812	$ 975	$ 45	$ —	$ (57)	$ 10,775	$ 874	$ 11,649	$ 235
Net income	—	993	—	—	—	993	362	1,355	2
Dividends paid, net of dividend expense for unvested RSUs	—	(353)	—	—	—	(353)	—	(353)	—
Issuance of common stock to escrow agent in connection with Quellos Transaction	188	—	—	(188)	—	—	—	—	—
Stock-based compensation	182	—	—	—	1	183	—	183	—
PNC LTIP capital contribution	175	—	—	—	—	175	—	175	—
Net issuance of common shares related to employee stock transactions	(187)	—	—	—	(128)	(315)	—	(315)	—
Net tax benefit (shortfall) from stock-based compensation	119	—	—	—	—	119	—	119	—
Other costs associated with common stock	(2)	—	—	—	—	(2)	—	(2)	—
Subscriptions/(redemptions/distributions)—non-controlling interest holders	—	—	—	—	—	—	384	384	16
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	(1,071)	(1,071)	(224)
Foreign currency translation adjustments	—	—	29	—	—	29	—	29	—
Change in net unrealized gain (loss) from available-for-sale investments, net of tax	—	—	(3)	—	—	(3)	—	(3)	—
December 31, 2007	10,287	1,615	71	(188)	(184)	11,601	549	12,150	29
Net income	—	784	—	—	—	784	(154)	630	(1)
Dividends paid, net of dividend expense for unvested RSUs	—	(417)	—	—	—	(417)	—	(417)	—
Release of common stock from escrow agent in connection with Quellos Transaction	—	—	—	45	—	45	—	45	—
Stock-based compensation	278	—	—	—	1	279	—	279	—
PNC LTIP capital contribution	4	—	—	—	—	4	—	4	—
Net issuance of common shares related to employee stock transactions	(140)	—	—	—	125	(15)	—	(15)	—
Net tax benefit (shortfall) from stock-based compensation	55	—	—	—	—	55	—	55	—
Minimum pension liability adjustment	—	—	(1)	—	—	(1)	—	(1)	—
Subscriptions/(redemptions/distributions)—non-controlling interest holders	—	—	—	—	—	—	36	36	(243)
Net consolidations (deconsolidations) of sponsored investment funds	—	—	—	—	—	—	(203)	(203)	481
Other change in non-controlling interests	—	—	—	—	—	—	(3)	(3)	—
Foreign currency translation adjustments	(10)	—	(237)	—	—	(247)	—	(247)	—
Change in net unrealized gain (loss) from available-for-sale investments, net of tax	—	—	(19)	—	—	(19)	—	(19)	—
December 31, 2008	10,474	1,982	(186)	(143)	(58)	12,069	225	12,294	266
Net income	—	875	—	—	—	875	20	895	2
Dividends paid, net of dividend expense for unvested RSUs	—	(421)	—	—	—	(421)	—	(421)	—
Release of common stock from escrow agent in connection with Quellos Transaction	—	—	—	6	—	6	—	6	—
Stock-based compensation	316	—	—	—	1	317	—	317	—
Issuance of shares to Barclays	8,529	—	—	—	—	8,529	—	8,529	—
Issuance of shares to institutional investors	2,800	—	—	—	—	2,800	—	2,800	—
Issuance of common shares for contingent consideration	43	—	—	—	—	43	—	43	—
PNC LTIP capital contribution	6	—	—	—	—	6	—	6	—
Merrill Lynch capital contribution	25	—	—	—	—	25	—	25	—
Net issuance of common shares related to employee stock transactions	(78)	—	—	—	54	(24)	—	(24)	—
Net tax benefit (shortfall) from stock-based compensation	14	—	—	—	—	14	—	14	—
Minimum pension liability adjustment	—	—	1	—	—	1	—	1	—
Subscriptions/(redemptions/distributions)—non-controlling interest holders	—	—	—	—	—	—	(8)	(8)	(247)
Net consolidations (deconsolidations) of sponsored investment funds[2]	—	—	—	—	—	—	(9)	(9)	28
Other change in non-controlling interests	—	—	—	—	—	—	(4)	(4)	—
Foreign currency translation adjustments	—	—	74	—	—	74	—	74	—
Change in net unrealized gain (loss) from available-for-sale investments, net of tax	—	—	15	—	—	15	—	15	—
December 31, 2009	$ 22,129	$ 2,436	$ (96)	$ (137)	$ (3)	$ 24,329	$ 224	$ 24,553	$ 49

See accompanying notes to consolidated financial statements.

1 Includes $1 of common stock at December 31, 2009, 2008 and 2007, respectively and $1 of preferred stock at December 31, 2009.

2 Includes $12 of redeemable non-controlling interests acquired in the BGI Transaction on December 1, 2009.

BlackRock, Inc.

Consolidated Statements of Cash Flows
(Dollar amounts in millions)

	Year ended December 31, 2009	2008	2007
Cash flows from operating activities			
Net income	$ 897	$ 629	$ 1,357
Adjustments to reconcile net income to cash from operating activities:			
Depreciation and other amortization	239	236	202
Amortization of deferred mutual fund sales commissions	100	130	108
Stock-based compensation	317	278	188
Deferred income tax expense (benefit)	(89)	(234)	(106)
Net (gains) losses on non-trading investments	(20)	216	(442)
Purchases of other investments within consolidated funds	(41)	(127)	(870)
Proceeds from sales and maturities of other investments within consolidated funds	285	342	597
(Earnings) losses from equity method investees	(30)	294	(84)
Distributions of earnings from equity method investees	18	28	16
Other adjustments	3	13	2
Changes in operating assets and liabilities:			
Accounts receivable	(223)	339	(273)
Due from related parties	159	(112)	(4)
Deferred mutual fund sales commissions	(68)	(90)	(72)
Investments, trading	(53)	265	(45)
Other assets	(50)	115	(80)
Accrued compensation and benefits	(218)	(237)	172
Accounts payable and accrued liabilities	165	(227)	(33)
Due to related parties	(10)	7	(138)
Other liabilities	18	51	92
Cash flows from operating activities	1,399	1,916	587
Cash flows from investing activities			
Purchases of investments	(73)	(417)	(521)
Purchases of assets held for sale	(2)	(59)	—
Proceeds from sale of disposal group	—	41	—
Proceeds from sales and maturities of investments	260	122	266
Distributions of capital from equity method investees	89	15	7
Net consolidations (deconsolidations) of sponsored investment funds	27	(3)	(117)
Acquisitions, net of cash acquired, and contingent payments	(5,755)	(16)	(592)
Purchases of property and equipment	(65)	(77)	(111)
Cash flows from investing activities	(5,519)	(394)	(1,068)

BlackRock, Inc.

Consolidated Statements of Cash Flows (continued)
(Dollar amounts in millions)

	Year ended December 31, 2009	2008	2007
Cash flows from financing activities			
Repayments of short-term borrowings	—	(400)	—
Proceeds from short-term borrowings	2,034	300	300
Repayments of long-term borrowings	—	(1)	—
Repayments of convertible debt	(7)	—	—
Proceeds from long-term borrowings	2,495	—	694
Cash dividends paid	(422)	(419)	(353)
Proceeds from stock options exercised	18	24	70
Proceeds from issuance of common stock	2,804	6	7
Repurchases of common stock	(46)	(46)	(383)
Merrill Lynch capital contribution	25	—	—
Net (redemptions/distributions paid)/subscriptions received from non-controlling interests holders	(255)	(207)	400
Excess tax benefit from stock-based compensation	33	59	119
Net borrowings/(repayment of borrowings) by consolidated sponsored investment funds	70	(203)	114
Other financing activities	—	—	(9)
Cash flows from financing activities	6,749	(887)	959
Effect of exchange rate changes on cash and cash equivalents	47	(259)	18
Net increase in cash and cash equivalents	2,676	376	496
Cash and cash equivalents, beginning of year	2,032	1,656	1,160
Cash and cash equivalents, end of year	$4,708	$2,032	$1,656

See accompanying notes to consolidated financial statements.

Supplemental disclosure of cash flow information is as follows:

	Year ended December 31, 2009	2008	2007
Cash paid for:			
Interest	$ 52	$ 63	$ 30
Income taxes	$503	$644	$376

Supplemental schedule of non-cash investing and financing transactions is as follows:

	Year ended December 31,		
	2009	2008	2007
Issuance of common stock	$ 767	$136	$ 179
Issuance of preferred stock	$7,842	$—	$ —
Increase (decrease) in non-controlling interests due to net consolidations/(deconsolidations) of sponsored investment funds	$ 7	$280	($1,295)
PNC LTIP capital contributions	$ 6	$ 4	$ 175
Contingent common stock payment related to Quellos Transaction	$ 43	$—	$ —
Common stock released from escrow agent in connection with Quellos Transaction	$ 6	$ 45	$ —

1. Introduction and Basis of Presentation

Business

BlackRock, Inc. (together, with its subsidiaries, unless the context otherwise indicates, "BlackRock" or the "Company") provides diversified investment management and securities lending services to institutional clients and to individual investors through various investment vehicles. Investment management services primarily consist of the management of fixed income, cash management and equity client accounts, the management of a number of open-end and closed-end mutual fund families, exchange traded funds and other non-U.S. equivalent retail products serving the institutional and retail markets, and the management of other investments funds, including common trusts and alternative funds, developed to serve various customer needs. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services to a broad base of clients. Financial markets advisory services include valuation services relating to illiquid securities, dispositions and workout assignments (including long-term portfolio liquidation assignments), risk management and strategic planning and execution.

On October 1, 2007, BlackRock acquired certain assets and assumed certain liabilities of the fund of funds business of Quellos Group, LLC ("Quellos") for up to $1,719 million (the "Quellos Transaction"). BlackRock paid Quellos $562.5 million in cash and issued 1,191,785 shares of BlackRock common stock valued at $188 million. The common stock which is held in escrow for up to three years is available to satisfy certain indemnification obligations of Quellos under the asset purchase agreement. The Quellos business was combined with the existing BlackRock fund of funds business and the combined platform comprises one of the largest fund of funds platforms in the world.

On January 1, 2009, Bank of America ("Bank of America") acquired Merrill Lynch & Co., Inc. ("Merrill Lynch"). In connection with this transaction, BlackRock entered into exchange agreements with each of Merrill Lynch and The PNC Financial Services Group, Inc. ("PNC") pursuant to which on February 27, 2009 Merrill Lynch and PNC each exchanged a portion of its BlackRock common stock it held for an equal number of shares of non-voting preferred stock. See Note 19, Capital Stock, for more details on these transactions.

On December 1, 2009, BlackRock completed its acquisition of Barclays Global Investors ("BGI") from Barclays Bank PLC ("Barclays") (the "BGI Transaction"). In exchange for BGI, BlackRock paid approximately $6.65 billion in cash and issued capital stock valued at $8.53 billion comprised of 3,031,516 shares of BlackRock common stock, 26,888,001 shares of BlackRock Series B Participating Preferred Stock and 7,647,254 shares of BlackRock Series D Participating Preferred Stock to Barclays. See Note 3, Mergers and Acquisitions, for more details on this transaction.

On December 31, 2009, equity ownership of BlackRock was as follows:

	Voting Common Stock	Capital Stock
Bank of America/Merrill Lynch	3.7%	34.2%
PNC	35.2%	24.5%
Barclays	4.8%	19.8%
Other	56.3%	21.5%
	100.0%	100.0%

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the accounts of the Company and its controlled subsidiaries. Non-controlling interests include the portion of consolidated sponsored investment funds in which the Company does not have a direct equity ownership. Significant accounts and transactions between consolidated entities have been eliminated.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents primarily consists of cash, money market funds and short-term, highly liquid investments with original maturities, at date of purchase, of three months or less in which the Company is exposed to market and credit risk. Cash and cash equivalent balances that are legally restricted from use by the Company are recorded in other assets on the consolidated statements of financial condition. Cash balances maintained by consolidated sponsored investment funds are not considered legally restricted and are included in cash and cash equivalents on the consolidated statements of financial condition.

Investments

Investments in Debt and Marketable Equity Securities

BlackRock holds debt and marketable equity investments which, pursuant to Accounting Standards Codification ("ASC") 320-10,*Investments – Debt and Equity Securities,* are classified as trading, available-for-sale, or held-to-maturity based on the Company's intent to sell the security or, for a debt security, the Company's intent and ability to hold the debt security to maturity.

Trading securities are those investments which are purchased principally for the purpose of selling them in the near term. Trading securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in non-operating income in the consolidated statements of income during the period of the change.

Available-for-sale securities are those securities which are not classified as trading securities or held-to-maturity. Available-for-sale securities are carried at fair value on the consolidated statements of financial condition with changes in fair value recorded in the accumulated other comprehensive income component of stockholders' equity in the period of the change. Upon the disposition of an available-for-sale security, the Company reclassifies the gain or loss on the security from accumulated other comprehensive income to non-operating income on the Company's consolidated statements of income.

Held-to-maturity debt securities are recorded at amortized cost in the consolidated statements of financial condition.

2. Significant Accounting Policies (continued)

Investments (continued)

Equity Method

For equity investments where BlackRock does not control the investee, and where it is not the primary beneficiary of a variable interest entity (“VIE”), but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting in accordance with ASC 323, *Investments-Equity Method and Joint Ventures*. Under the equity method of accounting, BlackRock’s share of the investee’s underlying net income or loss on investment funds is recorded as net gain (loss) on investments within non-operating income (expense) and as other revenue for operating or advisory company investments since such operating or advisory companies are considered to be connected to BlackRock’s core business. The net income of the investee is recorded based upon the most current information available at the time, which may precede the date of the statement of financial condition. Distributions received from the investment reduce the Company’s investment balance.

Cost Method

For equity investments where BlackRock neither controls nor has significant influence over the investee and which are non-marketable, the investments are accounted for using the cost method of accounting. Under the cost method, dividends received from the investment are recorded as dividend income within non-operating income.

Impairments

The Company’s management periodically assesses its equity method, available-for-sale and cost method of accounting investments for impairment. If circumstances indicate that impairment may exist, investments are evaluated using fair values, where available, or the expected future cash flows of the investment. If the undiscounted expected future cash flows are lower than the Company’s carrying value of the investment, an impairment charge is recorded in non-operating income in the consolidated statements of income.

When the fair value of available-for-sale securities is lower than its cost, the Company evaluates the securities to determine whether the impairment is considered to be “other-than-temporary.”

In making this determination, for equity securities, the Company considers, among other factors, the length of time the security has been in a loss position, the extent to which the security’s market value is less than its cost, the financial condition and near-term prospects of the security’s issuer and the Company’s ability and intent to hold the security for a length of time sufficient to allow for recovery. If the impairment is considered other-than-temporary, an impairment charge is recorded in non-operating income in the consolidated statements of income.

2. Significant Accounting Policies (continued)

Investments (continued)

Impairments (continued)

In making this determination for debt securities, the Company considers if it: (1) has the intent to sell the security, (2) is more likely than not that it will be required to sell the security before recovery, or (3) does not expect to recover the entire amortized cost basis of the security. If the Company does not intend to sell a security and it is not more likely than not that it will be required to sell the security, but the security has suffered a credit loss, the impairment charge is be separated into the credit loss component, which is recorded in earnings, and the remaining portion is recorded in other comprehensive income.

The Company reviews its collateralized debt obligations ("CDO") investments for impairment quarterly throughout the term of the investment. The Company reviews cash flow estimates throughout the life of each CDO investment. If the net present value of the estimated future cash flows is lower than the carrying value of the investment and the estimated future cash flows are lower than the previous estimate of cash flows, an impairment is considered to be other-than-temporary. The impairment loss is recognized based on the excess of the carrying amount of the investment over its estimated fair value.

Consolidation

The accounting method used for the Company's equity investments is generally dependent upon the influence the Company has over its investee. For investments where BlackRock can exert control over the financial and operating policies of the investee, which generally exists if there is a 50% or greater voting interest, the investee is consolidated into BlackRock's financial statements. For certain investments where the risks and rewards of ownership are not directly linked to voting interests ("variable interest entities" or "VIEs"), an investee may be consolidated if BlackRock, together with its related party relationships, is considered the primary beneficiary of the investee. The primary beneficiary determination will consider not only BlackRock's equity interest, but the benefits and risks associated with non-equity components of the Company's relationship with the investee, including capital support agreements, debt, investment advisory and other similar arrangements, in accordance with ASC 810-10, *Consolidation* ("ASC 810-10").

Pursuant to ASC 810-20, *Control of Partnerships and Similar Entities* ("810-20"), the Company, as general partner or managing member of its funds, generally is presumed to control funds that are limited partnerships or limited liability companies that are not deemed to be VIEs. The Company reviews such investment vehicles to determine if such a presumption can be overcome by determining if third party partners or members of the limited partnership or limited liability company have the substantive ability to dissolve (liquidate) the investment vehicle, or otherwise to remove BlackRock as the general partner or managing member without cause, or have other substantive participating rights.

2. Significant Accounting Policies (continued)

Consolidation (continued)

Consolidated Sponsored Investment Funds

From time to time, the Company will maintain a controlling interest in a sponsored investment fund. All of the underlying investments held by consolidated sponsored investment funds are carried at fair value, with corresponding changes in the investments' fair values reflected in non-operating income in the Company's consolidated statements of income. In the absence of a publicly available market value, fair value for such underlying investments are estimated in good faith by the Company's management based on such factors as the liquidity, financial condition and current and projected operating performance of the investment and, in the case of private investment fund investments, the fund's net asset value. When the Company no longer controls these funds due to reduced ownership percentage or other reasons, the funds are deconsolidated and accounted for under another investment accounting method. In addition, changes in fair value of certain illiquid investments held by these funds, including direct investments in equity or debt securities of privately held companies and certain real estate products, are recorded based upon the most current information available at the time, which may precede the date of the statement of financial position, considering any significant changes in the operations of the investment.

Upon consolidation of various sponsored investment funds, on the Company's consolidated statements of financial condition, the Company retains the specialized accounting principles of the underlying funds pursuant to ASC 810-10*.*

Separate Account Assets and Liabilities

Two wholly-owned subsidiaries of the Company in the United Kingdom are registered life insurance companies that maintain separate accounts representing segregated funds held for purposes of funding individual and group pension contracts. The separate account assets are not subject to general claims of the creditors of BlackRock. These accounts and the related liabilities are recorded as separate account assets and separate account liabilities on the consolidated statements of financial condition in accordance with the ASC 944-80, *Financial Services – Separate Accounts.*

The net investment income and net realized and unrealized gains and losses attributable to separate account assets supporting individual and group pension contracts accrue directly to the contract owner and are not reported as revenue or non-operating income in the consolidated statements of income. Policy administration and management fees associated with separate account products are included in investment advisory, administration fees and securities lending revenue in the consolidated statements of income.

Collateral Assets Held and Liabilities Under Securities Lending Agreements

The Company facilitates securities lending arrangements whereby securities held by separate account assets discussed above are lent to third parties. In exchange, the Company receives collateral, principally cash and securities, ranging from 102% to 108% of the value of the securities lent in order to reduce credit risk. Under the Company's securities lending arrangements, the Company can resell or re-pledge the collateral and the borrower can re-sell or re-pledge the loaned securities. The securities lending transactions entered into by the Company are accompanied by an agreement that entitles and obligates the Company to repurchase or redeem the transferred securities before their maturity. These transactions are not reported as sales under ASC 860, *Transfers and Servicing* ("ASC 860") because of the obligation of the Company to repurchase the securities.

2. Significant Accounting Policies (continued)

Collateral Assets Held and Liabilities Under Securities Lending Agreements (continued)

As a result, the Company records the collateral received under these arrangements (both cash and non-cash), as its own asset in addition to a corresponding liability for the obligation to return the collateral. As with the securities lending collateral discussed above, the fair value of the asset and related obligation to return the collateral are recorded by the Company. At December 31, 2009, the fair value of loaned securities held by separate account assets was approximately $18 billion and the collateral held under these securities lending agreements was approximately $19.3 billion. The fair value of the collateral liability approximates the fair value of the collateral assets and is recorded in collateral liability under securities lending agreements on the consolidated statements of financial condition.

Deferred Mutual Fund Sales Commissions

The Company holds the rights to receive certain cash flows from sponsored mutual funds sold without a front-end sales charge ("back-end load shares"). The carrying value of these deferred mutual fund commissions is being amortized over periods between one and six years. The Company receives distribution fees from these funds and contingent deferred sales commissions ("CDSCs") upon shareholder redemption of certain back-end load shares which are recorded within distribution fees on the consolidated statements of income. Upon receipt of CDSCs, the Company records revenue and the remaining unamortized deferred sales commission is expensed.

In April 2007, the Company acquired from a subsidiary of PNC certain distribution financing arrangements to receive certain cash flows from sponsored open-ended mutual funds sold without a front-end sales charge. The fair value of these capitalized assets is amortized over periods up to six years. The Company also acquired the rights to related distribution fees from these funds and CDSCs upon shareholder redemption of certain back-end load shares prior to the end of the contingent deferred sales period. The Company paid $34 million in exchange for the above rights, which is reflected on the consolidated statement of cash flows as an acquisition within investing activities.

The Company periodically reviews the carrying value of deferred mutual fund commission assets to determine whether a significant decline in the equity or bond markets or other events or circumstances indicate that an impairment in value may have occurred. If indicators of a potential impairment exist, the Company compares the carrying value of the asset to the estimated future net undiscounted cash flows related to the asset. If such assessments indicate that estimated future net undiscounted cash flows will not be sufficient to recover the recorded carrying value, the assets are adjusted to their estimated fair value. No such impairments were recorded for the years ended December 31, 2009, 2008 or 2007.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation generally is recorded using the straight-line method over the estimated useful lives of the various classes of property and equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life or the remaining lease term.

2. Significant Accounting Policies (continued)

Property and Equipment (continued)

Software Costs

BlackRock develops a variety of risk management, investment analytic and investment system services for internal use, utilizing proprietary software which is hosted and maintained by BlackRock. The Company follows ASC 350-40, *Internal-Use Software* ("ASC 350-40"). ASC 350-40 requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. Capitalized software costs are included within property and equipment on the consolidated statements of financial condition and are amortized beginning when the software project is complete and put into production, over the estimated useful life of the software of three years.

Goodwill and Intangible Assets

Goodwill which represents the excess cost of a business acquisition over the fair value of the net assets acquired includes assembled workforce. Intangible assets are comprised of indefinite-lived intangible assets and finite-lived intangible assets. The value of contracts to manage assets in proprietary open-end funds, closed-end funds and collective funds without a specified termination date is classified as an indefinite-lived intangible asset. The assignment of indefinite lives to such contracts is based upon the assumption that there is no foreseeable limit on the contract period to manage these funds due to the likelihood of continued renewal at little or no cost. In addition, trade-names/trademarks are considered indefinite-lived intangibles as they are expected to generate cash flows indefinitely. In accordance with ASC 350, *Intangibles – Goodwill and Other* ("ASC 350"), indefinite-lived intangible assets and goodwill are not amortized. The value of contracts for separately managed accounts and certain alternative funds which have finite lives are amortized over the expected life of the contracts.

The Company assesses its goodwill, indefinite-lived management contracts and trade names/trademarks and finite-lived management contracts for impairment at least annually. In its assessment of goodwill for impairment, the Company considers such factors as the book value and market capitalization of the Company. In its assessment of indefinite-lived management contracts and trade names/trademarks, the Company considers such factors as assets under management, product mix, product margins and projected cash flows to determine whether the values of each asset are impaired and whether the indefinite-life classification is still appropriate. The fair value of indefinite-lived intangible assets and goodwill is determined based on the discounted value of expected future cash flows. The fair value of finite-lived management contracts and their remaining useful life is reviewed at least annually to determine if circumstances exist which may indicate a potential impairment. In addition, if circumstances exist, the Company will perform an impairment test, using an undiscounted cash flow analysis. If the asset is determined to be impaired, the difference between the book value of the asset and its current fair value would be recognized as an expense in the period in which the impairment is determined.

Change in Method of Applying an Accounting Principle

During 2007, the Company changed the date of its annual impairment tests for goodwill and indefinite-lived intangible assets to July 31st in order to provide additional time for testing due to the significant increase in these assets as a result of recent acquisitions. The Company's management believes that this change in the method of applying an accounting principle is preferable under the circumstances and does not result in adjustments to the Company's consolidated financial statements when applied retrospectively, nor would it result in the delay, acceleration or avoidance of recording a potential future impairment. This change in the method of applying ASC 350 had no impact on the consolidated statements of income for the year ended December 31, 2007.

2. Significant Accounting Policies (continued)

Change in Method of Applying an Accounting Principle (continued)

The impairment tests performed as of July 31, 2009, 2008 and 2007 indicated that no impairment charges were required. Due to the capital market events that occurred in 2007 and 2008, the Company performed an additional impairment test as of September 30, 2008 which also indicated no impairment charges were required.

Assets and Liabilities to be Disposed of by Sale

In the course of the business of establishing real estate and other alternative investment funds, the Company may purchase land, properties and other assets while incurring liabilities directly associated with the assets, together a disposal group, with the intention to sell the disposal group to sponsored investment funds upon their launch. In accordance with the provisions of ASC 360-10, *Property, Plant and Equipment* ("ASC 360-10"), the Company treats these assets and liabilities as a "disposal group", measured at the lower of the carrying amount or fair value. Losses are recognized for any initial or subsequent write-down to fair value and gains are recognized for any subsequent increase in fair value, but not in excess of the cumulative loss previously recognized.

At December 31, 2009 and 2008, the Company held disposal group assets of $46 million and $64 million in other assets and related disposal group liabilities of $45 million and $63 million of other liabilities, respectively, on its consolidated statements of financial condition. At December 31, 2009 and 2008, disposal group liabilities included approximately $42 million and $58 million of borrowings directly associated with the disposal group assets, respectively. During the year ended December 31, 2009 and 2008, the Company recorded a net loss of $2 million and $14 million, respectively, within non-operating income (expense) on its consolidated statements of income related to the disposal group, respectively.

Classification and Measurement of Redeemable Securities

The provisions of ASC 480-10, *Distinguishing Liabilities from Equity* ("ASC 480-10"), require temporary equity classification for instruments that are currently redeemable or convertible for cash or other assets at the option of the holder. At December 31, 2009 and 2008, the Company determined that $49 million and $266 million, respectively, of non-controlling interests related to certain consolidated sponsored investment funds were redeemable at the option of the holder for cash or other assets, resulting in temporary equity classification on the consolidated statements of financial condition.

The amount of temporary equity related to convertible instruments is measured as the excess of the amount of cash required to be exchanged in a hypothetical settlement, as of the balance sheet date, over the current carrying amount of the liability component. During the year ended December 31, 2009, the 2.625% convertible debentures became convertible at the option of the holders into cash and shares of the Company's common stock. The amount of cash required to be paid out in a hypothetical settlement exceeded the current carrying amount of the liability component by less than $1 million.

Non-controlling interests

Non-controlling interests on the consolidated statements of income includes the income/(loss) allocated to non-controlling interest holders of the Company's consolidated sponsored investment funds. Non-controlling interests are not adjusted for taxes for consolidated sponsored investment funds that are treated as pass-through entities for tax purposes.

2. Significant Accounting Policies (continued)

Treasury Stock

The Company records common stock purchased for treasury at cost. At the date of subsequent reissuance, the treasury stock account is reduced by the cost of such stock on the average cost method.

Revenue Recognition

Investment Advisory, Administration Fees and Securities Lending Revenue

Investment advisory and administration fees are recognized as the services are performed. Such fees are primarily based on pre-determined percentages of the market value of the assets under management ("AUM") or, in the case of certain real estate clients, net operating income generated by the underlying properties. Investment advisory and administration fees are affected by changes in AUM, including market appreciation or depreciation and net subscriptions or redemptions. Investment advisory and administration fees for investment funds are shown net of fees waived pursuant to contractual expense limitations of the funds or voluntary waivers. Certain real estate fees are earned upon the acquisition or disposition of properties in accordance with applicable investment management agreements and are generally recognized at the closing of the respective real estate transactions.

The Company contracts with third parties and related parties for various mutual fund distribution and shareholder servicing to be performed on behalf of certain funds managed by the Company. Such arrangements generally are priced as a portion of the management fee paid by the fund. In certain cases, the fund takes on the primary responsibility for payment for services such that BlackRock bears no credit risk to the third party. The Company accounts for such retrocession arrangements in accordance with ASC 605-45, *Revenue Recognition – Principal Agent Considerations* ("ASC 605-45") and has recorded its management fees net of retrocessions. Retrocessions for the years ended December 31, 2009, 2008 and 2007 were $611 million, $762 million and $780 million, respectively, and were reflected net in investment advisory, administration fees and securities lending revenue on the consolidated statements of income.

The Company also earns securities lending revenue by lending securities on behalf of clients, primarily to brokerage institutions. Such revenues are accounted for on an accrual basis. The net income earned on the collateral is shared between the Company and funds or other third-party accounts managed by the Company from which the securities are borrowed.

Performance Fees

The Company also receives performance fees or an incentive allocation from alternative investment products and certain separately managed accounts. These performance fees are earned upon exceeding specified relative or absolute investment return thresholds. Such fees are recorded upon completion of the measurement period which varies by product or account.

2. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Performance Fees (continued)

The Company receives carried interest from certain alternative investments upon exceeding performance thresholds. BlackRock may be required to return all, or part, of such carried interest depending upon future performance of these investments. BlackRock records carried interest subject to such claw-back provisions as performance fees on its consolidated statements of income upon the earlier of the termination of the alternative investment fund or when the likelihood of claw-back is mathematically improbable. The Company records a deferred carried interest liability to the extent it receives cash or capital allocations prior to meeting the revenue recognition criteria. At December 31, 2009 and 2008, the Company had $13 million and $21 million, respectively, of deferred carried interest recorded in other liabilities on the consolidated statements of financial condition.

BlackRock Solutions and Advisory

BlackRock provides a variety of market risk management, investment analytic, enterprise investment system and financial markets advisory services to financial institutions, pension funds, asset managers, foundations, consultants, mutual fund sponsors, real estate investment trusts and government agencies. These services are provided under the brand name *BlackRock Solutions*® and include a wide array of risk management services, valuation of illiquid securities, disposition and workouts, strategic planning and execution, and enterprise investment system outsourcing for clients. Fees earned for *BlackRock Solutions* and advisory services are recorded as services are performed and are determined using some, or all, of the following methods: (i) fixed fees, (ii) percentages of various attributes of advisory AUM and (iii) performance fees if contractual thresholds are met. The fees earned for *BlackRock Solutions* and advisory services are recorded in *BlackRock Solutions* and advisory on the consolidated statements of income.

Other Revenue

The Company earns fees for transition management services comprised of referral fees or agency commissions from acting as an introducing broker-dealer in buying and selling securities on behalf of the Company’s customers. Commissions and related clearing expenses related to transition management services are recorded on a trade-date basis as securities transactions occur and are reflected in other revenue on the consolidated statements of income.

The Company also earns commissions revenue upon the sale of unit trusts and Class A mutual funds. Revenue is recorded at the time of the sale of the product.

2. Significant Accounting Policies (continued)

Stock-based Compensation

The Company applies the requirements within ASC 718-10, *Compensation – Stock Compensation* ("ASC 718-10") which establish standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily focusing on the accounting for transactions in which an entity obtains employee services in share-based payment transactions. Entities are required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service (usually the vesting period) in exchange for the stock award.

The Company measures the grant-date fair value of employee share options and similar instruments using option-pricing models. If an equity award is modified after the grant date, incremental compensation cost is recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The grant-date fair value of restricted stock units is calculated using the Company's share price on the date of grant. Compensation cost is recorded by the Company on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award is, in-substance, multiple awards. Awards under the Company's stock-based compensation plans vest over periods ranging from one to five years. Compensation cost is reduced by the number of awards expected to be forfeited prior to vesting. Forfeiture estimates generally are derived using historical forfeiture information, where available, and are reviewed for reasonableness at least annually.

The Company amortizes the grant-date fair value of stock-based compensation awards made to retirement eligible employees over the required service period. Upon notification of retirement, the Company accelerates the unamortized portion of the award over the contractually-required retirement notification period, if applicable.

The Company pays cash dividend equivalents, that are not subject to vesting, on outstanding restricted stock units ("RSUs") granted prior to 2009. ASC 718-10 requires dividend equivalents on RSUs expected to be forfeited to be included in compensation and benefits expense. Dividend equivalents on shares expected to vest are recorded in retained earnings.

Distribution and Servicing Costs

Distribution and servicing costs include payments to third parties and affiliates, including Merrill Lynch and PNC, primarily associated with distribution and servicing of client investments in certain BlackRock products. Distribution and servicing costs are expensed when incurred.

Direct Fund Expenses

Direct fund expenses, which are expensed as incurred, consist primarily of third party non-advisory expenses incurred by BlackRock related to certain funds for the use of certain index trademarks, reference data for certain indices, custodial services, fund administration, fund accounting, transfer agent services, shareholder reporting services, audit and tax services as well as other fund related expenses directly attributable to the non-advisory operations of the fund.

2. Significant Accounting Policies (continued)

Leases

The Company accounts for its operating leases, which may include escalations, in accordance with ASC 840-10*Leases*. The Company expenses the lease payments associated with operating leases evenly during the lease term (including rent-free periods), beginning on the commencement of the lease term.

Foreign Exchange

Monetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at exchange rates at the date of the consolidated statements of financial condition. Non-monetary assets and liabilities of foreign subsidiaries having non-U.S. dollar functional currencies are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates during the period. Gains or losses resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive income, a separate component of stockholders' equity on the consolidated statements of financial condition. Gains or losses resulting from foreign currency transactions are included in general and administration expense on the consolidated statements of income. For the years ended December 31, 2009, 2008 and 2007, the Company recorded gains/(losses) from foreign currency transactions of ($11) million, $50 million and $1 million, respectively.

Income Taxes

The Company accounts for income taxes under the asset and liability method prescribed by ASC 740-10,*Income Taxes* ("ASC 740-10"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Management periodically assesses the recoverability of its deferred tax assets based upon expected future earnings, taxable income in prior carryback years, future deductibility of the asset, changes in applicable tax laws and other factors. If management determines that it is not more likely than not that the deferred tax asset will be fully recoverable in the future, a valuation allowance will be established for the difference between the asset balance and the amount expected to be recoverable in the future. This allowance will result in a charge to income tax expense on the Company's consolidated statements of income. Further, the Company records its income taxes receivable and payable based upon its estimated income tax liability.

BlackRock adopted the provisions of ASC 740-10 related to uncertainty in income taxes on January 1, 2007. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740-10 prescribes a threshold for measurement and recognition in the financial statements of an asset or liability resulting from a tax position taken or expected to be taken in an income tax return. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Excess tax benefits and shortfalls related to stock-based compensation are recognized as additional paid in capital and subsequent to the adoption of ASC 740-10 excess tax benefits are reflected as financing cash flows on the consolidated statements of cash flows. If the Company does not have additional paid-in capital credits (cumulative tax benefits recorded to additional paid-in capital), the Company will record an expense for any deficit between the recorded tax benefit and tax return benefit. At December 31, 2009, BlackRock had excess additional paid-in capital credits to absorb potential deficits between recorded tax benefits and tax return benefits.

2. Significant Accounting Policies (continued)

Earnings per Share ("EPS")

As a result of the retrospective adoption of the new required provisions within ASC 260-10, *Earnings per Share* ("ASC 260-10"), on January 1, 2009, EPS is calculated pursuant to the two-class method as defined in ASC 260-10. See Accounting Policies Adopted in the Year Ended December 31, 2009 below for further information. Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common shareholders by the weighted average number of common shares outstanding. Diluted EPS includes the determinants of basic EPS and, in addition, reflects the impact of other potentially dilutive shares.

Due to the similarities in terms between BlackRock series A, B, C and D non-voting participating preferred stock and the Company's common stock, the Company considers each series of non-voting participating preferred stock to be common stock equivalents for purposes of earnings per common share calculations.

In accordance with ASC 260-10, shares of the Company's common stock are not included in basic earnings per common share until contingencies are resolved and the shares are released. Shares of the Company's common stock are not included in diluted earnings per common share unless the contingency has been met assuming that the contingency period ended on the date of the consolidated statement of financial condition.

Business Segments

The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company operates in one business segment as defined in ASC 280-10, *Segment Reporting*.

Fair Value Measurements

BlackRock adopted the applicable provisions of ASC 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10"), as of January 1, 2008, which require, among other things, enhanced disclosures about assets and liabilities that are measured and reported at fair value. The provisions of ASC 820-10 establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and requires companies to disclose the fair value of their financial instruments according to a fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Additionally, companies are required to provide enhanced disclosure regarding instruments in the Level 3 category (which have inputs to the valuation techniques that are unobservable and require significant management judgment), including a reconciliation of the beginning and ending balances separately for each major category of assets and liabilities.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs – Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date. Level 1 assets include listed mutual funds and equities.

2. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Assets that generally are included in this category may include debt securities, short-term floating rate notes and asset-backed securities, securities held within consolidated hedge funds, certain limited partnership interests in hedge funds in which the valuations for substantially all of the investments within the fund are based upon Level 1 or Level 2 inputs, restricted public securities valued at a discount, as well as over the counter derivatives, including interest and inflation rate swaps and foreign exchange currency contracts that have inputs to the valuations that can be generally corroborated by observable market data.

Level 3 Inputs – Unobservable inputs for the valuation of the asset or liability, which may include non-binding broker quotes. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets included in this category generally include general and limited partnership interests in private equity funds, funds of private equity funds, real estate funds, hedge funds, and funds of hedge funds, direct private equity investments held within consolidated funds and certain held for sale real estate disposal assets.

Level 3 inputs include BlackRock capital accounts for its partnership interests in various alternative investments, including distressed credit hedge funds, real estate and private equity funds which may be adjusted by using the returns of certain market indices. The various partnerships are investment companies which record their underlying investments at fair value based on fair value policies established by management of the underlying fund. Fair value policies at the underlying fund generally require the fund to utilize pricing/valuation information, including independent appraisals, from third party sources, however, in some instances current valuation information, for illiquid securities or securities in markets that are not active, may not be available from any third party source or fund management may conclude that the valuations that are available from third party sources are not reliable. In these instances fund management may perform model-based analytical valuations that may be used to value these investments.

The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Fair Value Option

In February 2007, the Financial Accounting Standards Board (“FASB”) issued new guidance within ASC 825-10,*Financial Instruments* (“ASC 825-10”). The relevant provisions within ASC 825-10 permit entities to choose to measure eligible financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis, must be applied to an entire instrument and it is irrevocable once elected. Assets and liabilities measured at fair value pursuant to ASC 825-10 are required to be reported separately in the statement of financial condition from those instruments measured using another accounting method. The Company adopted the applicable provisions of ASC 825-10 on January 1, 2008; however, elected not to apply the fair value option to any of its eligible financial assets or liabilities at that date. Therefore, the adoption of the applicable provision of ASC 825-10 had no impact on the Company’s consolidated financial statements. As of December 31, 2009, the Company has not elected the fair value option for any eligible financial assets or liabilities; however, the Company may elect the fair value option for any future eligible financial assets or liabilities upon their initial recognition.

2. Significant Accounting Policies (continued)

Disclosure of Fair Value

The disclosure requirements within ASC 825-10 require disclosure of estimated fair values of certain financial instruments, both on and off the consolidated statements of financial condition. For financial instruments recognized at fair value in the statement of financial position, the disclosure requirements of ASC 820-10 also apply.

The methods and assumptions are set forth below:

- Cash and cash equivalents are carried at either cost or amortized cost which approximates fair value due to their short term maturities. Money market funds are valued through the use of quoted market prices, or $1, which is generally the net asset value of these funds.
- The carrying amounts of receivables, accounts payable and accrued liabilities approximates fair value due to their short maturities.
- The fair value of marketable investments is based on quoted market prices or broker quotes. If investments are not readily marketable, fair values are primarily determined based on net asset values of investments in limited partnerships/limited liability companies or by the Company based on management's assumptions or estimates, taking into consideration financial information of the investment, the industry of the investment, or valuation services from third party service providers. At December 31, 2009, with the exception of certain equity method and cost method investments that are not accounted for under a fair value measure, the carrying value of investments approximated fair value. See Note 7, Fair Value Disclosures, for more information.

Derivative Instruments and Hedging Activities

ASC 815-10, *Derivatives and Hedging* ("ASC 815-10"), establishes accounting and reporting standards for derivative instruments, including certain derivatives embedded in other contracts and for hedging activities. ASC 815-10 generally requires an entity to recognize all derivatives as either assets or liabilities in the consolidated statements of financial condition and to measure those investments at fair value.

The Company does not use derivative financial instruments for trading or speculative purpose. The Company uses derivative financial instruments primarily for purposes of hedging (a) exposures to fluctuations in foreign currency exchange rates of certain assets and liabilities and (b) market exposures for certain investments. The Company may also use derivatives within separate account assets and liabilities which are segregated funds held for purposes of funding individual and group pension contracts or in connection with capital support agreements with affiliated investment companies. In addition, certain consolidated sponsored investment funds may also invest in derivatives as a part of their investment strategy.

Changes in the fair value of the Company's derivative financial instruments are recognized in current earnings and, where applicable, are offset by the corresponding gain or loss on the related foreign-denominated assets or liabilities or hedged investments, in the consolidated statements of income.

Reclassifications

Certain items previously reported have been reclassified to conform to the current year presentation.

2. Significant Accounting Policies (continued)

Recent Accounting Developments

Accounting Policies Adopted in the Year Ended December 31, 2009

Non-Controlling Interests

In December 2007, the FASB issued new requirements within ASC 810-10, which established accounting and reporting standards for a non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary and clarifies that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity, separate from the parent's equity, in the consolidated financial statements. In addition, consolidated net income should be adjusted to include the net income attributed to the non-controlling interests. The Company adopted the applicable guidance of ASC 810-10 on January 1, 2009, which required retrospective adoption of the presentation and disclosure requirements for existing non-controlling interests. All other requirements of ASC 810-10 are applied prospectively. The adoption of the applicable provisions of ASC 810-10 did not impact BlackRock's stockholders' equity on the consolidated statements of financial condition.

Convertible Debt Instruments

In May 2008, the FASB issued new requirements within ASC 470-20, which specify that for convertible debt instruments that may be settled in cash upon conversion, issuers of such instruments should separately account for the liability and equity components in the statement of financial condition. The excess of the initial proceeds of the convertible debt instrument over the amount allocated to the liability component creates a debt discount which should be amortized as interest expense over the expected life of the liability. The applicable provisions of ASC 470-20 are effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008 and are to be applied retrospectively. At December 31, 2009 and 2008, the Company had \$243 million and \$249 million principal amount of convertible debentures outstanding, respectively, which were issued in February 2005, bear interest at a rate of 2.625%, and are due in 2035. The Company retrospectively adopted the required paragraphs of ASC 470-20 on January 1, 2009 resulting in a total cumulative impact of a \$9 million reduction to retained earnings at December 31, 2008. The effective borrowing rate for nonconvertible debt at the time of issuance of the 2.625% convertible debentures was estimated to be 4.3%, which resulted in \$18 million of the \$250 million aggregate principal amount of the debentures issued, or \$12 million after tax, being attributable to equity. At December 31, 2009 and 2008, less than \$1 million and \$4 million, respectively, of the initial \$18 million debt discount remained unamortized, and was amortized to the first put date of the convertible debentures in February 2010. As a result, the Company recognized approximately \$4 million and \$3 million of additional interest expense in each of the years ended December 31, 2009 and 2008, respectively.

2. Significant Accounting Policies (continued)

Accounting Policies Adopted in the Year Ended December 31, 2009 (continued)

Earnings Per Share

In June 2008, the FASB issued new requirements within ASC 260-10, which specify that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends or dividend equivalents are considered participating securities and should be included in the computation of EPS pursuant to the two-class method as defined in ASC 260-10. The new requirements of ASC 260-10 are effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. All prior period EPS data presented must be adjusted retrospectively. Prior to 2009, the Company awarded restricted stock and restricted stock units with nonforfeitable dividend equivalent rights. Restricted stock and restricted stock units awarded in 2009 are not considered participating securities as dividend equivalents are subject to forfeiture prior to vesting of the award. The Company adopted the new requirements of ASC 260-10 on January 1, 2009.

The impact of retrospective adoption of ASC 470-20 and ASC 260-10 to diluted EPS for common shares in 2007 and 2008 was a decline of $0.16 and $0.13, respectively.

Fair Value Measurements

In February 2008, the FASB issued new guidance within ASC 820-10, which delayed the effective date of the application of ASC 820-10 to fiscal years beginning after November 15, 2008 for all non-financial assets and liabilities recognized or disclosed at fair value in the financial statements on a non-recurring basis. Non-recurring non-financial assets and liabilities include goodwill, indefinite-lived and finite-lived intangible assets and long-lived assets each measured at fair value for purposes of impairment testing, asset retirement and guarantee obligations initially measured at fair value, and those assets and liabilities initially measured at fair value in a business combination or asset purchase. The adoption of the provisions of ASC 820-10 on January 1, 2009 for non-recurring non-financial assets and liabilities did not have a material impact on the Company's consolidated financial statements.

Fair Value Measurements Disclosures and Impairments of Securities

In April 2009, the FASB issued the following three provisions intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of securities:

- The new provisions issued within ASC 320-10,*Investments – Debt and Equity Securities* ("ASC 320-10"), amend current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. Under ASC 320-10, an other-than-temporary impairment for debt securities is triggered if (1) an entity has the intent to sell the security, (2) it is more likely than not that an entity will be required to sell the security before recovery, or (3) an entity does not expect to recover the entire amortized cost basis of the security. If an entity does not intend to sell a security and it is not more likely than not that the entity will be required to sell the security, but the security has suffered a credit loss, the impairment charge will be separated into the credit loss component, which is recorded in earnings, and the remaining portion is recorded in other comprehensive income. ASC 320-10 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

2. Significant Accounting Policies (continued)

Accounting Policies Adopted in the Year Ended December 31, 2009 (continued)

Fair Value Measurements Disclosures and Impairments of Securities: (continued)

- The new provisions issued within ASC 820-10,*Fair Value Measurements and Disclosures* ("ASC 820-10"), provide additional guidance on determining when the volume and level of activity for an asset or liability has significantly decreased and includes guidance on identifying circumstances that indicate a transaction is not orderly.
- The new provisions issued within ASC 825-10,*Financial Instruments* ("ASC 825-10"), amend the existing disclosure guidance about fair value of financial instruments to expand the required qualitative and quantitative disclosures about fair value of financial instruments to interim reporting periods for publicly traded entities. In addition, the applicable guidance within ASC 825-10 amends ASC 270-10, *Interim Reporting*, to require those disclosures in summarized financial information at interim reporting periods.

The adoption of all three of the above new provisions as of April 1, 2009, did not materially impact the Company's consolidated financial statements.

Business Combinations

In December 2007, the FASB issued new guidance within ASC 805,*Business Combinations* ("ASC 805"), and in April 2009, the FASB issued additional guidance within ASC 805*, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise From Contingencies* ASC 805 retains the fundamental requirements that the acquisition method of accounting (the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. The new provisions within ASC 805 further define the acquirer, establish the acquisition date and broaden the scope of transactions that qualify as business combinations.

Additionally, the new requirements within ASC 805 change the fair value measurement provisions for assets acquired, liabilities assumed and any non-controlling interest in the acquiree, provide guidance for the measurement of fair value in a step acquisition, change the requirements for recognizing assets acquired and liabilities assumed subject to contingencies, provide guidance on recognition and measurement of contingent consideration and require that acquisition-related costs of the acquirer generally be expensed as incurred. Reversal of valuation allowances related to acquired deferred tax assets and changes to liabilities for unrecognized tax benefits related to tax positions assumed in business combinations that settled prior to the adoption of the new requirements within ASC 805 affected goodwill. If such valuation allowances reverse or liabilities change subsequent to the adoption of the new requirements within ASC 805, such changes will affect the income tax provision in the period of reversal or change.

The new requirements within ASC 805 apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company adopted the new requirements within ASC 805 on January 1, 2009. The adoption of the new requirements within ASC 805 impacted the Company's consolidated financial statements for the year ended December 31, 2009 as the Company completed its acquisition of BGI during 2009 and certain acquisition related costs in connection with the BGI Transaction have been expensed as incurred. See Note 3, Mergers and Acquisitions, for further discussion.

2. Significant Accounting Policies (continued)

Accounting Policies Adopted in the Year Ended December 31, 2009 (continued)

Useful Life of Intangible Assets

In April 2008, the FASB issued additional guidance within ASC 350-30,*General Intangibles Other than Goodwill* (“ASC 350-30”). The required provisions within ASC 350-30 amend the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under the prior guidance within ASC 350 *Intangibles – Goodwill and Other*. ASC 350-30 requires that an entity shall consider its own experience in renewing similar arrangements. ASC 350-30 is intended to improve the consistency between the useful life of an intangible asset determined under prior requirements within ASC 350 and the period of expected cash flows used to measure the fair value of the asset under ASC 805 and other GAAP. The new requirements of ASC 350-30 are effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The adoption on January 1, 2009 of the new requirements within ASC 350-30 did not materially impact the Company’s consolidated financial statements.

Disclosures about Derivative Instruments

In March 2008, the FASB issued new guidance within ASC 815-10. ASC 815-10 expands the disclosure requirements for derivative instruments and hedging activities. ASC 815-10 specifically requires enhanced disclosures addressing: (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under ASC 815 and its related interpretations and (3) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. ASC 815-10 is effective for fiscal years and interim periods beginning after November 15, 2008. The adoption on January 1, 2009 of the additional disclosure requirements of ASC 815-10 did not materially impact the Company’s consolidated financial statements.

Meaning of Indexed to a Company’s Own Stock

In June 2008, the FASB issued new guidance within ASC 815-40,*Derivatives and Hedging: Contracts in Entity’s Own Equity* (“ASC 815-40”). The new requirements of ASC 815-40 provide guidance for determining whether an equity-linked financial instrument (or embedded feature) is indexed to an entity’s own stock. To meet the definition of “indexed to its own stock,” an instrument’s contingent exercise provisions must not be based on an observable market other than the market for the issuer’s stock, and its settlement amount must be based only on those variables that are inputs to the fair value of a “fixed-for-fixed” forward or option on an entity’s equity shares. The adoption on January 1, 2009 of the required provisions of ASC 815-40 did not change the classification or measurement of the Company’s financial instruments.

2. Significant Accounting Policies (continued)

Accounting Policies Adopted in the Year Ended December 31, 2009 (continued)

Subsequent Events

In May 2009, the FASB issued ASC 855-10,*Subsequent Events* (“ASC 855-10”), which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855-10 is effective for interim or fiscal periods ending after June 15, 2009. The Company adopted ASC 855-10 on June 30, 2009. The adoption of ASC 855-10 did not materially impact the Company’s consolidated financial statements.

In February 2010, the FASB issued ASU 2010-09,*Subsequent Events* (“ASU 2010-09”), effective immediately, which amends ASC 855-10 to clarify that an SEC filer is not required to disclose the date through which subsequent events have been evaluated in the financial statements. The adoption of ASU 2010-09 did not materially impact the Company’s consolidated financial statements. See Note 25, Subsequent Events, for further discussion.

The FASB Accounting Standards Codification

In June 2009, the FASB issued Accounting Standards Update (“ASU”) No. 2009-1,*Amendments Based on SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162* (“ASU 2009-1”). ASU 2009-1 established the FASB ASC as the single source of authoritative GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature not included in the ASC will become nonauthoritative. ASU 2009-1 is effective for financial statements for interim or annual reporting periods ending after September 15, 2009. The Company adopted ASU 2009-1 on September 30, 2009. As ASU 2009-1 does not change GAAP, its adoption did not impact amounts recorded or disclosures required as part of the Company’s consolidated financial statements.

Measuring Fair Value of Certain Alternative Investments

In September 2009, the FASB issued ASU 2009-12,*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*(“ASU 2009-12”). ASU 2009-12 amends ASC 820-10 to provide guidance on measuring the fair value of certain alternative investments. The amendments in this ASU permit, as a practical expedient, a reporting entity to use the investment’s net asset value per share (“NAV”) to measure the fair value of the investment provided that the NAV is calculated as of the reporting entity’s measurement date. ASU 2009-12 also requires enhanced disclosures by major investment category about the attributes of the investments within the scope, such as the nature of the restrictions, the amount of the unfunded commitments and the description of the investment strategies of the investees. ASU 2009-12 is effective for the interim and annual reporting periods ending after December 15, 2009. In the period of adoption, an entity must disclose any change in valuation technique and related inputs and quantify the total effect, if practicable. The adoption of the additional disclosure requirements of ASU 2009-12, on December 31, 2009, did not materially impact the Company’s consolidated financial statements. See Note 7, Fair Value Disclosures for more information.

2. Significant Accounting Policies (continued)

Recent Accounting Developments

New Consolidation Guidance for Variable Interest Entities

In June 2009, the FASB issued new requirements within ASC 810-10, which amend the consolidation guidance for variable interest entities under FIN 46(R). The amendments include: (1) the elimination of the exemption from consolidation for qualifying special purpose entities, (2) a new approach for determining the primary beneficiary of a VIE, which requires that the primary beneficiary have both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE, and (3) the requirement to continually reassess the primary beneficiary of a VIE.

In February 2010 the FASB issued ASU 2010-10, *Amendments to Statement 167 for Certain Investment Funds (“*ASU 2010-10”). The ASU will indefinitely defer the application of SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* for a reporting enterprise’s interest in an entity if all of the following conditions are met:

(1) the entity either has all of the attributes of an investment company, as specified in ASC 946-10, *Financial Services-Investment Companies* (“ASC 946-10”); (2) it is industry practice to apply measurement principles for financial reporting that are consistent with those in ASC 946-10; (3) the entity is not a securitization entity, an asset-backed financing entity, or an entity formerly considered a qualifying special-purpose entity, and (4) the reporting enterprise does not have an obligation to fund losses significant to the entity.

In addition, the deferral applies to a reporting entity’s interest in an entity that is required to comply or operate in accordance with the requirement of Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

The amendments in this ASU clarify that for entities that do not qualify for the proposed deferral, related parties should be considered when evaluating each of the criteria for determining whether a decision maker or service provider fee represents a variable interest.

An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on variable interest entities in ASC 810-10 (before its amendment by SFAS No. 167) or other applicable consolidation guidance, including guidance for the consolidation of partnerships in ASC 810-20. The amendment does not defer the disclosure requirements in SFAS No. 167.

The new provisions of ASC 810-10 and ASU 2010-10 are both effective for the beginning of an entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter.

The Company does not expect the adoption of new provisions of ASC 810-10 and ASU 2009-17 to impact net income attributable to BlackRock, Inc. or its stockholders’ equity, however, it is currently evaluating the impact to its first quarter 2010 consolidated financial statements as a result of consolidating the assets and liabilities and net income (loss) of certain VIEs, in addition to a corresponding non-controlling interest liability or asset and allocation of net income (loss) to non-controlling interests primarily related to collateralized debt obligations that it manages, which do not qualify for the deferral.

2. Significant Accounting Policies (continued)

Recent Accounting Developments

Improving Disclosures about Fair Value Measurements

In January 2009, the FASB issued ASU 2010-06,*Fair Value Measurements and Disclosures* (“ASU 2010-06”). ASU 2010-06 amends ASC 820-10 to require new disclosures with regards to transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and other settlements within the Level 3 fair value rollforward. ASU 2010-06 also clarifies existing fair value disclosures about the appropriate level of disaggregation and about inputs and valuation techniques for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales and settlements in the rollforward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of the additional disclosure requirements of ASU 2010-06 are not expected to materially impact BlackRock’s consolidated financial statements.

3. Mergers and Acquisitions

Barclays Global Investors

On December 1, 2009, BlackRock acquired from Barclays all of the outstanding equity interests of subsidiaries of Barclays conducting the investment management business of BGI in exchange for an aggregate of 37,566,771 shares of BlackRock common stock and participating preferred stock, subject to certain adjustments, and $6.65 billion in cash, subject to certain adjustments. The fair value of the 37,566,771 shares at closing, on December 1, 2009, was $8.53 billion, at a price of $227.08 per share, the closing price of BlackRock’s common stock on November 30, 2009.

The acquisition of BGI brings together market leaders in active and index strategies to create the preeminent asset management firm which manages investments on behalf of institutional and retail investors worldwide. The combined firm’s products include passively and actively managed equities and fixed income, cash management, and alternatives and will offer clients diversified access to global markets through separate accounts, common trust funds, mutual funds, exchange-traded funds, hedge funds, and closed-end funds.

The shares of capital stock issued to Barclays pursuant to the BGI Transaction represented approximately 4.8% of the outstanding shares of common stock and approximately an aggregate 19.8% economic interest in BlackRock immediately following the closing of the transaction. Barclays generally is restricted from purchasing additional shares of BlackRock common or preferred stock if it would result in Barclays holding more than 4.9% of the total voting power of BlackRock or more than 19.9% of the total capital stock of BlackRock on a fully diluted basis. In addition, Barclays is restricted from transferring 100% of its BlackRock capital stock for one year after closing and 50% of its BlackRock capital stock for the second year, without the prior written consent of BlackRock.

The cash portion of the purchase price was funded through a combination of existing cash, issuance of short-term debt backed by a short-term credit facility which was arranged by Barclays, a related party, and subsequently terminated upon the issuance of long-term notes in December 2009, and proceeds from the private issuance of 19,914,652 capital shares, at a price of $140.60, to a group of institutional investors, including PNC.

3. Mergers and Acquisitions (continued)

Barclays Global Investors (continued)

The BGI Transaction was accounted for under the acquisition method of accounting in accordance with ASC 805. Accordingly, the purchase price was allocated to the assets acquired and liabilities and non-controlling interests assumed based upon their estimated fair values at the date of the transaction. Substantially all of the excess of the final purchase price over the fair value of assets acquired and liabilities and non-controlling interests assumed was recorded as non-deductible goodwill.

A summary of the recorded fair values of the assets acquired and liabilities and non-controlling interests assumed on December 1, 2009 in this acquisition is as follows:

(Dollar amounts in millions)	Estimate of Fair Value
Accounts receivable	$ 593
Investments	125
Separate account assets	116,301
Collateral held under securities lending agreements	23,498
Property and equipment	205
Finite-lived intangible management contracts (intangible assets)	163
Indefinite-lived intangible management contracts (intangible assets)	9,785
Trade names / trademarks (indefinite-lived intangible assets)	1,403
Goodwill	6,842
Other assets	366
Separate account liabilities	(116,301)
Collateral liability under securities lending agreements	(23,498)
Deferred tax liabilities	(3,799)
Accrued compensation and benefits	(885)
Other liabilities assumed	(660)
Non-controlling interests assumed	(12)
Total consideration, net of cash acquired	$ 14,126
Summary of consideration, net of cash acquired:	
Cash paid	$ 6,650
Cash acquired	(1,055)
Capital stock at fair value	8,531
Total cash and stock consideration	$ 14,126

Finite-life management contracts have a weighted-average estimated useful life of approximately 10 years and are amortized on the straight-line method.

The fair value of BGI finite-lived management contracts consists primarily of separate accounts and custom segregated funds and the fair value of BGI indefinite-lived management contracts consists primarily of exchange traded funds, common and collective trusts and open-end funds.

The fair value of acquired trade names/trademarks was determined using a royalty rate based primarily on normalized marketing and promotion expenditures to develop and support the brands globally.

3. Mergers and Acquisitions (continued)

Barclays Global Investors (continued)

The purchase accounting adjustments are preliminary and subject to revision. At this time, except for the items noted below, the Company does not expect material changes to the value of the assets acquired or liabilities assumed in conjunction with the transaction. Specifically, the following assets and liabilities are subject to change:

- Intangible management contracts were valued using preliminary December 1, 2009 AUM and assumptions. The value of such contracts may change, primarily as the result of updates to AUM and those assumptions;
- As management receives additional information, deferred income tax assets and liabilities and other assets, due from and to related parties, and other liabilities may be adjusted as the result of changes in purchase accounting and applicable tax rates.

The following unaudited pro forma combined financial information does not purport to be indicative of actual results of BlackRock's operations had the BGI Transaction actually been consummated at the beginning of each period presented. Certain one-time charges that are directly attributable to the BGI Transaction have been eliminated. The pro forma combined provision for income taxes may not represent the amount that would have resulted had BlackRock and BGI filed consolidated income tax returns during the years presented.

(Unaudited) *(Dollar amounts in millions, except per share data)*	For the Year Ended December 31, 2009[(1),(2)]	2008
Total revenue	$ 7,676	$8,805
Operating income	$ 3,712	$1,126
Net income attributable to BlackRock, Inc.	$ 2,382	$ 157
Earnings per share attributable to BlackRock, Inc. common stockholders		
Basic	$ 12.41	$ 0.83
Diluted	$ 12.23	$ 0.82

(1) Subsequent to the closing of the BGI Transaction on December 1, 2009, BGI contributed $312 million of revenue, $141 million of operating income and $94 million of net income attributable to BlackRock, Inc.

(2) Includes the full year impact of the long-term notes issued in December 2009.

3. Mergers and Acquisitions (continued)

Barclays Global Investors (continued)

BlackRock and BGI costs included as pro forma adjustments (unaudited)

For purposes of the pro forma financial information above, the following costs have been removed as they are deemed to be one-time costs directly attributable to the BGI Transaction.

- BlackRock results included $183 million of BlackRock pre-merger transaction and integration costs in conjunction with the BGI Transaction such as advisory fees, legal fees, consulting expenses recorded within general and administration expenses and compensation expense which have been expensed as incurred by BlackRock during the year ended December 31, 2009.
- BGI results for the eleven months ended November 30, 2009 included $299 million of costs related to acceleration of certain compensation costs that were triggered due to the transaction.

BGI costs and benefits not included as pro forma adjustments (unaudited)

For purposes of the pro forma financial information above, the following items which are in BGI's results and included in the pro forma results have not been removed as they are not directly attributable to the BGI Transaction:

- A pre-tax expense of $2.285 billion for the year ended December 31, 2008 and a pre-tax benefit of $1.249 billion, for the eleven-month period ended November 30, 2009 related to capital support of certain BGI cash management products. The liability related to such capital support has not been assumed in the transaction as it will remain with Barclays.
- BGI's tax expense for the year ended December 31, 2008 and the eleven-month period ended November 30, 2009 included a non-recurring tax benefit of approximately $695 million and a tax expense of $381 million, respectively, related to the capital support.
- A pre-tax expense of $29 million for the eleven-month period ended November 30, 2009 related to a BGI restructuring independent from the sale to BlackRock.
- A pre-tax non-operating gain/(loss) of ($33) million and $1 million for the year ended December 31, 2008 and the eleven-month period ended November 30, 2009, respectively, related to valuation changes for certain investments that were not acquired by BlackRock.

If such costs and benefits were excluded the pro forma diluted EPS for 2009 would have decreased by $4.37 and for 2008 would have increased by $8.33.

Impact Investing

In August 2008, the Company acquired Impact Investing, an Australia based software development company specializing in equity portfolio management and analytical software tools. The maximum remaining and total consideration to be paid is not expected to be material to the Company's consolidated financial statements.

3. Mergers and Acquisitions (continued)

Quellos Group

On October 1, 2007, the Company closed the Quellos Transaction and paid Quellos $562.5 million in cash and issued 1,191,785 shares of BlackRock common stock, valued at $188 million. The common stock was placed in escrow for up to three years and is available to satisfy certain indemnification obligations of Quellos under the asset purchase agreement. The value of the common stock consideration was determined using the average closing price of BlackRock's common stock ten days before the Quellos Transaction announcement date.

In addition, Quellos may receive two contingent payments, upon achieving certain investment advisory base and performance fee measures through December 31, 2010, totaling up to $969 million in a combination of cash and stock. During 2009, the Company determined the first contingent payment to be $219 million, of which $11 million was previously paid in cash during 2008. Of the remaining $208 million, $156 million was paid in cash and $52 million was paid in common stock, or approximately 330,000 shares based on a price of $157.33 per share. The second contingent payment, of up to $595 million, is based on investment advisory fees through 2010 and is payable in cash in 2011. Quellos may also be entitled to a "catch-up" payment in 2011 if certain investment advisory base fee measures are met though 2010 to the extent that the value of the first contingent payment is less than $374 million.

The Quellos Transaction was accounted for under the purchase method of accounting in accordance with ASC 805 prior to the changes within ASC 805 which were adopted on January 1, 2009. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of the transaction. The excess, if any, of the final purchase price, which may include contingent consideration payments, over the fair value of assets acquired and liabilities assumed will be recorded as goodwill.

Finite-life intangible management contracts have a weighted average estimated useful life of approximately 7.4 years and are amortized on the straight-line method.

As contingencies are resolved, BlackRock common shares held in escrow may be released from escrow. In April 2008 and November 2009, 280,519 and 42,326 common shares, respectively, were released from escrow to Quellos in accordance with the Quellos asset purchase agreement, which resulted in an adjustment to the recognized purchase price. As additional shares held in escrow are released, and if contingent consideration payments are made to Quellos, additional purchase price consideration or employee compensation will be recorded.

Adjustments to goodwill related to tax benefits realized from tax-deductible goodwill in excess of the initial book goodwill established are discussed in Note 11, Goodwill.

3. Mergers and Acquisitions (continued)

Fund of Hedge Funds

On April 30, 2003, the Company purchased an 80% interest in an investment manager of a hedge fund of funds for approximately $4 million in cash. On October 1, 2007, the Company paid $27 million in cash to purchase the remaining 20% of the investment manager. The purchase price of the remaining interest was performance-based and was not subject to a maximum, minimum or the continued employment of former employees of the investment manager with the Company. As a result of the transaction in October 2007, $21 million and $8 million of additional goodwill and indefinite-life intangible assets, respectively, was recorded.

4. Investments

A summary of the carrying value of total investments is as follows:

(Dollar amounts in millions)	Carrying Value December 31, 2009	Carrying Value December 31, 2008
Available-for-sale investments	$ 73	$ 101
Held-to-maturity	29	—
Trading investments	167	122
Other investments:		
Consolidated sponsored investment funds (non cash management funds)	360	349
Consolidated sponsored cash management funds	—	326
Equity method investments	376	501
Deferred compensation plan hedge fund equity method investments	29	30
Cost method investments	15	—
Total other investments	780	1,206
Total investments	$ 1,049	$ 1,429

At December 31, 2009, the Company had $463 million of total investments held by consolidated sponsored investment funds of which $103 million and $360 million were classified as trading investments and other investments, respectively.

At December 31, 2008, the Company had $728 million of total investments held by consolidated sponsored investment funds of which $53 million and $675 million were classified as trading investments and other investments, respectively.

4. Investments (continued)

Available-for-sale Investments

A summary of the cost and carrying value of investments classified as available-for-sale, is as follows:

(Dollar amounts in millions)

December 31, 2009	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available-for-sale investments:				
Equity securities:				
Sponsored investment funds	$ 53	$ 2	$ (1)	$ 54
Collateralized debt obligations ("CDOs")	2	—	—	2
Debt securities:				
Mortgage debt	6	1	—	7
Asset-backed debt	10	—	—	10
Total available-for-sale investments	$ 71	$ 3	$ (1)	$ 73

December 31, 2008	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available-for-sale investments:				
Sponsored investment funds	$109	$ —	$ (16)	$ 93
Collateralized debt obligations	6	—	(2)	4
Other debt securities	4	—	—	4
Total available-for-sale investments	$119	$ —	$ (18)	$ 101

Available-for-sale investments includes seed investments in BlackRock sponsored investment funds and debt securities received upon closure of an enhanced cash fund, in lieu of the Company's remaining investment in the fund and securities purchased from another enhanced cash fund.

During the years ended December 31, 2009, 2008 and 2007, the Company recorded other-than-temporary impairments of $5 million, including $2 million related to credit loss impairments on debt securities, $8 million and $16 million, respectively, which were recorded in non-operating income (expense) on the consolidated statements of income. The $2 million credit loss impairment in 2009 was determined by comparing the estimated discounted cash flows versus the amortized cost for each individual security.

The Company has reviewed the gross unrealized losses of $1 million as of December 31, 2009 related to available-for-sale equity securities, of which less than $1 million had been in a loss position for greater than twelve months, and determined that these unrealized losses were not other-than-temporary primarily because the Company has the ability and intent to hold the securities for a period of time sufficient to allow for recovery of such unrealized losses. As a result, the Company did not record additional impairments on such equity securities.

4. Investments (continued)

Available-for-sale Investments (continued)

A summary of sale activity in the Company's available-for-sale securities during the years ended December 31, 2009, 2008 and 2007 is shown below.

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Sales proceeds (including unsettled transactions)	$100	$57	$112
Net realized gain (loss):			
Gross realized gains	$ 3	$ 2	$ 8
Gross realized losses	(8)	(7)	—
Net realized gain (loss)	$ (5)	$ (5)	$ 8

Held-to-Maturity Investments

A summary of the carrying value of held-to-maturity investments is as follows:

(Dollar amounts in millions)	Carrying Value December 31, 2009	December 31, 2008
Held-to-maturity investments:		
Foreign government debt	$ 28	$ —
US government debt	1	—
Total held-to-maturity investments:	$ 29	$ —

Held-to-maturity investments include debt instruments held for regulatory purposes and the carrying value of these investments approximates fair value.

4. Investments (continued)

Trading and Other Investments

A summary of the cost and carrying value of trading and other investments is as follows:

(Dollar amounts in millions)	December 31, 2009 Cost	December 31, 2009 Carrying Value	December 31, 2008 Cost	December 31, 2008 Carrying Value
Trading investments:				
Deferred compensation plan fund investments	$ 49	$ 42	$ 32	$ 29
Equity securities	112	97	109	75
Debt securities:				
Municipal debt	10	11	9	7
Foreign government debt	15	15	8	7
Corporate debt	1	1	1	1
U.S. government debt	1	1	3	3
Total trading investments	$188	$ 167	$ 162	$ 122
Other investments:				
Consolidated sponsored investment funds (non cash management funds)	$380	$ 360	$ 376	$ 349
Consolidated sponsored cash management funds	—	—	333	326
Equity method	499	376	752	501
Deferred compensation plan hedge fund equity method investments	28	29	39	30
Cost method investments	15	15	—	—
Total other investments	$922	$ 780	$1,500	$ 1,206

Trading investments include certain deferred compensation plan fund investments, equity and debt securities within certain consolidated sponsored investment funds and equity and debt securities held in separate accounts for the purpose of establishing an investment history in various investment strategies before being marketed to investors.

Cost Method Investments

Cost method investments include non-marketable securities, including Federal Reserve Bank Stock, that are primarily held for regulatory purposes.

As of December 31, 2009, there were no indicators of impairments on these investments.

4. Investments (continued)

Maturity dates

The carrying value of debt securities, classified as available-for-sale, held-to-maturity, trading and other investments, by maturity at December 31, 2009 and 2008 is as follows:

(Dollar amounts in millions) **Maturity date**	**December 31, 2009**	**December 31, 2008**
<1 year	$ 28	$ 329
>1-5 years	5	2
>5-10 years	9	3
> 10 years	32	14
Total	$ 74	$ 348

At December 31, 2009, the debt securities in the table above primarily consisted of mortgage, asset-backed, municipal, corporate, U.S. and foreign government debt securities a portion of which are held by consolidated sponsored investment funds which are consolidated in the Company's consolidated statements of financial condition. In addition, at December 31, 2008, the debt securities in the table above included floating rate notes and asset backed securities held by consolidated sponsored cash management funds.

5. Equity Method Investments

BlackRock invests in hedge funds, funds of hedge funds, real estate funds and private equity funds to establish a performance track record or for co-investment purposes. BlackRock accounts for certain of these investments under the equity method of accounting in addition to other accounting methods. At December 31, 2009 and 2008, the Company held the following equity method investments in its sponsored investment products:

	December 31, 2009			Year Ended December 31, 2009	
(Dollar amounts in millions)	Net Assets [1]	BlackRock's Investments	Ownership %	Net Income (Loss)	BlackRock's Portion
Investments:					
Private equity	$ 574	$ 42	7%	$ 23	$ 2
Real estate	1,365	43	3%	(1,588)	(108)
Hedge funds/funds of hedge funds	11,450	319	3%	2,984	120
Other investments	434	1	<1%	—	—
	$13,823	$ 405		$ 1,419	$ 14

	December 31, 2008			Year Ended December 31, 2008	
(Dollar amounts in millions)	Net Assets [1]	BlackRock's Investments	Ownership %	Net Income (Loss)	BlackRock's Portion
Investments:					
Private equity	$ 482	$ 63	13%	$ 10	$ 14
Real estate	3,857	150	4%	(1,176)	(106)
Hedge funds/funds of hedge funds	7,743	299	4%	(5,645)	(200)
Other investments	134	19	14%	(25)	(6)
	$12,216	$ 531		$ (6,836)	$ (298)

[1] The majority of the net assets of the equity method investees are comprised of investments held for capital appreciation offset by liabilities, which may including borrowings.

5. Equity Method Investments (continued)

In addition, due to BlackRock's ownership levels BlackRock has equity method investments in various operating and advisory entities held for strategic purposes related to BlackRock's core business, which are recorded in other assets. The table below includes BlackRock's approximate 40% investment in DSP BlackRock Investment Managers Pvt. Ltd and its 42% investment in Private National Mortgage Acceptance Company, LLC.

(Dollar amounts in millions)

Equity Method Investees	December 31, 2009	December 31, 2008
Assets	$ 99	$ 43
Liabilities	18	13
Equity	$ 81	$ 30
BlackRock's investments [1]	$ 34	$ 12
	Year ended December 31, 2009	**Year ended December 31, 2008**
Net income (loss) of equity method investees	$ 31	$ (3)
BlackRock's portion	$ 14	$ (2)

(1) In addition, at December 31, 2009 and 2008, BlackRock had approximately $2 million and $2 million, respectively, of other strategic equity method investments recorded within other assets.

6. Consolidated Sponsored Investment Funds

The Company consolidates certain sponsored investment funds primarily because it is deemed to control such investments in accordance with GAAP. The investments that are owned by these consolidated sponsored investment funds are classified as other or trading investments. At December 31, 2009 and 2008, the following balances related to these funds were consolidated in the consolidated statements of financial condition:

(Dollar amounts in millions)	December 31, 2009	December 31, 2008
Cash and cash equivalents	$ 75	$ 61
Investments	463	728
Other net assets (liabilities)	(7)	12
Non-controlling interests	(273)	(491)
Total net interests in consolidated investment funds	$ 258	$ 310

During 2009, BlackRock took necessary steps to grant additional rights to the unaffiliated investors in one consolidated sponsored investment fund, which also commenced in 2009. The granting of the additional substantive rights resulted in deconsolidation of this fund and the elimination of $85 million, $76 million, and $9 million of investments, borrowings, and nonredeemable non-controlling interests, respectively. In December 2008, BlackRock took necessary steps to grant additional rights to the unaffiliated investors in three funds with net assets at December 31, 2008 of approximately $210 million. BlackRock deconsolidated these sponsored investment funds upon the grant of these additional rights.

BlackRock's total exposure to consolidated sponsored investment funds of $258 million and $310 million at December 31, 2009 and 2008, respectively, represents the value of the Company's economic ownership interest in these sponsored investment funds. Valuation changes associated with these consolidated investment funds are reflected in non-operating income (expense) and net income (loss) attributable to non-controlling interests. Less than $1 million and $6 million of borrowings by consolidated sponsored investment funds at December 31, 2009 and 2008, respectively, were included in other liabilities on the consolidated statements of financial condition.

The Company may not be readily able to access cash and cash equivalents held by consolidated sponsored investment funds to use in its operating activities. In addition, the Company may not be readily able to sell investments held by consolidated sponsored investment funds in order to obtain cash for use in its operations.

7. Fair Value Disclosures

Fair Value Hierarchy

Assets and liabilities measured at fair value on a recurring basis at December 31, 2009 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value (1)	December 31, 2009
Assets:					
Investments:					
Available-for-sale	$ 53	$ 20	$ —	$ —	$ 73
Trading	118	49	—	—	167
Held-to-maturity	—	—	—	29	29
Other investments:					
Consolidated sponsored investment funds	22	—	338	—	360
Equity method	—	1	334	41	376
Deferred compensation plan hedge fund equity method investments	—	14	15	—	29
Cost method investments	—	—	—	15	15
Total investments	193	84	687	85	1,049
Separate account assets	99,983	17,599	1,292	755	119,629
Collateral held under securities lending agreements	11,580	7,755	—	—	19,335
Other assets(2)	—	11	46	—	57
Total assets measured at fair value	$111,756	$ 25,449	$ 2,025	$ 840	$ 140,070
Liabilities:					
Collateral liability under securities lending agreements	$ 11,580	$ 7,755	$ —	$ —	$ 19,335

(1) Comprised of equity method investments, which include investment companies, and other assets which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

(2) Includes disposal group assets and company-owned and split-dollar life insurance policies.

7. Fair Value Disclosures (continued)

Fair Value Hierarchy (continued)

Assets measured at fair value on a recurring basis at December 31, 2008 were as follows:

(Dollar amounts in millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other Assets Not Held at Fair Value (1)	December 31, 2008
Assets:					
Investments:					
Available-for-sale	$ 63	$ 34	$ 4	$ —	$ 101
Trading	113	9	—	—	122
Other investments:					
Consolidated sponsored investment funds (non cash management funds)	—	21	328	—	349
Consolidated sponsored cash management funds	—	326	—	—	326
Equity method	—	—	461	40	501
Deferred compensation plan hedge fund equity method investments	—	10	20	—	30
Total investments	176	400	813	40	1,429
Separate account assets	2,461	85	4	73	2,623
Other assets(2)	—	9	64	—	73
Total assets measured at fair value	$ 2,637	$ 494	$ 881	$ 113	$ 4,125

(1) Comprised of equity method investments, which include investment companies, and other assets which in accordance with GAAP are not accounted for under a fair value measure. In accordance with GAAP, certain equity method investees do not account for both their financial assets and financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees may not represent fair value.

(2) Includes disposal group assets and company-owned and split-dollar life insurance policies.

7. Fair Value Disclosures (continued)

Separate Account Assets

BlackRock Pensions Limited and BlackRock Asset Management Pensions Limited, both wholly-owned subsidiaries of the Company, are registered life insurance companies that maintain separate account assets, representing segregated funds held for purposes of funding individual and group pension contracts, and equal and offsetting separate account non-financial liabilities.

Money Market Funds within Cash and Cash Equivalents

At December 31, 2009 and 2008, approximately $1.4 billion and $0.1 billion, respectively, of money market funds were recorded within cash and cash equivalents on the consolidated statements of financial condition. Money market funds are valued through the use of quoted market prices (a Level 1 input), or $1, which is generally the net asset value of the fund.

Level 3 Assets

Level 3 assets recorded within investments, which include equity method investments and consolidated investments of real estate funds, private equity funds and funds of private equity funds, are valued based upon valuations received from internal as well as third party fund managers. Fair valuations at the underlying funds are based on a combination of methods, which may include third-party independent appraisals and discounted cash flow techniques. Direct investments in private equity companies held by funds of private equity funds are valued based on an assessment of each underlying investment, incorporating evaluation of additional significant third party financing, changes in valuations of comparable peer companies, the business environment of the companies and market indices, among other factors. Level 3 assets recorded within separate account assets may include single broker non-binding quotes for fixed income securities.

Changes in Level 3 Investments, Other Assets and Separate Account Assets Measured at Fair Value on a Recurring Basis for the Year Ended December 31, 2009

(Dollar amounts in millions)	Investments	Other Assets	Separate Account Assets
December 31, 2008	$ 813	$ 64	$ 4
Realized and unrealized gains / (losses), net	45	(20)	8
Purchases, sales, other settlements and issuances, net[1]	(149)	2	1,276
Net transfers in and/or out of Level 3	(22)	—	4
December 31, 2009	$ 687	$ 46	$ 1,292
Total net gains (losses) for the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	$ 92	$ (20)	N/A[2]

N/A – Not applicable

(1) Purchases, sales, other settlements and issuances, net, include $1,675 million related to Level 3 separate account assets acquired in the BGI Transaction in December 2009.

(2) The net investment income and net gains and losses attributable to separate account assets accrue directly to the contract owner and are not reported as non-operating income (expense) on the consolidated statements of income.

7. Fair Value Disclosures (continued)

Changes in Level 3 Investments and Other Assets Measured at Fair Value on a Recurring Basis for the Year Ended December 31, 2008

(Dollar amounts in millions)	Investments	Other Assets
December 31, 2007	$ 1,240	$—
Realized and unrealized gains / (losses), net	(409)	(16)
Purchases, sales, other settlements and issuances, net	11	2
Net transfers in and/or out of Level 3	(29)	78
December 31, 2008	$ 813	$ 64
Total net gains (losses) for the period included in earnings attributable to the change in unrealized gains or (losses) relating to assets still held at the reporting date	$ (366)	$ (17)

Realized and unrealized gains and losses recorded for Level 3 investments are reported in non-operating income (expense) on the consolidated statements of income. A portion of net income (loss) for consolidated investments is allocated to non-controlling interests to reflect net income (loss) not attributable to the Company.

Transfers in and/or out of Level 3 are reflected as of the beginning of the period when significant inputs, including market inputs or performance attributes, used for the fair value measurement become observable or when the book value of certain equity method investments no longer represents fair value as determined under fair value methodologies.

7. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share

As a practical expedient BlackRock relies on net asset values as the fair value for certain investments. The following table lists information regarding all investments that use a fair value measurement to account for both their financial assets and financial liabilities in their calculation of a net asset value per share (or its equivalent):

(Dollars amounts in millions)	Fair Value	Total Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Consolidated sponsored investment funds;				
Private equity fund of funds (a)	$ 312	$ 85	n/a	n/a
Other fund of funds (b)	7	—	Monthly (39%), Quarterly (51%) Semi-annually and Annually (10%)	30 – 120 days
Equity method (1)**:**				
Private equity (c)	51	72	n/a	n/a
Real estate (d)	36	65	n/a	n/a
Hedge funds/funds of hedge funds (e)	248	93	Monthly (7%), Quarterly (19%), n/a (74%)	15 – 90 days
Deferred compensation plan hedge fund investments (f)	29	—	Monthly (3%), Quarterly (97%)	30 – 60 days
Total	$ 683	$ 315		

n/a – not applicable

(1) Comprised of equity method investments, which include investment companies which in accordance with GAAP account for both their financial assets and financial liabilities under fair value measures; therefore, the Company's investment in such equity method investees approximates fair value.

(a) This category includes the underlying third party private equity funds within consolidated BlackRock sponsored private equity funds of funds. The fair values of the investments in the third party funds have been estimated using the net asset value of the Company's ownership interest in partners' capital in each fund in the portfolio as well as other performance inputs. These investments are not subject to redemption, however for certain funds the Company may sell or transfer its interest, which may need approval by the general partner of the underlying funds. Due to the nature of the investments in this category the Company reduces its investment via distributions that are received through the realization of the underlying assets of the funds. It is estimated that the underlying assets of these funds would be liquidated over a weighted average period of approximately 9 years.

Total remaining unfunded commitments to other third party funds is $85 million. BlackRock is contractually obligated to fund only $54 million, its remaining unfunded commitment balance included in the above table to the consolidated fund while the remaining balance would be funded by capital contributions from non-controlling interest holders.

7. Fair Value Disclosures (continued)

Investments in Certain Entities that Calculate Net Asset Value Per Share (continued)

(b) This category includes several consolidated funds of funds that invest in multiple strategies to diversify risks. The fair values of the investments in this category have been estimated using the net asset value of the fund's ownership interest in partners' capital of each fund in the portfolio. Investments in this category can generally be redeemed, as long as there are no restrictions in place by the underlying funds.

(c) This category includes several private equity funds that initially invest in non-marketable securities of private companies which ultimately may become public in the future. The fair values of these investments have been estimated using the net asset value of the Company's ownership interest in partners' capital as well as other performance inputs. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the private equity funds. It is estimated that the investment in these funds would be liquidated over a weighted average period of approximately 8 years.

(d) This category includes several real estate funds that invest primarily to acquire, expand, renovate, finance, hold for investment, and ultimately sell income-producing apartment properties or to capitalize on the distress in the residential real estate market. The fair values of the investments in this category have been estimated using the net asset value of the Company's ownership interest in partners' capital. The Company's investment in each fund is not subject to redemption and is normally returned through distributions as a result of the liquidation of the underlying assets of the real estate funds. It is estimated that the investments in these funds would be liquidated over a weighted average period of approximately 14 years.

(e) This category includes hedge funds and funds of hedge funds that invest primarily in equities, fixed income securities, distressed credit and mortgage instruments and other third party hedge funds. The fair values of the investments in this category have been estimated using the net asset value of the Company's ownership interest in partners' capital. It is estimated that the investments in the funds that are not subject to redemptions would be liquidated over a weighted average period of less than 8 years.

(f) This category includes investments in certain hedge funds that invest in energy and health science related equity securities. The fair values of the investments in this category have been estimated using the net asset value of the Company's ownership interest in partners' capital as well as performance inputs.

8. Variable Interest Entities

In the normal course of business, the Company is the manager of various types of sponsored investment vehicles, including collateralized debt obligations and sponsored investment funds, which may be considered VIEs. The Company receives management fees or other incentive related fees for its services and may from time to time own equity or debt securities or enter into derivatives with the vehicles, each of which are considered variable interests. The Company enters into these variable interests principally to address client needs through the launch of such investment vehicles. The VIEs are primarily financed via capital contributed by equity and debt holders. The Company's involvement in financing the operations of the VIEs is limited to its equity interests, unfunded capital commitments for certain sponsored investment funds and two capital support agreements for two enhanced cash funds at December 31, 2008 which were terminated in 2009, due to closure of the funds.

The primary beneficiary of a VIE is the enterprise that has a variable interest (or combination of variable interests, including those of related parties) that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns or both. In order to determine whether the Company is the primary beneficiary of a VIE, management must make significant estimates and assumptions of probable future cash flows and assign probabilities to different cash flow scenarios. Assumptions made in such analyses include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, realization of gains, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

VIEs in which BlackRock is the Primary Beneficiary

As of December 31, 2009

At December 31, 2009, BlackRock was the primary beneficiary of one VIE, a private sponsored investment fund, in which it had a non-substantive investment, due to its de-facto third party relationships with other partners in the fund. Due to consolidation of this VIE, at December 31, 2009, the Company recorded $54 million of net assets, primarily investments and cash and cash equivalents. These net assets were offset on the Company's consolidated statement of financial condition by $54 million of nonredeemable non-controlling interests which reflect the equity ownership of third parties, on the Company's consolidated statements of financial condition. For the year ended December 31, 2009, the Company recorded a non-operating expense of $4 million offset by a $4 million net loss attributable to nonredeemable non-controlling interests on its consolidated statements of income. The Company has no risk of loss with its involvement with this VIE.

8. Variable Interest Entities (continued)

As of December 31, 2008

VIEs in which BlackRock is the Primary Beneficiary (continued)

During 2008, the Company determined it became the primary beneficiary of two enhanced cash management funds as a result of concluding that under various cash flow scenarios it absorbed the majority of the variability to cover expected losses in the funds due to its equity ownership percentage of the funds along with its obligation under the Company's capital support agreements with the funds which were established to cover potential realized losses within the funds. During 2008, the Company contributed $1 million to the cash management funds to cover realized losses. As of December 31, 2008, under the terms of the capital support agreements, BlackRock was obligated to cover realized losses of up to $45 million.

At December 31, 2008, the Company was the primary beneficiary of three VIEs, which resulted in consolidation of three sponsored investment funds (including two cash management funds and one private equity fund of funds). Creditors of the VIEs do not have recourse to the credit of the Company.

(Dollar amounts in millions)

	VIE Net Assets that the Company Consolidates	Maximum Risk of Loss		
		Equity Interests	Capital Support Agreements	Total
Sponsored enhanced cash management funds	$ 328	$ 88	$ 45	$133
Other sponsored investment funds	55	—	—	—
Total	$ 383	$ 88	$ 45	$133

As a result of consolidating the three private investment funds, at December 31, 2008, the Company recorded $383 million of net assets, primarily investments and cash and cash equivalents which in consolidation is offset by $319 million of non-controlling interests which reflect the equity ownership of third parties, on its consolidated statements of financial condition. For the year ended December 31, 2008, the Company recorded a non-operating expense of $12 million offset by a $13 million gain in non-controlling interests on its consolidated statements of income.

The maximum risk of loss related to the capital support agreements in the table of above reflect the Company's total obligation under the capital support agreements with the two enhanced cash funds. The fair value of the capital support agreements recorded at December 31, 2008 was $18 million.

8. Variable Interest Entities (continued)

VIEs in which BlackRock holds significant variable interests or is the sponsor that holds a variable interest but is not the Primary Beneficiary of VIE

At December 31, 2009 and 2008, the Company's carrying value of assets and liabilities and its maximum risk of loss related to VIEs in which it holds a significant variable interest or is the sponsor that holds a variable interest, but for which it was not the primary beneficiary, were as follows:

As of December 31, 2009

	(Dollar amounts in millions)			
	Variable Interests on the Consolidated Statement of Financial Condition			
	Investments	Receivables	Other Net Assets (Liabilities)	Maximum Risk of Loss
CDOs	$ 2	$ 2	$ (2)	$ 21
Other sponsored investment funds (1)	14	254	(7)	268
Total	$ 16	$ 256	$ (9)	$ 289

(1) Includes common trusts.

The size of the net assets of the VIEs that the Company does not consolidate related to CDO's, common trusts and other sponsored investment funds were as follows:

- CDOs - approximately ($8) billion, comprised of approximately $10 billion of assets and $18 billion of liabilities, primarily comprised of debt obligations to CDO debt holders.
- Other sponsored investments funds – approximately $1.5 trillion to $1.6 trillion
  - This amount includes approximately $1.1 trillion of common trusts. Each common trust has been aggregated separately and may include common trusts that invest in other common trusts.
  - The net assets of the VIEs are primarily comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of various accruals for the sponsored investment vehicles.

At December 31, 2009, BlackRock's maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock's equity investments, (ii) management fee receivables and (iii) credit protection sold by BlackRock to a third party in a synthetic CDO transaction. See Note 9, Derivatives and Hedging, for further information.

8. Variable Interest Entities (continued)

VIEs in which BlackRock holds significant variable interests or is the sponsor that holds a variable interest but is not the Primary Beneficiary of VIE (continued)

As of December 31, 2008

	(Dollar amounts in millions)			
	Variable Interests on the Consolidated Statement of Financial Condition			
	Investments	Receivables	Other Net Assets (Liabilities)	Maximum Risk of Loss
CDOs	$ 4	$ 5	$ (1)	$ 25
Other sponsored investment funds	9	9	(6)	18
Total	$ 13	$ 14	$ (7)	$ 43

The size of the net assets of the VIEs that the Company did not consolidate related to CDOs and other sponsored investments funds was approximately ($7.8) billion and $6.1 billion, respectively.

The net assets of the VIEs are primarily comprised of cash and cash equivalents and investments offset by liabilities primarily comprised of debt obligations (CDO debt holders) and various accruals for the sponsored investment vehicles.

At December 31, 2008, BlackRock's maximum risk of loss associated with these VIEs primarily relates to: (i) BlackRock's equity investments, (ii) management fee receivables and (iii) credit protection sold by BlackRock to a third party in a synthetic CDO transaction. See Note 9, Derivatives and Hedging, for further information.

9. Derivatives and Hedging

For the years ended December 31, 2009 and 2008, the Company did not hold any derivatives designated in a formal hedge relationship under ASC 815-10.

By using derivative financial instruments, the Company exposes itself to market and counterparty risk. Market risk from forward foreign currency exchange contracts is the effect on the value of a financial instrument that results from a change in currency exchange rates. The Company manages exposure to market risk associated with foreign currency exchange contracts by establishing and monitoring parameters that limit the types and degrees of market risk that may be undertaken. At December 31, 2009, the Company had two outstanding forward foreign exchange contracts with two counterparties with an aggregate notional value of $100 million.

During 2007, the Company commenced a program to enter into a series of total return swaps to economically hedge against market price exposures with respect to certain seed investments in sponsored investment products. At December 31, 2009, the Company had seven outstanding total return swaps with two counterparties with an aggregate notional value of approximately $36 million.

In December 2007, BlackRock entered into capital support agreements, up to $100 million, with two enhanced cash funds. These capital support agreements were backed by letters of credit issued under BlackRock's revolving credit facility. In December 2008, the capital support agreements were modified to be up to $45 million and were no longer backed by the letters of credit. In 2009, the capital support agreements were terminated, due to the closure of the related funds. See Note 13, Borrowings, for further discussion. During the six months ended June 30, 2009, the Company provided approximately $4 million of capital contributions to the funds under the capital support agreements. BlackRock determined that the capital support agreements qualified as derivatives under ASC 815-10. At December 31, 2008, the fair value of the derivative liabilities related to the capital support agreements for the two funds totaled approximately $18 million, respectively. The fair value of these liabilities increased or decreased as BlackRock's obligations under the guarantee fluctuated based on the fair value of the derivative. Upon closure of the funds, the liability decreased $11 million and the change in the liability was included in general and administration expenses.

The Company acts as the portfolio manager in a series of credit default swap transactions, referred to collectively as the Pillars synthetic CDO transaction ("Pillars"). The Company has entered into a credit default swap with Citibank, N.A. ("Citibank"), providing Citibank credit protection of approximately $17 million, representing the Company's maximum risk of loss with respect to the provision of credit protection. The Company's management has performed an assessment of its variable interest in Pillars (a collateral management agreement and the credit default swap) under ASC 810-10 and has concluded the Company is not Pillars' primary beneficiary. Pursuant to ASC 815-10, the Company carries the Pillars credit default swap at fair value based on the expected future cash flows under the arrangement.

On behalf of clients that maintain separate accounts representing segregated funds held for purpose of funding individual and group pension contracts, the Company invests in various derivative instruments, including forward foreign currency contracts, interest rate and inflation rate swaps.

The Company may, at times, consolidate certain sponsored investment funds which utilize derivative instruments as a part of the fund's investment strategy. The change in fair value of such derivatives which is recorded in non-operating income (expense) is not material to the Company's consolidated financial statements.

9. Derivatives and Hedging (continued)

The following table presents fair value as of December 31, 2009 of derivative instruments not designated as hedging instruments:

(Dollar amounts in millions)	Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign exchange contracts	Other assets	$ 0.2	Other liabilities	$ —
Total return swaps	Other assets	—	Other liabilities	0.4
Credit default swap (Pillars)	Other assets	—	Other liabilities	2.5
Separate account derivatives (1)	Separate account assets	1,501.0	Separate account liabilities	1,501.0
Total		$ 1,501.2		$ 1,503.9

(1) Derivatives associated with separate account assets include interest rate, inflation rate swaps, futures and foreign currency contracts.

The following table presents gains (losses) recognized in income for the year ended December 31, 2009 on derivative instruments:

(Dollar amounts in millions)	Income Statement Location	Amount of Gain (Loss) Recognized in Income on Derivative
Foreign exchange contracts	General and administration expense	$ —
Total return swaps	Non-operating income (expense)	(10)
Credit default swap (Pillars)	Non-operating income (expense)	(2)
Capital support agreements	General and administration expense	7
Total		$ (5)

Net realized and unrealized gains and losses attributable to derivatives held by separate account assets and liabilities accrue directly to the contract owner and are not reported as non-operating income in the consolidated statements of income.

10. Property and Equipment

Property and equipment consists of the following:

(Dollar amounts in millions)	Estimated useful life - in years	December 31, 2009	2008
Property and equipment:			
Land	N/A	$ 4	$ 4
Building	39	17	17
Building improvements	15	13	12
Leasehold improvements	1-15	335	156
Equipment and computer software	3-5	324	257
Furniture and fixtures	2-7	70	47
Construction in progress	N/A	15	26
Gross property and equipment		778	519
Less: accumulated depreciation		333	259
Property and equipment, net		$445	$260

N/A – Not applicable

Qualifying software costs of approximately $31 million, $28 million and $25 million have been capitalized within equipment and computer software for the years ended December 31, 2009, 2008 and 2007, respectively, and are being amortized over an estimated useful life of three years.

Depreciation expense was $85 million, $84 million and $68 million for the years ended December 31, 2009, 2008 and 2007, respectively.

11. Goodwill

Goodwill activity during the years ended December 31, 2009 and 2008 was as follows:

(Dollar amounts in millions)

	2009	2008
Beginning of year balance	$ 5,533	$5,520
Goodwill acquired related to:		
BGI	6,842	—
Quellos	—	55
Impact Investing	—	4
Total goodwill acquired	6,842	59
Goodwill adjustments related to:		
Quellos	185	(41)
SSR	9	—
Other	1	(5)
Total goodwill adjustments	195	(46)
End of year balance	$12,570	$5,533

During the year ended December 31, 2009, goodwill increased by $7,037 million. The increase relates primarily to $6,842 million of goodwill substantially all of which is non-deductible, related to the BGI Transaction, a $156 million cash payment, $43 million common stock issuance related to the first contingent payment and a $6 million increase related to the release of shares held in escrow in connection with the Quellos Transaction, offset by a $20 million decline related to tax benefits realized from tax-deductible goodwill in excess of book goodwill.

At December 31, 2009, the balance of the Quellos tax-deductible goodwill in excess of book goodwill was approximately $379 million. Goodwill related to the Quellos Transaction will continue to be reduced in future periods by the amount of tax benefits realized from tax-deductible goodwill in excess of book goodwill.

12. Intangible Assets

Intangible assets at December 31, 2009 and 2008 consisted of the following:

(Dollar amounts in millions)	Remaining Weighted-Average Estimated Useful Life	December 31, 2009 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:				
Acquired management contracts:				
Mutual funds / Collective funds	N/A	$ 8,286	$ —	$ 8,286
Exchange traded funds - iShares®	N/A	5,960	—	5,960
Alternative investment funds	N/A	917	—	917
Trade names / trademarks	N/A	1,403	—	1,403
Total indefinite-lived intangible assets		16,566	—	16,566
Finite-lived intangible assets:				
Acquired management contracts:				
Institutional / Retail separate accounts	7.4	1,352	403	949
Alternative investment accounts and funds	5.1	190	62	128
Other (1)	8.6	6	1	5
Total finite-lived intangible assets	7.2	1,548	466	1,082
Total intangible assets		$ 18,114	$ 466	$ 17,648

(Dollar amounts in millions)	Remaining Weighted-Average Estimated Useful Life	December 31, 2008 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Indefinite-lived intangible assets:				
Acquired management contracts:				
Mutual funds	N/A	$ 4,461	$ —	$ 4,461
Alternative investment funds	N/A	917	—	917
Total indefinite-lived intangible assets		5,378	—	5,378
Finite-lived intangible assets:				
Acquired management contracts:				
Institutional / Retail separate accounts	7.6	1,187	280	907
Alternative investment accounts and funds	6.6	194	44	150
Other (1)	9.6	6	—	6
Total finite-lived intangible assets	7.7	1,387	324	1,063
Total intangible assets		$ 6,765	$ 324	$ 6,441

(1) Other represents intellectual property in 2009 and 2008.

N/A – Not applicable

Amortization expense for finite-lived intangible assets was $147 million, $146 million and $130 million in 2009, 2008 and 2007, respectively.

12. Intangible Assets (continued)

Finite-Lived Acquired Management Contracts

On September 29, 2006, in conjunction with the MLIM Transaction, the Company acquired finite-lived management contracts valued at $1,135 million, primarily associated with $771 million of contracts with institutional separate accounts, $348 million of contracts with retail separate accounts, $11 million of private equity accounts and $5 million in trade name intangibles. The initial weighted-average estimated useful life of these finite-life management contracts was approximately 10.1 years.

On September 29, 2006, in conjunction with the NBAM transaction, the Company acquired $13 million of finite-lived management contracts, primarily associated of institutional fixed income accounts. The initial weighted-average useful life of these finite-life management contracts was approximately nine years.

On October 1, 2007, in conjunction with the Quellos Transaction, the Company acquired $161 million of finite-lived management contracts, primarily associated with private equity, fund of funds and other contracts. The initial weighted-average useful life of these finite-life management contracts was approximately 7.5 years.

In August 2008, in conjunction with the Impact Investing transaction, the Company acquired $7 million of finite-lived contracts associated primarily of $1 million of institutional equity accounts and $6 million for intellectual property. The initial weighted-average useful life of these finite-life management contracts was approximately 9.5 years.

In April 2009, the Company acquired $2 million of finite-lived management contracts with a five-year estimated useful life associated with the acquisition of the R3 Capital Partners funds.

In December 2009, in conjunction with the BGI Transaction, the Company acquired $163 million of finite-lived management contracts with a weighted-average estimated useful life of approximately 10 years.

Estimated amortization expense for finite-lived intangible assets for each of the five succeeding years is as follows:

(Dollar amounts in millions)	
2010	$160
2011	157
2012	156
2013	155
2014	149

12. Intangible Assets (continued)

Indefinite-Lived Acquired Management Contracts

On September 29, 2006, in conjunction with the MLIM Transaction, the Company acquired indefinite-lived management contracts valued at $4,477 million consisting of $4,271 million for all retail mutual funds and $206 million for alternative investment products.

On October 1, 2007, in conjunction with the Quellos Transaction, the Company acquired $631 million in indefinite-lived management contracts associated with alternative investment products.

On October 1, 2007, the Company purchased the remaining 20% of an investment manager of a fund of hedge funds. In conjunction with this transaction, the Company recorded $8 million in additional indefinite-lived management contracts associated with alternative investment products.

On December 1, 2009, in conjunction with the BGI Transaction, the Company acquired $9,785 million in indefinite-lived management contracts valued consisting primarily for exchange traded funds and common and collective trusts.

Indefinite-Lived Acquired Trade Names / Trademarks

On December 1, 2009, in conjunction with the BGI Transaction, the Company acquired trade names/trademarks primarily related to iShares® valued at $1,402.5 million. The fair value was determined using a royalty rate based primarily on normalized marketing and promotion expenditures to develop and support the brands globally.

13. Borrowings

Short-Term Borrowings

2007 Facility

In August 2007, the Company entered into a five-year $2.5 billion unsecured revolving credit facility (the “2007 facility”), which permits the Company to request an additional $500 million of borrowing capacity, subject to lender credit approval, up to a maximum of $3.0 billion. The 2007 facility requires the Company not to exceed a maximum leverage ratio (ratio of net debt to earnings before interest, taxes, depreciation and amortization, where net debt equals total debt less domestic unrestricted cash) of 3 to 1, which was satisfied with a ratio of less than 1 to 1 at December 31, 2009.

The 2007 facility provides back-up liquidity, funds ongoing working capital for general corporate purposes and funds various investment opportunities. At December 31, 2009, the Company had $200 million outstanding under the 2007 facility with an interest rate of 0.44% and a maturity date during February 2010. During February 2010, the Company rolled over $100 million in borrowings with an interest rate of 0.43% and a maturity date in May 2010.

Lehman Commercial Paper Inc. has a $140 million participation under the 2007 Facility; however BlackRock does not expect that Lehman Commercial Paper Inc. will honor its commitment to fund additional amounts. Bank of America, a related party, has a $140 million participation under the 2007 facility.

In December 2007, in order to support two enhanced cash funds that BlackRock manages, BlackRock elected to procure two letters of credit under the existing 2007 facility in an aggregate amount of $100 million. In December 2008, the letters of credit were terminated.

13. Borrowings (continued)

Short-Term Borrowings (continued)

Commercial Paper Program

On October 14, 2009, BlackRock established a commercial paper program (the "CP Program") under which the Company may issue unsecured commercial paper notes (the "CP Notes") on a private placement basis up to a maximum aggregate amount outstanding at any time of $3 billion. The proceeds of the commercial paper issuances were used for the financing of a portion of the BGI Transaction. Subsidiaries of Bank of America and Barclays, as well as other third parties, act as dealers under the CP Program. The CP Program is supported by the 2007 facility.

The Company began issuance of CP Notes under the CP Program on November 4, 2009. As of December 31, 2009, BlackRock had approximately $2 billion of outstanding CP Notes with a weighted average interest rate of 0.20% and a weighted average maturity of 23 days. Since December 31, 2009, the Company repaid approximately $1.4 billion of CP Notes with proceeds from the long-term notes issued in December 2009. As of March 5, 2010, BlackRock had $596 million of outstanding CP Notes with a weighted average interest rate of 0.18% and a weighted average maturity of 38 days.

Japan Commitment-line

In June 2008, BlackRock Japan Co., Ltd., a wholly owned subsidiary of the Company, entered into a five billion Japanese yen commitment-line agreement with a banking institution (the "Japan Commitment-line"). The term of the Japan Commitment-line was one year and interest accrued at the applicable Japanese short-term prime rate. In June 2009, BlackRock Japan Co., Ltd. renewed the Japan Commitment-line for a term of one year. The Japan Commitment-line is intended to provide liquidity and flexibility for operating requirements in Japan. At December 31, 2009, the Company had no borrowings outstanding on the Japan Commitment-line.

Convertible Debentures

In February 2005, the Company issued $250 million aggregate principal amount of convertible debentures (the "Debentures"), due in 2035 and bearing interest at a rate of 2.625% per annum. Interest is payable semi-annually in arrears on February 15 and August 15 of each year, and commenced August 15, 2005.

Prior to February 15, 2009, the Debentures could have been convertible at the option of the holder at a December 31, 2008 conversion rate of 9.9639 shares of common stock per one dollar principal amount of Debentures under certain circumstances. The Debentures would have been convertible into cash and, in some situations as described below, additional shares of the Company's common stock, if during the five business day period after any five consecutive trading day period the trading price per Debenture for each day of such period is less than 103% of the product of the last reported sales price of BlackRock's common stock and the conversion rate of the Debentures on each such day or upon the occurrence of certain other corporate events, such as a distribution to the holders of BlackRock common stock of certain rights, assets or debt securities, if the Company becomes party to a merger, consolidation or transfer of all or substantially all of its assets or a change of control of the Company. On February 15, 2009, the Debentures became convertible into cash at any time prior to maturity at the option of the holder and, in some situations as described below, additional shares of the Company's common stock at the current conversion rate.

13. Borrowings (continued)

Convertible Debentures (continued)

At the time the Debentures are tendered for conversion, for each one dollar principal amount of Debentures converted, a holder shall be entitled to receive cash and shares of BlackRock common stock, if any, the aggregate value of which (the "conversion value") will be determined by multiplying the applicable conversion rate by the average of the daily volume weighted average price of BlackRock common stock for each of the ten consecutive trading days beginning on the second trading day immediately following the day the Debentures are tendered for conversion (the "ten-day weighted average price"). The Company will deliver the conversion value to holders as follows: (1) an amount in cash (the "principal return") equal to the lesser of (a) the aggregate conversion value of the Debentures to be converted and (b) the aggregate principal amount of the Debentures to be converted, and (2) if the aggregate conversion value of the Debentures to be converted is greater than the principal return, an amount in shares (the "net shares"), determined as set forth below, equal to such aggregate conversion value less the principal return (the "net share amount"). The number of net shares to be paid will be determined by dividing the net share amount by the ten-day weighted average price. In lieu of delivering fractional shares, the Company will deliver cash based on the ten-day weighted average price.

The conversion rate for the Debentures is subject to adjustments upon the occurrence of certain corporate events, such as a change of control of the Company, each payment of quarterly dividends greater than $0.30 per share, the issuance of certain rights or warrants to holders of, or subdivisions on, BlackRock's common stock, a distribution of assets or indebtedness to holders of BlackRock common stock or a tender offer on the common stock. The conversion rate adjustments vary depending upon the specific corporate event necessitating the adjustment and serve to ensure that any economic gains realized by the Company's stockholders are shared with the holders of the Debentures. The initial conversion rate of 9.7282 was determined by the underwriters based on market conditions and has been subsequently revised to 10.0909 as a result of dividends paid by the Company that were in excess of $0.30 per share.

If the effective date or anticipated effective date of certain transactions that constitute a change of control occurs on or prior to February 15, 2010, under certain circumstances, the Company will provide for a make-whole amount by increasing, for a certain time period, the conversion rate by a number of additional shares of common stock for any conversion of Debentures in connection with such transactions. The amount of additional shares will be determined based on the price paid per share of BlackRock common stock in the transaction constituting a change of control and the effective date of such transaction. However, if such transaction constitutes a public acquirer change of control, the Company may elect to issue shares of the acquiring company rather than BlackRock shares.

Beginning February 20, 2010, the Company may redeem any of the Debentures at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, including contingent interest and accrued and unpaid liquidated damages, if any upon not more than 60 but not less 30 days notice. Holders of the Debentures have the right to require the Company to repurchase the Debentures for cash on February 15, 2010, 2015, 2020, 2025 and 2030. In addition, holders of the Debentures may require the Company to repurchase the Debentures for cash at a repurchase price equal to 100% of their principal amount plus accrued and unpaid interest, including contingent interest and accrued and unpaid liquidated damages, if any, (i) upon a change of control of the Company or (ii) if BlackRock's common stock is neither listed for trading on the New York Stock Exchange nor approved for trading on the NASDAQ.

13. Borrowings (continued)

Convertible Debentures (continued)

The Company is obligated to pay contingent interest, which is the amount of interest payable to holders of the Debentures for any six-month period from February 15 to August 15 or from August 15 to February 15, with the initial six-month period commencing February 15, 2010, if the trading price of the Debentures for each of the ten trading days immediately preceding the first day of the applicable six-month period equals 120% or more of the principal amount of the Debentures. During any period when contingent interest is payable, the contingent interest payable per Debenture will equal 0.25% of the average trading price of the Debentures during the ten trading days immediately preceding the first day of the applicable six-month interest period.

On October 16, 2008, the Debentures became convertible at the option of the holders into cash and shares of the Company's common stock, after the trustee determined that the trading price for the debentures on each day of a five consecutive trading day period was less than 103% of the product of the last reported sale price of the Company's common stock on such date and the conversion rate on such date. The conversion period ended on October 30, 2008 after the Debentures failed to satisfy the trading price condition on October 24, 2008. During the conversion period holders of $0.5 million of Debentures elected to convert their holdings into cash and shares.

During 2009, subsequent to the debentures becoming convertible on February 15, 2009 into cash and shares of the Company's common stock at any time prior to maturity, the holders of $7 million of Debentures elected to convert their holdings into cash and shares. In addition, during January and February 2010, holders of $148 million of debentures elected to convert their holdings into cash and shares.

The Company recognized $10 million in each of the years ended December 31, 2009 and 2008 of interest expense, comprised in both periods of $6 million and $7 million related to the coupon and $4 million and $3 million related to amortization of the discount for the years ended December 31, 2009 and 2008, respectively. At December 31, 2009, the estimated fair value of the convertible debentures was $486 million, which was estimated using a market price at December 31, 2009.

Long-Term Borrowings

2017 Notes

In September 2007, the Company issued $700 million in aggregate principal amount of 6.25% senior unsecured notes maturing on September 15, 2017 (the "2017 Notes"). Interest is payable semi-annually on March 15 and September 15 of each year, or approximately $44 million per year. The 2017 Notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. The 2017 Notes were issued at a discount of $6 million, which is being amortized over their ten-year term. The Company incurred approximately $4 million in debt issuance costs, which are included in other assets on the consolidated statements of financial condition and are being amortized over the term of the 2017 Notes.

13. Borrowings (continued)

Long-Term Borrowings (continued)

2012, 2014 and 2019 Notes

In December 2009, the Company issued $2.5 billion in aggregate principal amount of unsecured and unsubordinated obligations. These notes were issued as three separate series of senior debt securities including $0.5 billion of 2.25% notes, $1.0 billion of 3.50% notes and $1.0 billion of 5.0% notes maturing in December 2012, 2014 and 2019, respectively. Net proceeds of this offering were used to repay borrowings under our commercial paper program and for general corporate purposes. Interest on these notes is payable semi-annually on June 10 and December 10 of each year beginning June 10, 2010, or approximately $96 million per year. These notes may be redeemed prior to maturity at any time in whole or in part at the option of the Company at a "make-whole" redemption price. These notes were issued collectively at a discount of $5 million are being amortized over the term of the notes. The Company incurred approximately $13 million in debt issuance costs, which are included in other assets on the consolidated statements of financial condition and are being amortized over the terms of the these notes.

Carrying Value and Fair Value of Long-Term Borrowings

The carrying value and fair value estimated using an applicable bond index at December 31, 2009 of long-term borrowings included the following:

(Dollar amounts in millions)

	2.25% Notes due 2012	3.50% Notes due 2014	6.25% Notes due 2017	5.00% Notes due 2019	Total Long-term Borrowings
Maturity amount	$ 500	$ 1,000	$ 700	$ 1,000	$ 3,200
Unamortized discount	(1)	(1)	(4)	(3)	(9)
Carrying value	$ 499	$ 999	$ 696	$ 997	$ 3,191
Fair value	$ 497	$ 987	$ 751	$ 987	$ 3,222

The carrying value and fair value estimated using an applicable bond index at December 31, 2008 of long-term borrowings included the following:

(Dollar amounts in millions)

	6.25% Notes due 2017	Other	Total Long-term Borrowings
Maturity amount	$ 700	$ 2	$ 702
Unamortized discount	(5)	—	(5)
Carrying value	$ 695	$ 2	$ 697
Fair value	$ 655	$ 2	$ 657

14. Commitments and Contingencies

Operating Lease Commitments

The Company leases its primary office space under agreements which expire through 2023. Future minimum commitments under these operating leases are as follows:

(Dollar amounts in millions)

Year	Amount
2010	$ 135
2011	121
2012	111
2013	108
2014	90
Thereafter	538
	$1,103

Rent expense and certain office equipment expense under agreements amounted to $87 million, $92 million and $85 million for the years ended December 31, 2009, 2008 and 2007, respectively.

The above lease commitments include facilities which currently are leased from Merrill Lynch, a related party to BlackRock. Future lease commitments on such leases are $1 million per year in 2010 through 2014 and $3 million thereafter.

14. Commitments and Contingencies (continued)

Commitments

Investment Commitments

The Company has certain investment commitments relating primarily to funds of private equity funds, real estate funds and hedge funds. Dates shown below represent the expiration dates of the commitments. Amounts to be funded generally are callable at any point prior to the expiration of the commitment. The Company has the following unfunded investment commitments at December 31, 2009:

(Dollar amounts in millions) Year of Expiration	Amount
2010	$ 70
2011	16
2012	11
2013	4
2014	37
Thereafter	173
Total	$ 311

This amount excludes additional commitments made by consolidated funds of funds to underlying third party funds as third party non-controlling interest holders have the legal obligation to fund the respective commitments of such funds of funds.

Contingencies

Contingent Payments Related to Business Acquisitions

On October 1, 2007, the Company acquired the fund of funds business of Quellos. See Note 3, Mergers and Acquisitions, for further discussion. As part of this transaction, Quellos is entitled to receive two contingent payments upon achieving certain investment advisory revenue measures through December 31, 2010, totaling up to an additional $969 million in a combination of cash and stock. The first contingent payment was paid in 2009 and the second contingent payment, of up to $595 million is payable in cash in 2011.

During 2009, the Company determined the first contingent payment to be $219 million, of which $11 million was previously paid in cash during 2008. Of the remaining $208 million, $156 million was paid in cash and $52 million was paid in common stock, or approximately 330,000 shares based on a price of $157.33 per share. Quellos may also be entitled to a “catch-up” payment related to the first contingent payment if certain performance measures are met in 2011 as the value of the first contingent payment was less than $374 million.

In connection with the Impact Investing acquisition, the Company may be required to make several additional contingent payments upon completion of certain operating measures through 2010, totaling up to $12 million. Currently, the payments are anticipated to be recorded as employee compensation.

On January 31, 2005, the Company closed the acquisition of SSR, the holding company of State Street Research & Management Company and SSR Realty Advisors, Inc. (renamed BlackRock Realty Advisors, Inc., “Realty”), from MetLife, Inc. (“MetLife”) for an adjusted purchase price of $265 million in cash and 550,000 shares of BlackRock restricted common stock. The stock purchase agreement provides for two contingent payments. For the first contingent payment, MetLife received 32.5% of performance fees earned, as of March 31, 2006, from a large institutional real estate client. In 2006, the Company incurred and paid a fee sharing expense of $34 million related to this arrangement. For the second contingent payment, on the fifth anniversary of the closing of the SSR Transaction, MetLife will receive an additional payment of approximately $9 million based on the Company’s retained AUM associated with the MetLife defined benefit and defined contribution plans.

14. Commitments and Contingencies (continued)

Capital Support Agreements

In December 2007, BlackRock entered into capital support agreements, up to $100 million, with two enhanced cash funds. These capital support agreements were backed by letters of credit issued under BlackRock's revolving credit facility. In December 2008, the capital support agreements were modified to be up to $45 million and were no longer backed by the letters of credit. In January and May 2009, the capital support agreements were terminated due to the closure of the related funds. During the six months ended June 30, 2009, the Company provided approximately $4 million of capital contributions to the funds under the capital support agreements. At December 31, 2008, the derivative liability for the fair value of the capital support agreements for the two funds totaled approximately $18 million. The fair value of these liabilities increased and decreased as BlackRock's obligation under the guarantee fluctuated based on the fair value of the derivative. Upon closure of the funds, the liability decreased $11 million, while the change in the liability was included in general and administration expenses.

Other Contingent Payments

The Company acts as the portfolio manager in a series of credit default swap transactions and has a maximum potential exposure of $17 million under a credit default swap between the Company and Citibank. See Note 9, Derivatives and Hedging, for further discussion of this transaction and the related commitment.

Legal Proceedings

From time to time, BlackRock receives subpoenas or other requests for information from various U.S. federal, state governmental and regulatory authorities in connection with certain industry-wide or other investigations or proceedings. It is BlackRock's policy to cooperate fully with such inquiries. The Company and certain of its subsidiaries have been named as defendants in various legal actions, including arbitrations and other litigation arising in connection with BlackRock's activities. Additionally, certain of the investment funds that the Company manages are subject to lawsuits, any of which potentially could harm the investment returns of the applicable fund or result in the Company being liable to the funds for any resulting damages.

Management, after consultation with legal counsel, currently does not anticipate that the aggregate liability, if any, arising out of regulatory matters or lawsuits will have a material adverse effect on BlackRock's earnings, financial position, or cash flows although, at the present time, management is not in a position to determine whether any such pending or threatened matters will have a material adverse effect on BlackRock's results of operations in any future reporting period.

Indemnifications

In the ordinary course of business, BlackRock enters into contracts pursuant to which it may agree to indemnify third parties in certain circumstances. The terms of these indemnities vary from contract to contract and the amount of indemnification liability, if any, cannot be determined.

14. Commitments and Contingencies (continued)

Indemnifications (continued)

Under the transaction agreement in the MLIM Transaction, the Company has agreed to indemnify Merrill Lynch for losses it may incur arising from (1) any alleged or actual breach, failure to comply, violation or other deficiency with respect to any regulatory or fiduciary requirements relating to the operation of BlackRock's business, (2) any fees or expenses incurred or owed by BlackRock to any brokers, financial advisors or comparable other persons retained or employed by BlackRock in connection with the MLIM Transaction, and (3) certain specified tax covenants.

Under the transaction agreement in the BGI Transaction, the Company has agreed to indemnify Barclays for losses it may incur arising from (1) breach by the Company of certain representations, (2) breach by the Company of any covenant in the agreement, (3) liabilities of the entities acquired in the transaction other than liabilities assumed by Barclays or for which it is providing indemnification, and (4) certain taxes.

Management believes that the likelihood of any liability arising under these indemnification provisions is remote. Management cannot estimate any potential maximum exposure due both to the remoteness of any potential claims and the fact that items that would be included within any such calculated claim would be beyond the control of BlackRock. Consequently, no liability has been recorded on the consolidated statements of financial condition.

15. Stock-Based Compensation

The components of the Company's stock-based compensation expense are comprised of the following:

(Dollar amounts in millions)	Year ended December 31,		
	2009	2008	2007
Stock-based compensation:			
Restricted stock and RSUs	$246	$209	$122
Stock options	12	10	13
Long-term incentive plans funded by PNC	59	59	53
Total stock-based compensation	$317	$278	$188

Stock Award and Incentive Plan

Pursuant to the BlackRock, Inc. 1999 Stock Award and Incentive Plan (the "Award Plan"), options to purchase shares of the Company's common stock at an exercise price not less than the market value of BlackRock's common stock on the date of grant in the form of stock options, restricted stock or RSUs may be granted to employees and non-employee directors. A maximum of 17,000,000 shares of common stock are authorized for issuance under the Award Plan. Of this amount, 2,737,416 shares remain available for future awards at December 31, 2009. Upon exercise of employee stock options, the issuance of restricted stock or the vesting of RSUs, the Company issues shares out of treasury, to the extent available.

15. Stock-Based Compensation (continued)

Stock Options

Stock option grants were made to certain employees pursuant to the Award Plan in 1999 through 2003. Options granted have a ten-year life, vest ratably over periods ranging from two to five years and become exercisable upon vesting. Prior to the January 2007 grant described below, the Company had not granted any stock options since 2003. Stock option activity for the years ended December 31, 2009, 2008 and 2007 is summarized below:

Outstanding at	Shares under option	Weighted average exercise price
December 31, 2006	4,457,669	$ 36.90
Granted	1,545,735	$167.76
Exercised	(1,899,239)	$ 36.96
Forfeited	(3,000)	$ 37.36
December 31, 2007	4,101,165	$ 86.19
Exercised	(662,013)	$ 36.36
Forfeited	(298,635)	$167.76
December 31, 2008	3,140,517	$ 88.82
Exercised	(490,617)	$ 34.92
Forfeited	(8,064)	$167.76
December 31, 2009 (1)	2,641,836	$ 98.59

(1) At December 31, 2009, approximately 2.6 million options were vested or are expected to vest.

On January 31, 2007, the Company awarded options to purchase 1,545,735 shares of BlackRock common stock to certain executives as long-term incentive compensation. The options will vest on September 29, 2011, as the Company had actual GAAP earnings per share in excess of $5.20 in 2009. The options have a strike price of $167.76, which was the closing price of the shares on the grant date. Fair value, as calculated in accordance with a modified Black-Scholes model, was approximately $45.88 per option. The fair value of the options is being amortized over the vesting period as exceeding the performance hurdles was deemed probable of occurring.

Assumptions used in calculating the grant-date fair value for the stock options issued in January 2007 were as follows:

Exercise price	$ 167.76
Expected term (years)	7.335
Expected volatility	24.5%
Dividend yield	1.0%-4.44%
Risk-Free interest rate	4.8%

15. Stock-Based Compensation (continued)

Stock Options (continued)

The Company's expected option term was derived using the mathematical average between the earliest vesting date and the option expiration date in accordance with ASC 718. The Company's expected stock volatility assumption was based upon historical stock price fluctuations of BlackRock's common stock. The dividend yield assumption was derived using estimated dividends over the expected term and the stock price at the date of grant. The risk free interest rate is based on the U.S. Treasury yield at date of grant.

The aggregate intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was $63 million, $113 million and $268 million, respectively.

Stock options outstanding and exercisable at December 31, 2009 are as follows:

(Dollar amounts in millions)	Options Outstanding			Options Exercisable			
Exercise Prices (per share)	Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value of Exercisable Shares
$ 37.36	1,309,300	2.79	$ 37.36	1,309,300	$ 37.36	2.79	$ 255
$ 43.31	96,500	0.96	$ 43.31	96,500	$ 43.31	0.96	18
$ 167.76	1,236,036	7.09	$ 167.76	—	—	—	—
	2,641,836	4.74	$ 98.59	1,405,800	$ 37.77	2.66	$ 273

15. Stock-Based Compensation (continued)

Stock Options (continued)

Fiscal year 2008 included a cumulative adjustment to the estimated forfeiture rate for unvested stock options as a result of additional data on actual forfeiture activity.

As of December 31, 2009, the Company had $21 million in unrecognized stock-based compensation expense related to unvested stock options. The unrecognized compensation cost is expected to be recognized over a remaining weighted-average period of 1.8 years.

Restricted Stock and RSUs

Pursuant to the Award Plan, restricted stock grants and RSUs may be granted to certain employees. Restricted stock was issued for stock awards prior to 2006. RSUs were issued for the majority of grants in 2006, 2007, 2008 and 2009. These restricted shares and RSUs vest over periods ranging from one to five years and are expensed on the straight-line method over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Prior to 2009, the Company awarded restricted stock and RSUs with nonforfeitable dividend equivalent rights. Restricted stock and RSUs awarded in 2009 are not considered participating securities as dividend equivalents are subject to forfeiture prior to vesting of the award.

15. Stock-Based Compensation (continued)

Restricted Stock and RSUs (continued)

Restricted stock and RSU activity for the years ended December 31, 2009, 2008 and 2007 is summarized below:

Outstanding at	Unvested Restricted Stock and Units	Weighted Average Grant Date Fair Value
December 31, 2006	1,515,890	$ 130.49
Granted	2,551,913	$ 167.64
Converted	(274,164)	$ 104.15
Forfeited	(84,631)	$ 159.95
December 31, 2007	3,709,008	$ 158.01
Granted	1,618,161	$ 201.80
Converted	(468,046)	$ 146.69
Forfeited	(255,170)	$ 163.64
December 31, 2008	4,603,953	$ 174.24
Granted	1,869,849	$ 118.43
Converted	(894,909)	$ 178.53
Forfeited	(218,430)	$ 157.21
December 31, 2009 (1)	5,360,463	$ 154.75

(1) At December 31, 2009, approximately 4.9 million awards are expected to vest.

On January 25, 2007, the Company issued approximately 901,200 RSUs to employees in conjunction with their annual incentive compensation awards. The RSU awards vest over three years through January 2010. The value of the RSUs was calculated using BlackRock's closing stock price on the date of grant, or $169.70. The grant date fair value of the RSUs is being amortized into earnings on the straight-line method over the requisite service period, net of expected forfeitures, for each separately vesting portion of the award as if the award was, in substance, multiple awards. In addition, in January 2007, the Company granted 1,559,022 of RSUs as long-term incentive compensation, which will be funded by shares currently held by PNC.

In January 2008 and 2009, the Company granted 295,633 and 23,417 RSUs, respectively, as long-term incentive compensation, which will be partially funded by shares currently held by PNC (see *Long-Term Incentive Plans Funded by PNC* below). The awards cliff vest five years from the date of grant.

15. Stock-Based Compensation (continued)

Restricted Stock and RSUs (continued)

In January 2008 and 2009, the Company granted 1,212,759 and 1,789,685 RSUs, respectively, to employees as part of annual incentive compensation under the Award Plan that vest ratably over three years from the date of grant.

At December 31, 2009, there was $291 million of total unrecognized compensation cost related to unvested restricted stock and RSUs. As of December 31, 2009, the unrecognized compensation cost is expected to be recognized over a remaining weighted average period of 1.6 years.

In January 2010, the Company granted the following awards under the Award Plan:

- 846,884 RSUs to employees as part of annual incentive compensation that vest ratably over three years from the date of grant.
- 256,311 RSUs to employees that cliff vest on January 31, 2012. Awards to certain individuals require that BlackRock has actual GAAP earnings per share of at least $6.13 in 2010 or $6.50 in 2011 or has attained an alternative performance hurdle based on the Company’s earnings per share growth rate versus certain peers over the term of the awards. The RSUs may not be sold before the one-year anniversary of the vesting date.
- 1,497,222 RSUs to employees that vest 50% on both January 31, 2013 and 2014. Awards to certain individuals require that BlackRock has actual GAAP earnings per share of at least $6.13 in 2010 or $6.50 in 2011 or has attained an alternative performance hurdle based on the Company’s earnings per share growth rate versus certain peers over the term of the awards.
- 124,575 shares of restricted common stock to employees that vest in tranches on January 31, 2010, 2011 and 2012. The restricted common stock may not be sold before the one-year anniversary of each vesting date.

Long-Term Incentive Plans Funded by PNC

Under a share surrender agreement, PNC committed to provide up to 4,000,000 shares of BlackRock stock, held by PNC, to fund certain BlackRock long-term incentive plans (“LTIP”). In February 2009, the share surrender agreement was amended for PNC to provide BlackRock series C non-voting participating preferred stock to fund the remaining committed shares.

The BlackRock, Inc. 2002 Long-Term Retention and Incentive Plan (the “2002 LTIP Awards”) permitted the grant of up to $240 million in deferred compensation awards, of which the Company previously granted approximately $233 million. Approximately $208 million of the 2002 LTIP Awards were paid in January 2007. The 2002 LTIP Awards were payable approximately 16.7% in cash and the remainder in BlackRock stock contributed by PNC and distributed to plan participants. Approximately $6 million of previously issued 2002 LTIP Awards will result in the settlement of BlackRock shares held by PNC through 2010 at a conversion price approximating the market price on the settlement date. The fair value of the remaining 2002 LTIP Awards are accrued prior to settlement over the remaining service period in accrued compensation and benefits on the consolidated statements of financial condition.

The settlement of the 2002 LTIP Awards in January 2007 resulted in the surrender by PNC of approximately 1 million shares of BlackRock stock. Under the terms of the 2002 LTIP Awards, employees elected to put approximately 95% of the stock portion of the awards back to the Company at a total fair market value of approximately $166 million. On the payment date, the Company recorded a capital contribution from PNC for the amount of shares funded by PNC.

15. Stock-Based Compensation (continued)

Restricted Stock and RSUs (continued)

For the shares not put back to the Company, no dilution resulted from the delivery of stock pursuant to the awards since they were funded by shares held by PNC and were issued and outstanding at December 31, 2006. Put elections made by employees were accounted for as treasury stock repurchases and are accretive to the Company's earnings per share. The shares repurchased were retained as treasury stock.

During 2007, the Company granted additional long-term incentive awards, out of the Award Plan, of approximately 1.6 million RSUs, that will be settled using BlackRock shares held by PNC in accordance with the share surrender agreement. The RSU awards will vest on September 29, 2011, the end of the service condition, as BlackRock had actual GAAP earnings per share in excess of $5.20 in 2009. The value of the RSUs was calculated using BlackRock's closing stock price on the date of grant. The grant date fair value of the RSUs is being amortized as an expense on the straight-line method over the vesting period, net of expected forfeitures. The maximum value of awards that may be funded by PNC, prior to the earlier of September 29, 2011 or the date the performance criteria are met, is approximately $271 million, all of which has been granted as of December 31, 2009.

Subsequent to September 29, 2011, the remaining committed PNC shares, of approximately 1.3 million, would be available to fund future long-term incentive awards.

Employee Stock Purchase Plan

Effective January 2007, the terms of the amended ESPP allow eligible employees to purchase the Company's common stock at 95% of the fair market value on the last day of each three-month offering period. In accordance with ASC 718-10, *Compensation – Stock Compensation,* the Company does not record compensation expense related to employees purchasing shares under the amended ESPP.

16. Employee Benefit Plans

Deferred Compensation Plans

Voluntary Deferred Compensation Plan

Effective January 2002, the Company adopted a Voluntary Deferred Compensation Plan ("VDCP") which allows participants to elect to defer between 1% and 100% of that portion of the employee's annual incentive compensation not mandatorily deferred under the Involuntary Deferred Compensation Plan ("IDCP"). The participants must specify a deferral period of one, three, five or ten years. The Company funds the obligation through the establishment of a rabbi trust on behalf of the participants in the plan.

16. Employee Benefit Plans (continued)

Deferred Compensation Plans (continued)

Involuntary Deferred Compensation Plan

Effective January 2002, the Company adopted an IDCP for the purpose of providing deferred compensation and retention incentives to key officers and employees. The IDCP provided for a mandatory deferral of up to 15% of annual incentive compensation. For annual incentive awards for fiscal years prior to 2005, the mandatory deferral was matched by BlackRock in an amount equal to 20% of the deferral for employees with total compensation above certain levels. The matching contribution related to the mandatory deferral vests on the third anniversary of the deferral date. The Company funds the obligation through a rabbi trust established on behalf of the participants in the plan. No mandatory deferrals under the IDCP have been made since the annual incentive awards for fiscal year 2004.

During 2008, the IDCP was liquidated and all assets were distributed to the existing participants.

Rabbi Trust

The rabbi trust established for the IDCP and VDCP, with assets totaling $57 million and $49 million as of December 31, 2009 and 2008, respectively, is reflected in investments on the Company's consolidated statements of financial condition. Such investments are classified as trading and other investments. The corresponding liability balance of $57 million and $41 million as of December 31, 2009 and 2008, respectively, is reflected in the Company's consolidated statements of financial condition as accrued compensation and benefits. Earnings in the rabbi trust, including unrealized appreciation or depreciation, are reflected as non-operating income or loss and changes in the corresponding liability are reflected as employee compensation and benefits expense in the consolidated statements of income.

Other Deferred Compensation Plans

The Company has additional compensation plans for the purpose of providing deferred compensation and retention incentives to certain employees. The final value of the deferred amount to be distributed upon vesting is associated with the returns of certain investment funds. The liability balances for these plans were $38 million and $9 million as of December 31, 2009 and 2008, respectively, and are reflected in the Company's statements of financial condition as accrued compensation and benefits.

SSR and Realty had deferred compensation plans which allowed participants to elect to defer a portion of their annual incentive compensation or commissions for either a fixed term or until retirement and invest the funds in specified investments. SSR has funded a portion of the obligation through the purchase of company-owned life insurance ("COLI") policies to the benefit of SSR. The COLI assets are carried at fair value on the consolidated statement of financial condition, and at December 31, 2009 and 2008, the value of the COLI assets was $11 million and $9 million, respectively, which were recorded in other assets. Changes in the cash surrender value of the COLI policies are recorded to non-operating income in the consolidated statements of income. In addition, the Company has recorded a related obligation to repay the deferred incentive compensation, plus applicable earnings, to employees, which totaled $11 million and $9 million which were recorded in accrued compensation and benefits on the consolidated statement of financial condition as of December 31, 2009 and 2008, respectively. Changes in the Company's obligation under the these plans, as a result of appreciation of the underlying investments in an employee's account, are recorded as compensation and benefits expense in the consolidated statements of income. Both plans no longer allow participants to defer a portion of their annual incentive compensation or commissions.

16. Employee Benefit Plans (continued)

Defined Contribution Plans

BlackRock Retirement Savings Plan

Certain of the Company's employees participate in the BlackRock Retirement Savings Plan ("BRSP"). Under the BRSP, employee contributions of up to 6% of eligible compensation, as defined by the plan and subject to Internal Revenue Code limitations, are matched by the Company at 50%. As part of the BRSP, the Company also will make an annual retirement contribution on behalf of each eligible participant equal to no less than 3% of eligible compensation, plus an additional amount, determined in the discretion of the Company, not to exceed 2% of eligible compensation for a total contribution of no more than 5% of eligible compensation. The BRSP expense for the Company was $24 million, $33 million, and $31 million for the years ended December 31, 2009, 2008 and 2007, respectively. Contributions to the BRSP are made in cash and no new investments in BlackRock stock or matching contributions of stock are available in the BRSP.

BGI 401(k) Savings Plan

The Company assumed a 401(k) Plan covering employees of BGI (the "BGI Plan") as a result of the BGI Transaction. As part of the Barclays Global Investors Plan, employee contributions are matched at 200% of participants' pre-tax contributions up to 2% of an employee's base salary, and matched 100% of the next 2% of base salary, as defined by the plan and subject to Internal Revenue Code limitations. The maximum matching contribution a participant can receive is an amount equal to 6% of the base salary. The BGI Plan expense was immaterial to the Company's financial statements for the year ended December 31, 2009.

BGI Retirement Plan

The Company assumed a defined contribution money purchase pension plan ("BGI Retirement Plan") as a result of the BGI Transaction. All salaried employees of BGI and its participating affiliates who are U.S. residents and on the U.S. payroll are eligible to participate. For participants earning less than $100,000 in base salary, the Company contributes 6% of a participant's total compensation (base salary and performance bonus) up to $100,000. For participants earning $100,000 or more in base salary, the Company contributes 6% of a participant's base salary up to $245,000. These contributions are 25% vested once the participant has completed two years of service and then vest at a rate of 25% for each additional year of service completed. Employees with five or more years of service under the BGI Retirement Plan are 100% vested in their entire balance. The BGI Retirement Plan expense was immaterial to the Company's financial statements for the year ended December 31, 2009.

BlackRock Group Personal Pension Plan

BlackRock Investment Management (UK) Limited ("BIM"), a wholly-owned subsidiary of the Company, contributes to the BlackRock Group Personal Pension Plan, a defined contribution plan for all employees of BIM. BIM contributes between 6% and 15% of each employee's eligible compensation.

Research and Realty Plans

The Company assumed two 401(k) Plans covering employees of SSR and Realty (the "Research Plan" and "Realty Plan," respectively) as a result of the SSR Transaction. Effective with the closing of the SSR Transaction, contributions ceased for all participants in the Research Plan and selected participants in the Realty Plan and the Research Plan was closed to new participants. All participants for which contributions ceased in either the Research Plan or Realty Plan, participated in the ISP through September 30, 2006 and became participants of the BRSP thereafter. For all employees who were active participants in the Realty Plan, employee contributions of up to 3% of eligible compensation, as well as an additional 50% of the next 2% of eligible compensation, subject to Internal Revenue Code limitations, were matched by the Company.

Effective November 1, 2007, the Company merged the assets of the Research Plan and select participant accounts of the Realty Plan into the BRSP.

16. Employee Benefit Plans (continued)

Defined Benefit Plans

Prior to the BGI Transaction, the Company had several defined benefit pension plans in Japan, Germany, Luxembourg and Jersey. All accrued benefits under these defined benefit plans are currently frozen and the plans are closed to new participants. In 2008 the defined benefit pension values in Luxembourg were transferred into a new defined contribution plan for such employees, removing future liabilities. Otherwise, participant benefits under the plans will not change with salary increases or additional years of service. The unfunded liabilities are immaterial to the Company's 2009 and 2008 consolidated statements of financial condition.

Through the BGI Transaction, the Company assumed defined benefit pension plans in Japan and Germany, the "Japan Plan" and the "Germany Plan", which are closed to new participants. At December 31, 2009, the plan assets for these plans were approximately $10 million and the unfunded obligations were less than $3 million which were recorded in accrued compensation and benefits in the consolidated statements of financial condition. Benefit payments for the next five years and in aggregate for the five years thereafter are not expected to be material

Defined benefit plan assets for the Japan Plan of approximately $7 million are invested using a total return investment approach whereby a mix of equity securities, debt securities and other investments are used to preserve asset values, diversify risk and achieve the target investment return benchmark. Investment strategies and asset allocations are based on consideration of plan liabilities and the funded status of the plan. Investment performance and asset allocation are measured and monitored on an ongoing basis. The current target allocations for the plan assets are 39-44% for equity securities, 52-54% for fixed income securities and 4-7% for cash. Equity securities include U.S. and international equity securities and fixed income securities include long-duration bond funds.

Defined benefit plan assets for the Germany Plan of approximately $3 million are invested in a balanced portfolio comprised of two major components: an equity portion and a fixed income portion. The expected role of defined benefit plan equity investments is to maximize the long-term real growth of fund assets, while the role of fixed income investments is to generate current income, provide for more stable periodic returns and provide some protection against a prolonged decline in the market value of equity investments.

Post-retirement Benefit Plans

Prior to the BGI Transaction, the Company had requirements to deliver post-retirement medical benefits to a closed population based in the United Kingdom. For the years ended December 31, 2009, 2008 and 2007, expenses for these benefits were immaterial to the Company's consolidated financial statements.

Through the BGI Transaction, the Company assumed a requirement to deliver post-retirement medical benefits to a closed population of former BGI employees in the United States and the United Kingdom.

The post-retirement medical plan costs are developed from actuarial valuations which include key assumptions, including the discount rate and health care cost trends. Material changes in retiree medical plan benefit costs may occur in the future due to changes in these assumptions, changes in the number of plan participants and increases in the cost of healthcare.

16. Employee Benefit Plans (continued)

Post-retirement Benefit Plans (continued)

Accrued post-retirement costs are included in accrued compensation and benefits in the consolidated statements of financial condition. At December 31, 2009, the accumulated benefit obligation was approximately $14 million and is unfunded. For the one month ended December 31, 2009, expenses for these benefits were immaterial to the Company's consolidated financial statements. Benefit payments for the next five years and in aggregate for the five years thereafter are not expected to be material. The estimated impact of a one percentage-point change in the discount rate would be a change of less than $1 million on 2009 pension expense and would change the projected benefit obligation by less than $3 million.

17. Related Party Transactions

Determination of Related Parties

As a result of the BGI Transaction, Barclays acquired approximately 19.8% of the total capital stock of BlackRock. See Note 3, Mergers and Acquisitions, for further discussion. The Company has considered Barclays, along with its affiliates, to be related parties in accordance with ASC 850-10, *Related Party Disclosures* ("ASC 850-10"), since the closing of the BGI Transaction based on its level of ownership. At December 31, 2009, Barclays owned approximately 4.8% of the Company's common stock and held approximately 19.8% of the total capital stock.

As a result of the MLIM Transaction in 2006 the Company considered Merrill Lynch, along with its affiliates, to be related parties, since the closing of the MLIM Transaction based on its level of ownership. At December 31, 2009, Merrill Lynch owned approximately 3.7% of the Company's voting common stock and held approximately 34.2% of the total capital stock.

For the years ended December 31, 2009, 2008 and 2007, the Company considered PNC, along with its affiliates, to be related parties based on the level of its ownership of BlackRock capital stock. At December 31, 2009, PNC owned approximately 35.2% of the Company's voting common stock and held approximately 24.5% of the total capital stock.

For the years ended December 31, 2009, 2008 and 2007, the Company considers its registered investment companies, which include mutual funds and exchanged traded funds, to be related parties as a result of the Company's advisory relationship. In addition, equity method investments are considered related parties in accordance with ASC 850-10 due to the Company's influence over the financial and operating policies of the investee.

17. Related Party Transactions (continued)

Investment Advisory and Administration Fees from Related Parties

Revenues for services provided by the Company to these and other related parties are as follows:

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Investment advisory, administration fees and securities lending revenue:			
Merrill Lynch and affiliates	$ 48	$ 76	$ 89
PNC and affiliates	3	8	9
Anthracite Capital, Inc.	1	14	—
Registered investment companies/Equity method investees	2,563	2,864	2,542
Other	1	—	—
Total investment advisory and administration fees	2,616	2,962	2,640
Investment advisory performance fees (equity method investees)	35	—	—
BlackRock Solutions and advisory:			
Merrill Lynch and affiliates	2	—	—
PNC and affiliates	8	11	5
Equity method investees	21	19	—
Other	—	1	1
Total *BlackRock Solutions* and advisory	31	31	6
Other revenue:			
Merrill Lynch and affiliates	13	10	16
PNC and affiliates	3	—	—
Barclays and affiliates	2	—	—
Equity method investees	15	1	—
Other	1	2	1
Total other revenue	34	13	17
Total revenue from related parties	$2,716	$3,006	$2,663

The Company provides investment advisory and administration services to its open- and closed-end funds and other commingled or pooled funds and separate accounts in which related parties invest. In addition, the Company provides investment advisory and administration services to Merrill Lynch, PNC and its affiliates for a fee based on AUM. Further, the Company provides risk management services to PNC and Merrill Lynch. The Company contracts with Merrill Lynch for various mutual fund distribution and shareholder servicing to be performed on behalf of certain non-U.S. funds managed by the Company. The company records its investment advisory and administration fees net of retrocessions, therefore retrocessions are not included in the table above. Such retrocession arrangements for the years ended December 31, 2009, 2008 and 2007 were $85 million, $118 million and $118 million, respectively.

17. Related Party Transactions (continued)

Aggregate Expenses for Transactions with Related Parties

Aggregate expenses included in the consolidated statements of income for transactions with related parties are as follows:

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Expenses with related parties:			
Distribution and servicing costs			
Merrill Lynch and affiliates	$349	$464	$444
PNC and affiliates	19	30	23
Other	—	1	3
	368	495	470
General and administration expenses			
Merrill Lynch and affiliates	7	13	48
Barclays and affiliates	3	—	—
Anthracite Capital, Inc.	31	—	—
Other registered investment companies	31	21	9
Support of two private sponsored enhanced cash funds / Other	1	10	36
	73	44	93
Termination of closed-end fund administration and servicing arrangements with Merrill Lynch	—	—	128
Total expenses with related parties	$441	$539	$691

17. Related Party Transactions (continued)

Certain Agreements and Arrangements with Merrill Lynch and PNC

Global Distribution Agreement

On September 29, 2006, BlackRock entered into a global distribution agreement with Merrill Lynch. The global distribution agreement provides a framework under which Merrill Lynch provides distribution and servicing of client investments in certain BlackRock investment advisory products. Pursuant to the global distribution agreement, Merrill Lynch has agreed to cause each of its distributors to continue distributing BlackRock covered products and covered products of the former MLIM Business that it distributed as of February 15, 2006 on the same economic terms as were in effect on February 15, 2006 or as the parties otherwise agree. For new covered products introduced by BlackRock to Merrill Lynch for distribution that do not fall within an existing category, type or platform of covered products distributed by Merrill Lynch, the Merrill Lynch distributors must be offered the most favorable economic terms offered by BlackRock to other distributors of the same product. If a covered product that does not fall within an existing category, type or platform of covered products distributed by Merrill Lynch becomes part of a group or program of similar products distributed by the Merrill Lynch distributors, some of which are sponsored by managers other than BlackRock, the economic terms offered by Merrill Lynch distributors to BlackRock for the distribution of such covered products must be at least as favorable as the most favorable economic terms to which any such product is entitled.

July 2008 Changes to Stockholder and Global Distribution Agreements

In July 2008, the Company entered into an amended and restated stockholder agreement and an amended and restated global distribution agreement with Merrill Lynch.

These changes to the stockholder agreement with Merrill Lynch, among other items, (i) provide Merrill Lynch with additional flexibility to form or acquire asset managers substantially all of the business of which is devoted to non-traditional investment management strategies such as short selling, leverage, arbitrage, specialty finance and quantitatively-driven structured trades; (ii) expand the definition of change in control of Merrill Lynch to include the disposition of two-thirds or more of its Global Wealth & Investment Management business; (iii) extend the general termination date to the later of July 16, 2013 or the date Merrill Lynch's beneficial ownership of BlackRock voting securities falls below 20%; and (iv) clarify certain other provisions in the agreement.

The changes in the global distribution agreement in relation to the prior agreement, among other things, (i) provide for an extension of the term to five years from the date of a change in control of Merrill Lynch (to January 1, 2014 following Bank of America's acquisition of Merrill Lynch) and one automatic 3-year extension if certain conditions are satisfied; (ii) strengthen the obligations of Merrill Lynch to achieve revenue neutrality across the range of BlackRock products distributed by Merrill Lynch if the pricing or structure of particular products is required to be changed; (iii) obligate Merrill Lynch to seek to obtain distribution arrangements for BlackRock products from buyers of any portion of its distribution business on the same terms as the global distribution agreement for a period of at least 3 years; and (iv) restrict the manner in which products managed by alternative asset managers in which Merrill Lynch has an interest may be distributed by Merrill Lynch.

The total amount expensed by BlackRock during 2009, 2008 and 2007 related to Merrill Lynch distribution and servicing of products covered by the global distribution agreement, including mutual funds, separate accounts, liquidity funds, alternative investments and insurance products, was approximately $337 million, $456 million and $437 million, respectively.

17. Related Party Transactions (continued)

Certain Agreements and Arrangements with Merrill Lynch and PNC (continued)

July 2008 Changes to Stockholder and Global Distribution Agreements (continued)

In connection with the closings under the exchange agreements, on February 27, 2009 BlackRock entered into a second amended and restated stockholder agreement with Merrill Lynch and an amended and restated implementation and stockholder agreement with PNC, and a third amendment to the share surrender agreement with PNC. See Note 19, Capital Stock, for further discussion.

The changes contained in the amended and restated stockholder agreement with Merrill Lynch, in relation to the prior agreement, among other things, (i) revised the definitions of "Fair Market Value," "Ownership Cap" and "Significant Stockholder"; and (ii) amended or supplemented certain other definitions and provisions therein to incorporate series B preferred stock and series C preferred stock, respectively. The changes contained in the amended and restated stockholder agreement with PNC, in relation to the prior agreement, among other things, (i) revised the definitions of "Fair Market Value," "Ownership Cap," "Ownership Percentage," "Ownership Threshold" and "Significant Stockholder"; and (ii) amended or supplemented certain other provisions therein to incorporate series B preferred stock and series C preferred stock, respectively.

The amendment to the share surrender agreement with PNC provided for the substitution of series C preferred stock for the shares of common stock subject to the share surrender agreement.

June 2009 Changes to Stockholder Agreements

In connection with the BGI Transaction, certain additional amendments were made to the amended and restated stockholder agreements with Merrill Lynch and PNC.

The amended and restated stockholder agreement with Merrill Lynch was changed to, among other things, (i) amend or supplement certain definitions and provisions therein to incorporate series D participating preferred stock, (ii) amend the provision relating to the composition of BlackRock's Board of Directors and (iii) add certain provisions relating to the U.S. Bank Holding Company Act.

The amended and restated stockholder agreement with PNC was changed to, among other things, (i) revise the definitions of "Ownership Cap" and "Ownership Threshold," (ii) amend or supplement certain other definitions and provisions therein to incorporate series D participating preferred stock, (iii) provide that none of the transfer restriction provisions set forth in the amended and restated stockholder agreement with PNC shall apply to the shares purchased by PNC as part of the financing for the BGI Transaction, (iv) amend the provision relating to the composition of BlackRock's Board of Directors and (v) provide that the amended and restated stockholder agreement with PNC shall terminate upon the later of (A) the five year anniversary of the amended and restated stockholder agreement with PNC and (B) the first date on which PNC and its affiliates beneficially own less than 5% of the outstanding BlackRock capital stock, subject to certain other conditions specified therein.

Other Agreements

On September 29, 2006, BlackRock entered into a transition services agreement with Merrill Lynch and its controlled affiliates to allow BlackRock to transition from relying on Merrill Lynch for various functions for the former MLIM Business and to allow Merrill Lynch to transition from relying on the former MLIM Business for various functions. The pricing for such services is required to be consistent with historical practices. The total amount expensed by BlackRock for the years ended December 31, 2009, 2008 and 2007 relating to the transition services agreement with Merrill Lynch was approximately $3 million, $1 million and $5 million, respectively.

In connection with the MLIM Transaction, Merrill Lynch has agreed that it will provide reimbursement to BlackRock for employee incentive awards issued to former MLIM employees who became BlackRock employees subsequent to the MLIM Transaction. Reimbursements will amount to 50% of the total amount of awards to former MLIM employees between $100 million and $200 million. The Company is entitled to invoice Merrill Lynch following its determination of the portion of awards entitled to reimbursement for a given calendar year. Through January 2007, the Company had issued total eligible incentive compensation to qualified employees in excess of $200 million. In August 2009, Merrill Lynch reimbursed $25 million to BlackRock for employee incentive awards issued to former MLIM employees who became BlackRock employees subsequent to the MLIM Transaction. Upon receipt, the reimbursement was recorded as a capital contribution.

Effective September 29, 2006, the Company leases certain office buildings from Merrill Lynch. The lease agreements expire by 2018. Rent expense of $2 million, $5 million and $18 million for the years ended December 31, 2009, 2008 and 2007, respectively, was recorded related to office buildings leased from Merrill Lynch.

17. Related Party Transactions (continued)

Certain Agreements and Arrangements with Merrill Lynch and PNC (continued)

Other Agreements (continued)

Merrill Lynch and certain of its affiliates have been engaged by the Company to provide recordkeeping, administration and trustee services to the BRSP. The compensation to Merrill Lynch and its affiliates for these services paid by the Company was not material.

Termination of Closed-end Fund and Servicing Arrangements

On September 28, 2007, the Company insourced certain closed-end fund administration and servicing arrangements in place with Merrill Lynch. In connection with this insourcing, the Company terminated 40 agreements with Merrill Lynch with original terms ranging from 30 to 40 years and made a one-time payment to Merrill Lynch of $128 million on October 31, 2007. The payment is reported as "termination of closed-end fund administration and servicing arrangements" on the consolidated statement of income. As a result of these terminations, Merrill Lynch was discharged of any further duty to provide the services and BlackRock was discharged from any further payment obligation.

Certain Agreements and Arrangements with Barclays

Barclays Amended and Restated Stock Purchase Agreement

On November 30, 2009, BlackRock, Barclays Bank PLC and Barclays PLC (for limited purposes) entered into an Amended and Restated Stock Purchase Agreement (the "Amended and Restated Stock Purchase Agreement"). The Amended and Restated Stock Purchase Agreement amended and restated the terms of the Stock Purchase Agreement, dated as of June 16, 2009, by and among BlackRock, Barclays and Barclays PLC (for limited purposes), which provided for the acquisition by BlackRock of BGI from Barclays. The revised terms relate, among other things, to the amount of cash and capital required to be held by the various BGI entities at the closing of the acquisition and to the post-closing purchase price adjustment mechanism. On December 1, 2009, BlackRock completed its acquisition of BGI pursuant to the Amended and Restated Stock Purchase Agreement.

Barclays Stockholder Agreement

In connection with the completion of its acquisition of BGI, BlackRock entered into a Stockholder Agreement, dated as of December 1, 2009 (the "Barclays Stockholder Agreement"), with Barclays and Barclays BR Holdings S.à.r.l. ("BR Holdings", and together with Barclays, the "Barclays Parties"). Pursuant to the terms of the Barclays Stockholder Agreement, the Barclays Parties agreed, among other things, to certain transfer and voting restrictions with respect to shares of BlackRock common stock and preferred stock owned by them and their affiliates, to limits on the ability of the Barclays Parties and their affiliates to acquire additional shares of BlackRock common stock and preferred stock and to certain other restrictions. In addition, the Barclays Stockholder Agreement contains certain provisions relating to the composition of BlackRock's board of directors, including a requirement that BlackRock's board must consist of not more than 19 directors, with two directors designated by the Barclays Parties.

Other Agreements

Barclays and certain of its affiliates have been engaged by the Company to provide the use of certain indices for certain BlackRock investments funds and to provide indemnification to clients related to potential losses in connection with lending of client securities. For the year ended December 31, 2009 such amounts were not material.

17. Related Party Transactions (continued)

Receivables and Payables with Related Parties

Due from related parties was $189 million and $309 million at December 31, 2009 and 2008, respectively, and primarily represented a tax indemnification asset due from Barclays at December 31, 2009, receivables for investment advisory and administration services provided by BlackRock, and other receivables from certain investment products managed by BlackRock. Due from related parties at December 31, 2009 included $72 million of a tax indemnification asset due from Barclays, $57 million due from certain funds, $48 million in receivables from Bank of America/Merrill Lynch, PNC and Barclays and $12.5 million in loan receivables from Anthracite Capital, Inc. ("Anthracite") (see below). Due from related parties at December 31, 2008 included $200 million and $40 million in loan receivables and unsettled redemptions, respectively, from a warehouse entity established to launch certain private equity funds of funds and Anthracite (see below), and $20 million in receivables from Merrill Lynch and PNC.

Accounts receivable at December 31, 2009 and 2008 includes $492 million and $253 million, respectively, related to receivables from BlackRock mutual funds and iShares for investment advisory and administration services.

Due to related parties was $439 million and $103 million at December 31, 2009 and 2008, respectively, and primarily represented payables and accrued liabilities under the Merrill Lynch global distribution agreement and assumed liabilities from the BGI Transaction. Due to related parties at December 31, 2009 included $330 million and $95 million payable to Barclays and Merrill Lynch, respectively. The payable at December 31, 2009 to Barclays included non-interest bearing notes that were assumed by BlackRock at the close of the BGI Transaction related to certain acquired tax receivables and other contractual items. Due to related parties as of December 31, 2008 included $78 million payable to Merrill Lynch and $5 million payable to PNC for fund distribution and servicing costs.

Loan Commitments with Anthracite

At December 31, 2009, the Company was committed to provide financing of up to $60 million, until March 2010, to Anthracite, a specialty commercial real estate finance company that is managed by a subsidiary of BlackRock. The financing is collateralized by Anthracite pledging its ownership interest in a real estate debt investment fund, which is also managed by a subsidiary of BlackRock. At December 31, 2009, $33.5 million of financing was outstanding and remains outstanding as of March 10, 2010 which is past its final maturity date of March 5, 2010. At December 31, 2009, the value of the collateral was estimated to be $12.5 million, which resulted in a $21 million reduction in due from related parties on the Company's consolidated statement of financial condition and an equal amount recorded in general and administration expense in the year ended December 31, 2009. The Company has no obligation to loan additional amounts to Anthracite under this facility.

18. Net Capital Requirements

The Company is required to maintain net capital in certain regulated subsidiaries within a number of jurisdictions, which is met in part by retaining cash and cash equivalent investments in those jurisdictions. As a result such subsidiaries of the Company may be restricted in their ability to transfer cash between different jurisdictions and to their parents. Additionally, transfer of cash between international jurisdictions, including repatriation to the United States, may have adverse tax consequences that could discourage such transfers. At December 31, 2009, the Company was required to maintain approximately $857 million in net capital at these subsidiaries, including BlackRock Institutional Trust Company, National Association ("BTC"), and is in compliance with all applicable regulatory minimum net capital requirements.

Broker-dealers

BlackRock Investments, LLC, and BlackRock Capital Markets, LLC, BlackRock Execution Services and BlackRock Fund Distribution Company are registered broker-dealers and wholly-owned subsidiaries of BlackRock that are subject to the Uniform Net Capital requirements under the Securities Exchange Act of 1934, which requires maintenance of certain minimum net capital levels.

Banking Regulatory Requirements

BTC, a wholly-owned subsidiary of the Company, is chartered as a national bank whose powers are limited to trust activities. BTC is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that invoke quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under the regulatory accounting practices. BTC's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

To be categorized as "adequately capitalized", BTC must maintain minimum Total risk-based, Tier 1 risk-based (capital to risk weighted assets), and Tier 1 leverage ratios (capital to average assets) as set forth in the table below. BTC has sufficient capital to be considered "adequately capitalized."

The following schedule provides BTC's regulatory capital amounts and ratios at December 31, 2009 as well as the required capital amounts to be considered well capitalized under prompt correct action provisions of Section 38 of the Federal Deposit Insurance Act:

(Dollar amounts in millions)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2009						
Total Capital (to Risk Weighted Assets)	$ 629	86.0%	$ 59	8.0%	$ 73	10.0%
Tier 1 capital (to Risk Weighted Assets)	$ 629	86.0%	$ 29	4.0%	$ 44	6.0%
Tier 1 capital (to Average Assets)	$ 629	48.9%	$ 51	4.0%	$ 64	5.0%

19. Capital Stock

Capital Stock Authorized

BlackRock's authorized common stock, $0.01 par value, was 500,000,000 shares at December 31, 2009. At December 31, 2009 and 2008, BlackRock had 20,000,000 series A non-voting participating preferred shares, $0.01 par value, authorized. At December 31, 2009, BlackRock had 150,000,000 series B non-voting participating preferred shares, $0.01 par value, authorized. At December 31, 2009, BlackRock had 6,000,000 series C non-voting participating preferred shares, $0.01 par value, authorized. At December 31, 2009, BlackRock had 20,000,000 series D non-voting participating preferred shares, $0.01 par value, authorized.

Common Shares Held in Escrow

On October 1, 2007, the Company acquired the fund of funds business of Quellos. See Note 3, Mergers and Acquisitions, for further discussion. The Company issued 1,191,785 shares of BlackRock common stock that were placed into an escrow account. The common shares held in escrow had no dilutive effect for 2007. In April 2008, 280,519 common shares were released to Quellos in accordance with the Quellos asset purchase agreement, which resulted in an adjustment to the recognized purchase price and had a dilutive effect in 2008. In November 2009, 42,326 additional common shares were released and will have a dilutive effect in 2009. The remaining 868,940 common shares may have a dilutive effect in future periods based on the timing of the release of shares from the escrow account in accordance with the Quellos asset purchase agreement.

February 2009 Capital Exchanges

On January 1, 2009, Bank of America acquired Merrill Lynch. In connection with this transaction, BlackRock entered into exchange agreements with each of Merrill Lynch and PNC pursuant to which each agreed to exchange a portion of the BlackRock common stock it held for an equal number of shares of non-voting participating preferred stock. On February 27, 2009, Merrill Lynch exchanged (i) 49,865,000 shares of BlackRock's common stock for a like number of shares of BlackRock's series B non-voting participating preferred stock, and (ii) 12,604,918 shares of BlackRock's series A preferred stock for a like number of shares of series B preferred stock, and PNC exchanged (i) 17,872,000 shares of BlackRock's common stock for a like number of shares of series B preferred stock and (ii) 2,889,467 shares of BlackRock's common stock for a like number of shares of BlackRock's series C non-voting participating preferred stock.

Below is a summary description of the series B and C preferred stock issued in the exchanges.

The series B non-voting participating preferred stock:

- is non-voting except as otherwise provided by applicable law;
- participates in dividends on a basis generally equal to the common stock;
- benefits from a liquidation preference of $0.01 per share; and
- is mandatorily convertible to BlackRock common stock upon transfer to an unrelated party.

19. Capital Stock (continued)

The series C non-voting participating preferred stock:

- is non-voting except as otherwise provided by applicable law;
- participates in dividends on a basis generally equal to the common stock;
- benefits from a liquidation preference of $40.00 per share; and is only convertible to BlackRock common stock upon the termination of the obligations of PNC under its share surrender agreement with BlackRock.

Capital Stock Activities Related to BGI Transaction

In June 2009, the Company issued to an institutional investor 2,133,713 shares of BlackRock's common stock at $140.60 per share. The $300 million proceeds from this issuance was used to fund a portion of the purchase of BGI. See Note 3, Mergers and Acquisitions, for further discussion.

On December 1, 2009, pursuant to separate stock purchase agreements entered into on June 11, 2009 and June 12, 2009, as amended, BlackRock sold an aggregate of 8,637,519 shares of common stock, 5,587,232 shares of series B non-voting participating preferred stock and 3,556,188 shares of series D non-voting participating preferred stock (collectively, the "Financing Shares") to certain institutional investors, including the sale of the 3,556,188 shares of series D non-voting participating preferred stock to PNC, each at a price of $140.60 per share. The Company received approximately $2.5 billion in total consideration from the sale of the Financing Shares, which was also used to fund the cash portion of the purchase of BGI.

In addition on December 1, 2009, the Company issued 7,647,524 of series D non-voting participating preferred stock to Barclays as part of the consideration for the purchase of BGI.

Below is a summary description of the series D preferred stock issued in the sales to PNC and Barclays.

The series D non-voting participating preferred stock:

- is non-voting except as otherwise provided by applicable law;
- participates in dividends on a basis generally equal to the common stock;
- benefits from a liquidation preference of $0.01 per share; and
- was converted to series B preferred stock 20 days after an information statement in connection with the Amended and Restated Purchase Agreement was mailed by the Company to holders of it common stock. See Note 25, Subsequent Events, for further discussion.

Cash Dividends

During the years ended December 31, 2009, 2008 and 2007, the Company paid cash dividends of $3.12 per common/preferred share (or $422 million), $3.12 per common/preferred share (or $419 million) and $2.68 per common/preferred share (or $353 million), respectively.

19. Capital Stock (continued)

The Company's common and preferred shares issued and outstanding and related activity consist of the following:

	Shares Issued							Shares Outstanding				
	Common Shares	Escrow Common Shares	Treasury Common Shares	Preferred Shares Series A	Preferred Shares Series B	Preferred Shares Series C	Preferred Shares Series D	Common Shares	Preferred Shares Series A	Preferred Shares Series B	Preferred Shares Series C	Preferred Shares Series D
January 1, 2007	117,381,582	—	(972,685)	12,604,918	—	—	—	116,408,897	12,604,918	—	—	—
Net issuance of common shares related to employee stock transactions	—	—	617,175	—	—	—	—	617,175	—	—	—	—
Issuance of common stock to escrow agent in connection with Quellos Transaction	1,191,785	(1,191,785)	—	—	—	—	—	—	—	—	—	—
PNC LTIP capital contribution	—	—	(966,512)	—	—	—	—	(966,512)	—	—	—	—
December 31, 2007	118,573,367	(1,191,785)	(1,322,022)	12,604,918	—	—	—	116,059,560	12,604,918	—	—	—
Net issuance of common shares related to employee stock transactions and convertible debt conversions	—	—	976,103	—	—	—	—	976,103	—	—	—	—
Release of common stock from escrow agent in connection with Quellos Transaction	—	280,519	—	—	—	—	—	280,519	—	—	—	—
PNC LTIP capital contribution	—	—	(25,072)	—	—	—	—	(25,072)	—	—	—	—
December 31, 2008	118,573,367	(911,266)	(370,991)	12,604,918	—	—	—	117,291,110	12,604,918	—	—	—
Issuance of shares to institutional investors	10,771,232	—	—	—	5,587,232	—	3,556,188	10,771,232	—	5,587,232	—	3,556,188
Issuance of shares to Barclays	3,031,516	—	—	—	26,888,001	—	7,647,254	3,031,516	—	26,888,001	—	7,647,254
Issuance of common shares for contingent consideration	330,341	—	—	—	—	—	—	330,341	—	—	—	—
Release of common stock to escrow agent in connection with Quellos Transaction	—	42,326	—	—	—	—	—	42,326	—	—	—	—
Net issuance of common shares related to employee stock transactions and convertible debt conversions	696,788	—	410,789	—	—	—	—	1,107,577	—	—	—	—
Exchange of preferred shares series A for series B	—	—	—	(12,604,918)	12,604,918	—	—	—	(12,604,918)	12,604,918	—	—
Exchange of common shares for preferred shares series B	(67,737,000)	—	—	—	67,737,000	—	—	(67,737,000)	—	67,737,000	—	—
Exchange of common shares for preferred shares series C	(2,889,467)	—	—	—	—	2,889,467	—	(2,889,467)	—	—	2,889,467	—
PNC LTIP capital contribution	—	—	(51,399)	—	—	—	—	(51,399)	—	—	—	—
December 31, 2009	62,776,777	(868,940)	(11,601)	—	112,817,151	2,889,467	11,203,442	61,896,236	—	112,817,151	2,889,467	11,203,442

20. Restructuring Charges

During the fourth quarter of 2008, the Company reduced its workforce globally by approximately 9%. This action was the result of a cost cutting initiative designed to streamline operations, enhance competitiveness and better position the Company in the asset management marketplace. The Company recorded a pre-tax restructuring charge of approximately $38 million ($26 million after-tax) for the year ended December 31, 2008. This charge was comprised of $34 million of severance and associated outplacement costs, $3 million of expenses related to the accelerated amortization of previously granted equity-based compensation awards, and $1 million of expenses related to legal services for the year ended December 31, 2008.

During the three months ended March 31, 2009, the Company continued to reduce its workforce globally. This action was the result of business reengineering efforts designed to streamline operations, enhance competitiveness and better position the Company in the asset management marketplace. The Company recorded a pre-tax restructuring charge of $22 million ($14 million after-tax) for the three months ended March 31, 2009. This charge was comprised of $15 million of severance and associated outplacement costs, $4 million of property costs associated with the lease payments for the remaining term in excess of the estimated sublease proceeds and $3 million of expenses related to the accelerated amortization of previously granted stock-based compensation awards.

The following table presents a rollforward of the Company's restructuring liability, which is included within other liabilities on the Company's consolidated statements of financial condition at December 31, 2009.

(Dollar amounts in millions)	
Liability as of December 31, 2007	$—
Additions	38
Cash payments	(14)
Non-cash charges	(3)
Liability as of December 31, 2008	21
Additions	22
Cash payments	(34)
Non-cash charges	(3)
Liability as of December 31, 2009	$ 6

21. Income Taxes

The components of income tax expense for the years ended December 31, 2009, 2008 and 2007, are as follows:

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Current income tax expense:			
Federal	$342	$ 396	$ 327
State and local	36	49	48
Foreign	86	175	194
Total net current income tax expense	464	620	569
Deferred income tax expense (benefit):			
Federal	(7)	(160)	(39)
State and local	(60)	(21)	(9)
Foreign	(22)	(52)	(58)
Total net deferred income tax expense (benefit)	(89)	(233)	(106)
Total income tax expense	$375	$ 387	$ 463

Income tax expense has been based on the following components of income before taxes, less net income (loss) attributable to non-controlling interests:

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Domestic	$ 899	$ 654	$ 733
Foreign	351	517	723
Total	$1,250	$1,171	$1,456

21. Income Taxes (continued)

A reconciliation of income tax expense with expected federal income tax expense computed at the applicable federal income tax rate of 35% is as follows:

	Year ended December 31,					
(Dollar amounts in millions)	2009	%	2008	%	2007	%
Statutory income tax expense	$438	35%	$410	35%	$510	35%
Increase (decrease) in income taxes resulting from:						
State and local taxes (net of federal benefit)	21	2	25	2	39	3
Impact of foreign, state, and local tax rate changes on deferred taxes	(45)	(4)	—	—	(50)	(4)
Effect of foreign tax rates	(81)	(6)	(37)	(3)	(36)	(2)
Other	42	3	(11)	(1)	—	—
Income tax expense	$375	30%	$387	33%	$463	32%

Deferred income taxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the Company's consolidated financial statements. These temporary differences result in taxable or deductible amounts in future years.

The components of deferred tax assets and liabilities are shown below:

	December 31,	
(Dollar amounts in millions)	2009	2008
Deferred tax assets:		
Compensation and benefits	$ 395	$ 216
Unrealized investment losses	163	157
Loss carryforwards	55	12
Other	118	67
Gross deferred tax assets	731	452
Less: deferred tax valuation allowances	(64)	(14)
Deferred tax assets net of valuation allowances	667	438
Deferred tax liabilities:		
Goodwill and acquired indefinite-lived intangibles	5,786	1,866
Acquired finite-lived intangibles	328	333
Other	56	54
Gross deferred tax liabilities	6,170	2,253
Net deferred tax (liabilities)	$(5,503)	$(1,815)

21. Income Taxes (continued)

Deferred tax assets and liabilities are recorded net when related to the same tax jurisdiction. At December 31, 2009, the Company recorded on the consolidated statement of financial condition deferred income tax assets, within other assets, and deferred tax liabilities of $23 million and $5,526 million, respectively. At December 31, 2008, the Company recorded on the statement of financial condition deferred income tax assets, within other assets, and deferred tax liabilities of $11 million and $1,826 million, respectively.

During third quarter 2009, legislation was enacted primarily with respect to New York City corporate income taxes, effective January 1, 2009 which resulted in a revaluation of deferred income tax assets and liabilities. As a result, the Company recorded a one-time deferred income tax benefit of $45 million in 2009.

The Company had a deferred tax asset related to unrealized investment losses of approximately $163 million and $157 million for the as of December 31, 2009 and 2008, respectively, reflecting the Company's conclusion that based on the weight of available evidence, it is more likely than not that the deferred tax asset will be realized. During 2008, the Company incurred investment losses of $573 million primarily related to unrealized losses on investments. Substantially all of the investment losses relate to investments held by subsidiaries in the United States. After the allocation of net loss attributable to non-controlling interests of $155 million, the net loss on investments was $418 million. A portion of net loss is expected to be ordinary if recognized and, as a result, will not be subject to any limitations. Realized capital losses may be carried back three years and carried forward five years and offset against realized capital gains for federal income tax purposes. The Company expects to be able to carry back a portion of its unrealized capital losses when realized, hold certain fixed income securities over a period sufficient for them to recover their unrealized losses, and to generate future capital gains sufficient to offset the unrealized capital losses.

As of December 31, 2009, the Company had a foreign net operating loss carryforward of $14 million which expires on or before 2016. In addition, at December 31, 2009, the Company had U.S. capital loss carryforwards of $125 million, which were acquired in the BGI Transaction and which will expire on or before 2013.

At December 31, 2009 and 2008, the Company had $64 million and $14 million of valuation allowances, respectively, recorded on the consolidated statements of financial condition. The year over year increase in the valuation allowance primarily related to U.S. capital loss carryforwards, acquired in the BGI Transaction, which may be subject to utilization restrictions and certain foreign deferred tax assets.

Goodwill recorded in connection with the Quellos Transaction has been reduced during the period by the amount of tax benefit realized from tax-deductible goodwill. See Note 11, Goodwill, for further discussion.

Current income taxes are recorded net in the consolidated statements of financial condition when related to the same tax jurisdiction. As of December 31, 2009, the Company had current income taxes receivable and payable of $271 million and $96 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively. As of December 31, 2008, the Company had current income taxes receivable and payable of $44 million and $120 million, respectively, recorded in other assets and accounts payable and accrued liabilities, respectively.

21. Income Taxes (continued)

The Company does not provide the deferred taxes on the excess of the financial reporting over tax basis on its investments in foreign subsidiaries that are essentially permanent in duration. The excess totaled $778 million and $561 million as of December 31, 2009 and 2008, respectively. The determination of the additional deferred taxes on the excess have not been provided because it is not practicable due to the complexities associated with its hypothetical calculation.

As a result of the adoption of ASC 740-10 related to uncertainty in income taxes, the Company recognized approximately $15 million in increased income tax reserves related to uncertain tax positions. Approximately $14 million of this increase related to taxes that would affect the effective tax rate if recognized, and this portion was accounted for as a reduction to the January 1, 2007 balance in retained earnings. The remaining $1 million balance, if disallowed, would not affect the annual effective tax rate and is recorded in deferred tax assets, which is reflected in other assets on the Company’s consolidated statements of financial condition. Total gross unrecognized tax benefits at January 1, 2007 were approximately $52 million. The total amount of unrecognized tax benefits that, if recognized, would have affected the effective tax rate at January 1, 2007, was approximately $26 million.

The following tabular reconciliation presents the total amounts of gross unrecognized tax benefits, which are recorded in other liabilities on the consolidated statements of financial condition:

(Dollar amounts in millions)	2009	2008	2007
Balance at January 1	$114	$ 66	$ 52
Additions for tax positions of prior years	11	12	1
Reductions for tax positions of prior years	(1)	(2)	(11)
Additions based on tax positions related to current year	63	42	24
Lapse of statute of limitations	—	—	—
Settlements	(16)	(7)	—
Foreign exchange translation	(3)	3	—
Positions assumed in BGI Transaction	117	—	—
Balance at December 31	$285	$114	$ 66

Included in the balance of unrecognized tax benefits at December 31, 2009, 2008 and 2007, respectively, are $184 million, $60 million and $41 million of tax benefits that, if recognized, would affect the effective tax rate.

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. Related to the unrecognized tax benefits noted above, the Company accrued interest and penalties of $8 million during 2009 and in total, as of December 31, 2009, has recognized a liability for interest and penalties of $48 million, of which $28 million was assumed in the BGI Transaction. During 2008, the Company accrued interest and penalties of $5 million and in total, as of December 31, 2008, had recognized a liability for interest and penalties of $11 million. During 2007, the Company accrued interest and penalties of $2 million and in total, as of December 31, 2007, had recognized a liability for interest and penalties of $6 million.

Pursuant to the Amended and Restated Stock Purchase Agreement, the Company will be indemnified by Barclays for $72 million of unrecognized tax benefits, which is reflected as an offsetting asset in due from related parties on the Company’s statements of financial condition.

BlackRock is subject to U.S. federal income tax as well as income tax in multiple jurisdictions. The tax years after 2004 remain open to U.S. federal, state and local income tax examination, and the tax years after 2005 remain open to income tax examination in the United Kingdom. With few exceptions, as of December 31, 2009, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2005. The Internal Revenue Service is currently examining the Company's 2006 and 2007 tax years. The Company is currently under audit in several state and foreign jurisdictions.

21. Income Taxes (continued)

As of December 31, 2009, it is reasonably possible the total amounts of unrecognized tax benefits will decrease within the next twelve months. Until formal resolutions are reached between the Company and tax authorities, the determination of a possible audit settlement range with respect to the impact on unrecognized tax benefits is not practicable. The Company does not anticipate that any possible adjustments resulting from these audits would result in a material change to its consolidated financial statements.

Prior to September 29, 2006, BlackRock had filed selected state and municipal income tax returns with one or more PNC subsidiaries on a combined or unitary basis. When BlackRock was included in a group's combined or unitary state or municipal income tax filing with PNC subsidiaries, BlackRock's share of the liability generally was an allocation to BlackRock of a percentage of the total tax liability based upon BlackRock's level of activity in such state or municipality. PNC and BlackRock have entered into a tax disaffiliation agreement that sets forth each party's rights and obligations with respect to income tax payments and refunds and addresses related matters such as the filing of tax returns and the conduct of audits or other proceedings involving claims made by taxing authorities. As such, the Company may be responsible for its pro rata share of tax positions taken by PNC for unaudited tax years which may be subsequently challenged by taxing authorities. Management does not anticipate that any such amounts would be material to the Company's operations, financial position or cash flows.

22. Earnings Per Share

The following table sets forth the computation of basic earnings per common share:

	Year ended December 31,		
(Dollar amounts in millions)	2009	2008	2007
Net income attributable to BlackRock, Inc. allocated to:			
Common shares	$ 853	$ 759	$ 968
Participating RSUs	22	25	25
Total net income attributable to BlackRock, Inc.	$ 875	$ 784	$ 993
Weighted-average common shares outstanding	136,669,164	129,543,443	128,488,561
Basic earnings per share attributable to BlackRock, Inc. common stockholders:	$ 6.24	$ 5.86	$ 7.53

22. Earnings Per Common Share (continued)

The following table sets forth the computation of diluted earnings per common share:

(Dollar amounts in millions)	Year ended December 31, 2009	2008	2007
Net income attributable to BlackRock, Inc. allocated to:			
Common shares	$ 853	$ 759	$ 968
Participating RSUs	22	25	25
Total net income attributable to BlackRock, Inc.	$ 875	$ 784	$ 993
Weighted-average common shares outstanding	136,669,164	129,543,443	128,488,561
Dilutive effect of stock options and non-participating restricted stock units	1,519,570	1,172,081	1,736,978
Dilutive effect of convertible debt	1,292,715	254,284	1,033,789
Dilutive effect of acquisition-related contingent stock payments	—	406,709	118,733
Total weighted-average shares outstanding	139,481,449	131,376,517	131,378,061
Diluted earnings per share attributable to BlackRock, Inc. common stockholders:	$ 6.11	$ 5.78	$ 7.37

Due to the similarities in terms between BlackRock series A, B, C and D non-voting participating preferred stock and the Company's common stock, the Company considers the series A, B, C and D non-voting participating preferred stock to be a common stock equivalent for purposes of earnings per share calculations. As such, the Company has included the outstanding series A, B, C and D non-voting participating preferred stock in the calculation of average basic and diluted shares outstanding for the years ended December 31, 2009, 2008 and 2007.

For the years ended December 31, 2009, 2008, and 2007, 1,240,998, 1,336,911, and 1,545,735 stock options, respectively, were excluded from the calculation of diluted earnings per share because to include them would have an anti-dilutive effect.

Shares issued in Quellos Transaction

On October 1, 2007, the Company acquired the fund of funds business of Quellos. See Note 3, Mergers and Acquisitions, for further discussion. The Company issued 1,191,785 shares of BlackRock common stock that were placed into an escrow account. The common shares issued had no dilutive effect for 2007. In April 2008, 280,519 common shares were released to Quellos in accordance with the Quellos asset purchase agreement, which resulted in an adjustment to the recognized purchase price and had a dilutive effect in 2008. In November 2009, 42,326 additional common shares were released and had a dilutive effect in 2009. The remaining 868,940 common shares may have a dilutive effect in future periods based on the timing of the release of shares from the escrow account in accordance with the Quellos asset purchase agreement.

23. Segment Information

The Company's management directs BlackRock's operations as one business, the asset management business. As such, the Company believes it operates in one business segment in accordance with ASC 280-10.

The following table illustrates investment advisory, administration fees, securities lending revenue and performance fees,*BlackRock Solutions* and advisory, distribution fees and other revenue for the years ended December 31, 2009, 2008 and 2007.

(Dollar amounts in millions)	Year ended December 31,		
	2009	2008	2007
Equity	$1,468	$1,701	$1,925
Fixed income	921	879	903
Multi-asset	499	527	428
Alternative investment products	515	619	608
Cash management	625	708	523
Total investment advisory, administration fees, securities lending revenue and performance fees	4,028	4,434	4,387
BlackRock Solutions and advisory	477	393	190
Distribution fees	100	139	123
Other revenue	95	98	145
Total revenue	$4,700	$5,064	$4,845

The following table illustrates the Company's total revenue and long-lived assets, including goodwill and property and equipment for the years ended December 2009, 2008 and 2007 by geographic region. These amounts are aggregated on a legal entity basis and do not necessarily reflect where the customer is sourced or where the asset is physically located.

(Dollar amounts in millions) **Revenues**	2009	2008	2007
Americas	$ 3,309	$3,438	$3,070
Europe	1,179	1,360	1,490
Asia-Pacific	212	266	285
Total revenues	$ 4,700	$5,064	$4,845
Long-Lived Assets			
Americas	$12,895	$5,714	$5,695
Europe	46	27	35
Asia-Pacific	74	52	56
Total long-lived assets	$13,015	$5,793	$5,786

Americas primarily is comprised of the United States, Canada, Brazil and Mexico, while Europe primarily is comprised of the United Kingdom and Asia-Pacific primarily is comprised of Japan, Australia and Hong Kong.

24. Selected Quarterly Financial Data (unaudited)

(Dollar amounts in millions, except per share data)

2009	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 987	$ 1,029	$ 1,140	$ 1,544
Operating income	$ 271	$ 261	$ 357	$ 389
Net income	$ 62	$ 244	$ 334	$ 257
Net income attributable to BlackRock, Inc.	$ 84	$ 218	$ 317	$ 256
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	$ 0.63	$ 1.62	$ 2.31	$ 1.65
Diluted	$ 0.62	$ 1.59	$ 2.27	$ 1.62
Weighted-average common shares outstanding:				
Basic	130,216,218	130,928,926	133,266,379	152,062,468
Diluted	131,797,189	133,364,611	135,902,241	155,040,242
Dividend Declared Per Share	$ 0.78	$ 0.78	$ 0.78	$ 0.78
Common stock price per share:				
High	$ 143.32	$ 183.80	$ 220.17	$ 241.66
Low	$ 88.91	$ 119.12	$ 159.45	$ 206.00
Close	$ 130.04	$ 175.42	$ 216.82	$ 232.20

2008	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Revenue	$ 1,300	$ 1,387	$ 1,313	$ 1,064
Operating income	$ 396	$ 405	$ 454	$ 338
Net income	$ 246	$ 254	$ 196	$ (67)
Net income attributable to BlackRock, Inc.	$ 241	$ 274	$ 217	$ 52
Earnings per share attributable to BlackRock, Inc. common stockholders:				
Basic	$ 1.81	$ 2.04	$ 1.62	$ 0.39
Diluted	$ 1.77	$ 2.00	$ 1.59	$ 0.39
Weighted-average common shares outstanding:				
Basic	128,904,253	129,569,325	129,793,939	129,888,110
Diluted	131,620,744	132,032,538	132,270,351	131,605,739
Dividend Declared Per Share	$ 0.78	$ 0.78	$ 0.78	$ 0.78
Common stock price per share:				
High	$ 231.99	$ 227.51	$ 249.37	$ 195.00
Low	$ 165.72	$ 171.86	$ 156.20	$ 94.78
Close	$ 204.18	$ 177.00	$ 194.50	$ 134.15

- The first quarter of 2009 and fourth quarter of 2008 include the impact of a $22 million and a $38 million pre-tax expense related to restructuring charges, respectively.
- The fourth quarter of 2009 includes incremental revenue and expenses related to the operations of BGI.
- The second, third and fourth quarters of 2009 include $15 million, $16 million and $152 million of pre-tax BGI transaction and integration costs, respectively.
- The third quarter of 2009 includes a $45 million tax benefit related to local income tax law changes.

25. Subsequent Events

London Lease

In January, 2010, the Company entered into an agreement with Mourant & Co Trustees Limited and Mourant Property Trustees Limited as Trustees of the Drapers Gardens Unit Trust, for the lease of approximately 292,418 square feet of office and ancillary (including retail) space located at Drapers Gardens, 12 Throgmorton Avenue, London, EC2, United Kingdom.

The term of the lease will begin on February 17, 2010 (the "Effective Date") and will continue for twenty five years, with the option to renew for an additional five year term. The lease provides for total annual base rental payments of £13,541,595 (exclusive of value added tax and other lease charges, or approximately $21,666,552 based on an exchange rate of $1.60 per £1), payable quarterly in advance. The annual rent is subject to increase on each fifth anniversary of the Effective Date to the then open market rent, with the rent payable from the first review date being subject to a minimum increase to £15,321,072 per annum (exclusive of value added tax, or approximately $24,513,715, based on an exchange rate of $1.60 per £1) and a maximum increase to £16,875,291 per annum (exclusive of value added tax, or approximately $27,000,466 based on an exchange rate of $1.60 per £1). The lease will include an initial rent free period for thirty six (36) months and twenty two (22) days following the Effective Date.

Helix Financial Group LLC

In January 2010, the Company completed the acquisition of substantially all of the net assets of Helix Financial Group LLC, which provides advisory, valuation and analytics solutions to commercial real estate lenders and investors. The total consideration paid for the acquisition is not material to the Company's consolidated financial statements.

Capital Exchanges

In January 2010, 600,000 common shares were exchanged for Series B Preferred Stock and all 11,203,442 Series D Preferred Stock outstanding at December 31, 2009 were exchanged for Series B Preferred Stock.

Additional Subsequent Event Review

In addition to the subsequent events included in the notes to the financial statements, the Company conducted a review for additional subsequent events and determined that no additional subsequent events had occurred that would require accrual or additional disclosures.

Certification of Principal Executive Officer of
The PNC Financial Services Group, Inc. under 31 C.F.R. § 30.15

I, James E. Rohr, Chairman and Chief Executive Officer of The PNC Financial Services Group, Inc. (PNC), certify, based on my knowledge, that:

(i) The Personnel & Compensation Committee of PNC has discussed, reviewed, and evaluated with senior risk officers at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer (SEO) compensation plans and employee compensation plans and the risks these plans pose to PNC.

(ii) The Personnel & Compensation Committee of PNC has identified and limited during any part of the most recently completed fiscal year that was a TARP period the features in the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of PNC and identified any features in the employee compensation plans that pose risks to PNC and limited those features to ensure that PNC is not unnecessarily exposed to risks.

(iii) The Personnel & Compensation Committee has reviewed at least every six months during any part of the most recently completed fiscal year that was a TARP period the terms of each employee compensation plan and identified the features in the plan that could encourage the manipulation of reported earnings of PNC to enhance the compensation of an employee and has limited these features that would encourage the manipulation of reported earnings of PNC.

(iv) The Personnel & Compensation Committee of PNC will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above.

(v) The Personnel & Compensation Committee of PNC will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of PNC;

(B) Employee compensation plans that unnecessarily expose PNC to risks; and

(C) Employee compensation plans that could encourage the manipulation of reported earnings of PNC to enhance the compensation of an employee.

(vi) PNC has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), be subject to a recovery or “clawback” provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria

(vii) PNC has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to a SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(viii) PNC has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period.

(ix) PNC and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period, and that any expenses requiring approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility, were properly approved.

(x) PNC will permit a non-binding shareholder resolution in compliance with any applicable federal securities rules and regulations on the disclosures provided under the federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period.

(xi) PNC will disclose the amount, nature, and justification for the offering during any part of the most recently completed fiscal year that was a TARP period of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for each employee subject to the bonus payment limitations identified in paragraph (viii).

(xii) PNC will disclose whether PNC, the board of directors of PNC, or the Personnel & Compensation Committee of PNC has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period.

(xiii) PNC has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(xiv) PNC has substantially complied with all other requirements related to employee compensation that are provided in the agreement between PNC and Treasury, including any amendments.

(xv) PNC has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the most recently completed fiscal year and will submit to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year by no later than March 31, 2010, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified.

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment or both. (See, for example, 18 U.S.C. 1001.)

Dated: March 10, 2010

/s/ JAMES E. ROHR

James E. Rohr

EXHIBIT 99.4

Certification of Principal Financial Officer of
The PNC Financial Services Group, Inc. under 31 C.F.R. § 30.15

I, Richard J. Johnson, Chief Financial Officer of The PNC Financial Services Group, Inc. (PNC), certify, based on my knowledge, that:

(i) The Personnel & Compensation Committee of PNC has discussed, reviewed, and evaluated with senior risk officers at least every six months during any part of the most recently completed fiscal year that was a TARP period, senior executive officer (SEO) compensation plans and employee compensation plans and the risks these plans pose to PNC.

(ii) The Personnel & Compensation Committee of PNC has identified and limited during any part of the most recently completed fiscal year that was a TARP period the features in the SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of PNC and identified any features in the employee compensation plans that pose risks to PNC and limited those features to ensure that PNC is not unnecessarily exposed to risks.

(iii) The Personnel & Compensation Committee has reviewed at least every six months during any part of the most recently completed fiscal year that was a TARP period the terms of each employee compensation plan and identified the features in the plan that could encourage the manipulation of reported earnings of PNC to enhance the compensation of an employee and has limited these features that would encourage the manipulation of reported earnings of PNC.

(iv) The Personnel & Compensation Committee of PNC will certify to the reviews of the SEO compensation plans and employee compensation plans required under (i) and (iii) above.

(v) The Personnel & Compensation Committee of PNC will provide a narrative description of how it limited during any part of the most recently completed fiscal year that was a TARP period the features in

(A) SEO compensation plans that could lead SEOs to take unnecessary and excessive risks that could threaten the value of PNC;

(B) Employee compensation plans that unnecessarily expose PNC to risks; and

(C) Employee compensation plans that could encourage the manipulation of reported earnings of PNC to enhance the compensation of an employee.

(vi) PNC has required that bonus payments to SEOs or any of the next twenty most highly compensated employees, as defined in the regulations and guidance established under section 111 of EESA (bonus payments), be subject to a recovery or “clawback” provision during any part of the most recently completed fiscal year that was a TARP period if the bonus payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria

(vii) PNC has prohibited any golden parachute payment, as defined in the regulations and guidance established under section 111 of EESA, to a SEO or any of the next five most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(viii) PNC has limited bonus payments to its applicable employees in accordance with section 111 of EESA and the regulations and guidance established thereunder during any part of the most recently completed fiscal year that was a TARP period.

(ix) PNC and its employees have complied with the excessive or luxury expenditures policy, as defined in the regulations and guidance established under section 111 of EESA, during any part of the most recently completed fiscal year that was a TARP period, and that any expenses requiring approval of the board of directors, a committee of the board of directors, an SEO, or an executive officer with a similar level of responsibility, were properly approved.

(x) PNC will permit a non-binding shareholder resolution in compliance with any applicable federal securities rules and regulations on the disclosures provided under the federal securities laws related to SEO compensation paid or accrued during any part of the most recently completed fiscal year that was a TARP period.

(xi) PNC will disclose the amount, nature, and justification for the offering during any part of the most recently completed fiscal year that was a TARP period of any perquisites, as defined in the regulations and guidance established under section 111 of EESA, whose total value exceeds $25,000 for each employee subject to the bonus payment limitations identified in paragraph (viii).

(xii) PNC will disclose whether PNC, the board of directors of PNC, or the Personnel & Compensation Committee of PNC has engaged during any part of the most recently completed fiscal year that was a TARP period a compensation consultant; and the services the compensation consultant or any affiliate of the compensation consultant provided during this period.

(xiii) PNC has prohibited the payment of any gross-ups, as defined in the regulations and guidance established under section 111 of EESA, to the SEOs and the next twenty most highly compensated employees during any part of the most recently completed fiscal year that was a TARP period.

(xiv) PNC has substantially complied with all other requirements related to employee compensation that are provided in the agreement between PNC and Treasury, including any amendments.

(xv) PNC has submitted to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the most recently completed fiscal year and will submit to Treasury a complete and accurate list of the SEOs and the twenty next most highly compensated employees for the current fiscal year by no later than March 31, 2010, with the non-SEOs ranked in descending order of level of annual compensation, and with the name, title, and employer of each SEO and most highly compensated employee identified.

(xvi) I understand that a knowing and willful false or fraudulent statement made in connection with this certification may be punished by fine, imprisonment or both. (See, for example, 18 U.S.C. 1001.)

Dated: March 10, 2010

/s/ RICHARD J. JOHNSON

Richard J. Johnson