UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010

or

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

For the transition period from to

Commission file number 001-09718

The PNC Financial Services Group, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant 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 ☒ No ☐

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 ☒ 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 Exchange Act).

Yes ☐ No ☒

As of October 29, 2010, there were 525,796,405 shares of the registrant's common stock ($5 par value) outstanding.

The PNC Financial Services Group, Inc.
Cross-Reference Index to Third Quarter 2010 Form 10-Q

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FINANCIAL REVIEW

CONSOLIDATED FINANCIAL HIGHLIGHTS

THE PNC FINANCIAL SERVICES GROUP, INC.

Dollars in millions, except per share data Unaudited	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
FINANCIAL RESULTS (a)				
Revenue				
Net interest income	**$ 2,215**	$ 2,224	**$ 7,029**	$ 6,737
Noninterest income	**1,383**	1,629	**4,244**	4,605
Total revenue	**3,598**	3,853	**11,273**	11,342
Noninterest expense	**2,158**	2,214	**6,273**	6,864
Pretax, pre-provision earnings (b)	**$ 1,440**	$ 1,639	**$ 5,000**	$ 4,478
Provision for credit losses	**$ 486**	$ 914	**$ 2,060**	$ 2,881
Income from continuing operations before noncontrolling interests	**$ 775**	$ 540	**$ 2,204**	$ 1,255
Income from discontinued operations, net of income taxes (c)	**$ 328**	$ 19	**$ 373**	$ 41
Net income	**$ 1,103**	$ 559	**$ 2,577**	$ 1,296
Net income attributable to common shareholders (d)	**$ 1,094**	$ 467	**$ 2,213**	$ 992
Diluted earnings per common share				
Continuing operations	**$ 1.45**	$ .96	**$ 3.52**	$ 2.08
Discontinued operations (c)	**.62**	.04	**.72**	.09
Net income	**$ 2.07**	$ 1.00	**$ 4.24**	$ 2.17
Cash dividends declared per common share	**$ .10**	$ .10	**$ .30**	$ .86
Total preferred dividends declared, including TARP	**$ 4**	$ 99	**$ 122**	$ 269
TARP Capital Purchase Program preferred dividends (d)		$ 95	**$ 89**	$ 237
Impact of TARP Capital Purchase Program preferred dividends per diluted common share		$ .21	**$ .17**	$ .52
Redemption of TARP preferred stock discount accretion (d)			**$ 250**	
PERFORMANCE RATIOS				
From continuing operations				
Noninterest income to total revenue	**38%**	42%	**38%**	41%
Efficiency	**60**	57	**56**	61
From net income				
Net interest margin (e)	**3.96%**	3.76%	**4.18%**	3.72%
Return on:				
Average common shareholders' equity	**15.12**	8.70	**10.98**	6.77
Average assets	**1.65**	.81	**1.30**	.62

See page 53 for a glossary of certain terms used in this Report.

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.

(a) The Executive Summary and Consolidated Income Statement Review portions of the Financial Review section of this Report provide information regarding items impacting the comparability of the periods presented.

(b) We believe that pretax, pre-provision earnings, a non-GAAP measure, is useful as a tool to help evaluate our ability to provide for credit costs through operations.

(c) Includes results of operations for PNC Global Investment Servicing Inc. (GIS) through June 30, 2010 and the related after-tax gain on sale. We sold GIS effective July 1, 2010, resulting in a gain of $639 million, or $328 million after taxes, recognized during the third quarter of 2010. See Sale of PNC Global Investment Servicing in the Executive Summary section of the Financial Review section of this Report and Note 2 Divestiture in the Notes To Consolidated Financial Statements of this Report for additional information.

(d) We redeemed the Series N (TARP) Preferred Stock on February 10, 2010. In connection with the redemption, 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 million in the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share.

(e) Calculated as annualized 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 in the Consolidated Income Statement. The taxable-equivalent adjustments to net interest income for the three months ended September 30, 2010 and September 30, 2009 were $22 million and $16 million, respectively. The taxable-equivalent adjustments to net interest income for the nine months ended September 30, 2010 and September 30, 2009 were $59 million and $47 million, respectively.

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CONSOLIDATED FINANCIAL HIGHLIGHTS (CONTINUED) (a)

Unaudited	September 30 2010	December 31 2009	September 30 2009
BALANCE SHEET DATA (dollars in millions, except per share data)			
Assets	**$ 260,133**	$ 269,863	$ 271,407
Loans (b) (c)	**150,127**	157,543	160,608
Allowance for loan and lease losses (b)	**5,231**	5,072	4,810
Interest-earning deposits with banks (b)	**415**	4,488	1,129
Investment securities (b)	**63,461**	56,027	54,413
Loans held for sale (c)	**3,275**	2,539	3,509
Goodwill and other intangible assets	**10,518**	12,909	12,734
Equity investments (b)	**10,137**	10,254	8,684
Noninterest-bearing deposits	**46,065**	44,384	43,025
Interest-bearing deposits	**133,118**	142,538	140,784
Total deposits	**179,183**	186,922	183,809
Transaction deposits	**128,197**	126,244	121,631
Borrowed funds (b)	**39,763**	39,261	41,910
Shareholders' equity	**30,042**	29,942	28,928
Common shareholders' equity	**29,394**	22,011	20,997
Accumulated other comprehensive income (loss)	**146**	(1,962)	(1,947)
Book value per common share	**55.91**	47.68	45.52
Common shares outstanding (millions)	**526**	462	461
Loans to deposits	**84%**	84%	87%
ASSETS UNDER ADMINISTRATION (billions)			
Discretionary assets under management	**$ 105**	$ 103	$ 104
Nondiscretionary assets under administration	**101**	102	113
Total assets under administration	**206**	205	217
CAPITAL RATIOS			
Tier 1 risk-based (d)	**11.9%**	11.4%	10.9%
Tier 1 common	**9.6**	6.0	5.5
Total risk-based (d)	**15.6**	15.0	14.5
Leverage (d)	**9.9**	10.1	9.6
Common shareholders' equity to assets	**11.3**	8.2	7.7
ASSET QUALITY RATIOS			
Nonperforming loans to total loans	**3.22%**	3.60%	3.19%
Nonperforming assets to total loans and foreclosed and other assets	**3.76**	3.99	3.50
Nonperforming assets to total assets	**2.18**	2.34	2.08
Net charge-offs to average loans (for the three months ended) (annualized)	**1.61**	2.09	1.59
Allowance for loan and lease losses to total loans	**3.48**	3.22	2.99
Allowance for loan and lease losses to nonperforming loans (e)	**108**	89	94

(a) The Executive Summary and Consolidated Balance Sheet Review portions of the Financial Review section of this Report provide information regarding items impacting the comparability of the periods presented.

(b) Amounts include consolidated variable interest entities. Some September 30, 2010 amounts include consolidated variable interest entities that we consolidated effective January 1, 2010 based on guidance in ASC 810, Consolidation. See Consolidated Balance Sheet in Part I, Item 1 of this Report for additional information.

(c) Amounts include items for which we have elected the fair value option. See Consolidated Balance Sheet in Part I, Item 1 of this Report for additional information.

(d) The regulatory minimums are 4.0% for Tier 1 risk-based, 8.0% for Total risk-based, and 4.0% for Leverage capital ratios. The well-capitalized levels are 6.0% for Tier 1 risk-based, 10.0% for Total risk-based, and 5.0% for Leverage capital ratios.

(e) The allowance for loan and lease losses includes impairment reserves attributable to purchased impaired loans. Nonperforming loans do not include purchased impaired loans or loans held for sale.

FINANCIAL REVIEW

THE PNC FINANCIAL SERVICES GROUP, INC.

This Financial Review, including the Consolidated Financial Highlights, should be read together with our unaudited Consolidated Financial Statements and unaudited Statistical Information included elsewhere in this Report and with Items 6, 7, 8 and 9A of our 2009 Annual Report on Form 10-K (2009 Form 10-K). We have reclassified certain prior period amounts to conform with the current period presentation, which we believe is more meaningful to readers of our consolidated financial statements. For information regarding certain business and regulatory risks, see the Risk Management section in this Financial Review and Items 1A and 7 of our 2009 Form 10-K and Item 1A included in Part II of our second quarter 2010 report on Form 10-Q and in Part II of this Report. Also, see the Cautionary Statement Regarding Forward-Looking Information and Critical Accounting Estimates And Judgments sections in this Financial Review for certain other factors that could cause actual results or future events to differ, perhaps materially, from historical performance and those anticipated in the forward-looking statements included in this Report. See Note 19 Segment Reporting in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report for a reconciliation of total business segment earnings to total PNC consolidated net income from continuing operations before noncontrolling interests as reported on a generally accepted accounting principles (GAAP) basis.

EXECUTIVE SUMMARY

THE PNC FINANCIAL SERVICES GROUP, INC.

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

PNC has businesses engaged in retail banking, corporate and institutional banking, asset management, and residential mortgage banking, 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, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. PNC also provides certain products and services internationally.

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 re-establishing 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 and in the first nine months of 2010, working to return to 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 Financial Review.

SALE OF PNC GLOBAL INVESTMENT SERVICING

On July 1, 2010, we sold 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 pursuant to a definitive agreement entered into on February 2, 2010. The gain recorded in the third quarter of 2010 related to this sale was $639 million, or $328 million after taxes.

Results of operations of GIS through June 30, 2010 and the related after-tax gain on sale in the third quarter of 2010 are presented as income from discontinued operations, net of income taxes, on our Consolidated Income Statement for the periods presented in this Report. Once we entered into the sales agreement, GIS was no longer a reportable business segment. Further information regarding the GIS sale is included in Note 2 Divestiture in our Notes To Consolidated Financial Statements in this Report.

NATIONAL CITY INTEGRATION COSTS

A summary of pretax merger and integration costs in connection with our December 31, 2008 acquisition of National City Corporation (National City) follows.

National City Integration Costs

In millions	Third Quarter	First Nine Months	Full Year
2010	**$ 96**	**$ 309**	**$370(a)**
2009	$ 89	$ 266	$421
2008	—	—	$575(b)

(a) Projected.
(b) Includes $504 million conforming provision for credit losses.

The National City transaction is expected to result in the reduction of more than $1.8 billion of combined company annualized noninterest expense by the end of 2010 through the elimination of operational and administrative redundancies. We have completed the customer and branch conversions to our technology platforms and have integrated the businesses and operations of National City with those of PNC.

RECENT MARKET AND INDUSTRY DEVELOPMENTS

The economic turmoil that began in the middle of 2007 and continued through most of 2008 and 2009 has now settled into a slow economic recovery with, at this time, somewhat uncertain prospects. This has been accompanied by dramatic changes in the competitive landscape of the financial services industry and a wholesale reformation of the legislative and regulatory landscape with the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"), which was signed into law by President Obama on July 21, 2010.

Dodd-Frank is extensive, complicated and comprehensive legislation that impacts practically all aspects of a banking organization. Dodd-Frank will negatively impact revenue and increase both the direct and indirect costs of doing business for PNC, as it includes provisions that could increase regulatory fees and deposit insurance assessments and impose heightened capital and prudential standards, while at the same time impacting the nature and costs of PNC's businesses, including consumer lending, private equity investment, derivatives transactions, interchange fees on debit card transactions, and asset securitizations.

Until such time as the regulatory agencies issue proposed and final regulations implementing the numerous provisions of Dodd-Frank, a process that will extend at least over the next year and might last several years, PNC will not be able to fully assess the impact the legislation will have on its businesses. However, we believe that the expected changes will be manageable for PNC and will have a smaller impact on us than many of our larger peers.

Items 1 and 7 of our 2009 Form 10-K include information regarding efforts beginning in late 2008 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 that 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, Dodd-Frank and other legislative, administrative and regulatory initiatives.

Included in these efforts are evolving regulatory capital standards for financial institutions. Dodd-Frank requires the Federal Reserve Board to establish capital requirements that would, among other things, eliminate the Tier 1 treatment of trust preferred securities following a phase-in period expected to begin in 2013. Evolving standards also include the so-called "Basel III" initiatives that are part of the Basel II effort by international banking supervisors to update the original international bank capital accord (Basel I), which has been in effect since 1988. The recent Basel III capital initiative, which has the support of US banking regulators, includes heightened capital requirements for major banking institutions in terms of both higher quality capital and higher regulatory capital ratios. Basel III capital standards will require implementing regulations by the banking regulators and are expected to include a phase-in period beginning in 2013 and ending January 1, 2019.

Residential Mortgage Foreclosure Matters

Beginning in the third quarter of 2010, mortgage foreclosure documentation practices among US financial institutions have received heightened attention by regulators and the media. PNC's market share for residential servicing is less than 2%. The vast majority of our servicing business is on behalf of other investors, principally the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA). Regardless, we have been conducting an internal review of our foreclosure procedures. Based upon our review thus far, we believe that PNC has systems designed to ensure that no foreclosure proceeds unless the loan is genuinely in default. On average, our residential mortgage loans in foreclosure are more than one year delinquent.

Similar to other banks, we have identified issues regarding some of our documentation. Accordingly, we are delaying pursuing individual foreclosures when we commenced our review until we are confident that any pending documentation issues have been resolved. We are currently proceeding with new foreclosures under enhanced procedures designed as part of this review to minimize the risk of errors related to the processing of documentation in foreclosure cases.

For additional information, please see Note 17 Legal Proceedings and Note 18 Commitments and Guarantees in our Notes To Consolidated Financial Statements in Part I of this Report and Item 1A Risk Factors in Part II of this Report.

TARP Capital Purchase Program

We redeemed the Series N (TARP) Preferred Stock on February 10, 2010. In connection with the redemption, 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 million in the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share. See Repurchase of Outstanding TARP Preferred Stock and Sale by US Treasury of TARP Warrant in Note 14 Total Equity And Other Comprehensive Income in the Notes To Consolidated Financial Statements in this Report for additional information.

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).

PNC did not issue any securities under the TLGP-Debt Guarantee Program during the first nine months of 2010.

From October 14, 2008 through December 31, 2009, PNC Bank, National Association (PNC Bank, N.A.) participated in the TLGP-Transaction Account Guarantee Program. Beginning January 1, 2010, PNC Bank, N.A. is no longer participating in this program, but Dodd-Frank extends the program for all banks for two years, beginning December 31, 2010.

Public-Private Investment Fund Programs (PPIFs)

PNC did not participate in these programs during the first nine months of 2010.

Home Affordable Modification Program (HAMP)

PNC began participating in HAMP for GSE mortgages in May 2009 and for non-GSE mortgages in July 2009, and recently signed the agreements to begin participating in the Second Lien Program. HAMP is scheduled to terminate as of December 31, 2012.

Home Affordable Refinance Program (HARP)

PNC began participating in HARP in May 2009. The program terminated as of June 10, 2010.

As noted above, Dodd-Frank and its implementation, as well as other statutory and regulatory initiatives that will be ongoing, will introduce numerous regulatory changes over the next several years. 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:

- General economic conditions, including the speed and stamina of the moderate economic recovery that began last year in general and on our customers in particular,
- 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,
- The impact of the extensive reforms enacted in the Dodd-Frank legislation and other legislative, regulatory and administrative initiatives, including those outlined above, 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,
- 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, and creating positive pre-tax, pre-provision earnings,
- Managing the distressed assets portfolio and other impaired assets,
- Improving 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 related to our efforts to return to our desired moderate risk profile, and
- Actions we take within the capital and other financial markets.

SUMMARY FINANCIAL RESULTS

	Three months ended September 30		Nine months ended September 30	
	2010	2009	**2010**	2009
Net income (millions)	**$1,103**	$ 559	**$2,577**	$1,296
Diluted earnings per common share				
Continuing operations	**$ 1.45**	$ .96	**$ 3.52**	$ 2.08
Discontinued operations	**.62**	.04	**.72**	.09
Net income	**$ 2.07**	$1.00	**$ 4.24**	$ 2.17
Return from net income on:				
Average common shareholders' equity	**15.12%**	8.70%	**10.98%**	6.77%
Average assets	**1.65%**	.81%	**1.30%**	.62%

Income Statement Highlights for the Third Quarter

- Strong earnings for the third quarter of 2010 reflected an improvement in the provision for credit losses compared with the third quarter of 2009 as we continue to focus on returning to a moderate risk profile. Pretax pre-provision earnings of $1.4 billion significantly exceeded the provision for credit losses of $.5 billion.
- Net interest income declined $220 million to $2.2 billion and the net interest margin fell 39 basis points to 3.96% compared with the second quarter of 2010 due to lower purchase accounting accretion, loan sales, continued soft loan demand and the low interest rate environment.
- Noninterest income totaled $1.4 billion for the third quarter and was derived from diversified sources. The $246 million decline compared with the third quarter of 2009 was mainly due to a decrease in overdraft charges, the reduction in value of commercial mortgage servicing rights and the third quarter 2009 gain on sales of commercial loans.
- The provision for credit losses declined to $486 million in the third quarter compared with $914 million in the third quarter of 2009 reflecting overall credit quality improvement driven by improving credit migration and actions taken to reduce exposure levels.
- We continued our disciplined expense management while investing in our businesses. Noninterest expense of $2.2 billion declined $56 million, or 3%, compared with the third quarter of 2009 primarily due to higher acquisition-related cost savings.
- We achieved acquisition cost savings of $1.7 billion on an annualized basis in the third quarter of 2010, well ahead of the original target amount and schedule, and are on track to meet our higher goal of $1.8 billion by the end of 2010.
- The July 1, 2010 sale of GIS resulted in an after-tax gain of $328 million reported in discontinued operations. Goodwill and other intangible assets net of deferred income taxes removed from the Consolidated Balance Sheet as a result of the transaction were $1.1 billion.

Credit Quality Highlights

- Overall credit quality showed continued signs of improvement during the third quarter of 2010. Net charge-offs to average loans improved to 1.61% in the third quarter from 2.18% in the second quarter of 2010. Nonperforming assets declined $235 million to $5.7 billion as of September 30, 2010. Delinquencies continued to improve during the quarter. The allowance for loan and lease losses was $5.2 billion, or 3.48% of total loans and 108% of nonperforming loans, as of September 30, 2010.

Balance Sheet Highlights

- PNC remains committed to responsible lending to support economic growth. Loans and commitments originated and renewed totaled approximately $39 billion in the third quarter and $112 billion for the first nine months of 2010, including $2.6 billion of small business loans. Total loans were $150.1 billion at September 30, 2010 and decreased $4.2 billion compared with June 30, 2010 primarily due to loan repayments, dispositions and net charge-offs that exceeded customer loan demand.
- Total deposits were $179.2 billion at September 30, 2010. Transaction deposits grew $2.5 billion, or 2%, while certificates of deposit declined by $2.0 billion, or 5%, compared with June 30, 2010 further reducing the average rate paid on deposits by 3 basis points to .68% in the third quarter.
- PNC's well-positioned balance sheet reflected core funding with a loan to deposit ratio of 84% at September 30, 2010 and a strong bank liquidity position to support growth.
- Investment securities of $63.5 billion at September 30, 2010 increased by 18% compared with June 30, 2010 as excess liquidity was invested in short duration, high quality securities.
- The Tier 1 common capital ratio was 9.6% at September 30, 2010, up from 8.3% at June 30, 2010 and 6.0% at December 31, 2009.

Our Consolidated Income Statement and Consolidated Balance Sheet Review sections of this Financial Review describe in greater detail the various items that impacted our results for the third quarter and first nine months of 2010 and 2009.

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AVERAGE CONSOLIDATED BALANCE SHEET HIGHLIGHTS

Various seasonal and other factors impact our period-end balances whereas average balances are generally more indicative of underlying business trends apart from the impact of acquisitions, divestitures and consolidations of variable interest entities.

The Consolidated Balance Sheet Review section of this Financial Review provides information on changes in selected Consolidated Balance Sheet categories at September 30, 2010 compared with December 31, 2009.

Total average assets were $265.4 billion for the first nine months of 2010 compared with $278.6 billion for the first nine months of 2009.

Average interest-earning assets were $225.1 billion for the first nine months of 2010, compared with $241.0 billion in the first nine months of 2009. Decreases of $13.1 billion in loans and $6.5 billion in other interest-earning assets, partially offset by a $5.3 billion increase in investment securities, drove the decrease in average interest-earning assets.

The decrease in average total loans reflected a decline in commercial loans of $8.6 billion, commercial real estate loans of $4.1 billion and residential mortgage loans of $3.3 billion, partially offset by an increase of $2.9 billion in consumer loans.

Loans represented 69% of average interest-earning assets for the first nine months of 2010 and 70% for the first nine months of 2009.

Average securities available for sale increased $2.0 billion, to $49.4 billion, in the first nine months of 2010 compared with the first nine months of 2009. Average US Treasury and government agencies securities increased $4.2 billion while average other debt securities increased $1.4 billion in the comparison. These increases were partially offset by a decline of $2.9 billion in average non-agency residential mortgage-backed securities and a decline of $.8 billion in commercial mortgage-backed securities.

Average securities held to maturity increased $3.3 billion, to $7.2 billion, in the first nine months of 2010 compared with the first nine months of 2009. The increase reflected purchases of asset-backed and non-agency commercial mortgage-backed securities, the transfer of securities from the available for sale portfolio, and the impact of the Market Street Funding LLC (Market Street) consolidation effective January 1, 2010.

Total investment securities comprised 25% of average interest-earning assets for the first nine months of 2010 and 21% for the first nine months of 2009.

Average noninterest-earning assets totaled $40.3 billion in the first nine months of 2010 compared with $37.6 billion in the prior year period.

Average total deposits were $182.0 billion for the first nine months of 2010 compared with $191.2 billion for the first nine months of 2009. Average deposits declined from the prior year period primarily as a result of decreases in retail certificates of deposit and other time deposits, which were partially offset by an increase in transaction deposits. Total deposits at September 30, 2010 were $179.2 billion compared with $186.9 billion at December 31, 2009 and are further discussed within the Consolidated Balance Sheet Review section of this Report.

Average total deposits represented 69% of average total assets for both the first nine months of 2010 and the first nine months of 2009.

Average transaction deposits were $127.2 billion for the first nine months of 2010 compared with $118.7 billion for the first nine months of 2009.

Average borrowed funds were $40.8 billion for the first nine months of 2010 compared with $45.7 billion for the first nine months of 2009. A $6.7 billion decline in Federal Home Loan Bank borrowings drove the decline in the comparison, partially offset by higher average commercial paper borrowings that reflected the consolidation of Market Street. Total borrowed funds at September 30, 2010 were $39.8 billion compared with $39.3 billion at December 31, 2009 and are further discussed within the Consolidated Balance Sheet Review section of this Report. In addition, the Liquidity Risk Management portion of the Risk Management section of this Report includes additional information regarding our sources and uses of borrowed funds.

LINE OF BUSINESS HIGHLIGHTS

We have six reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- Residential Mortgage Banking
- BlackRock
- Distressed Assets Portfolio

Total business segment earnings were $2.0 billion for the first nine months of 2010 and $1.8 billion for the first nine months of 2009. Highlights of results for the first nine months and third quarter of 2010 and 2009 are included below. The Business Segments Review section of this Financial Review includes a Results of Business-Summary table and further analysis of our business segment results over the first nine months of 2010 and 2009 including presentation differences from Note 19 Segment Reporting.

We provide a reconciliation of total business segment earnings to PNC consolidated income from continuing operations before noncontrolling interests as reported on a GAAP basis in Note 19 Segment Reporting.

Retail Banking
Retail Banking earned $97 million for the first nine months of 2010 compared with earnings of $161 million for the same period a year ago. Earnings declined from the prior year due primarily due to lower revenues as a result of lower interest credits assigned to deposits and a decline in fees which were partially offset by well-managed expenses. Retail Banking continued to maintain its focus on growing customers and deposits, customer and employee satisfaction, investing in the business for future growth, as well as, disciplined expense management during this period of market and economic uncertainty.

Retail Banking had a loss of $7 million in the third quarter of 2010 compared with earnings of $50 million in the third quarter of 2009. Earnings decreased from the prior year quarter due to a decline in fees, a higher provision for credit losses and lower net interest income.

Corporate & Institutional Banking
Corporate & Institutional Banking earned $1.2 billion in the first nine months of 2010 compared with $775 million in the first nine months of 2009. Significantly higher earnings for the first nine months of 2010 reflected a lower provision for credit losses and lower noninterest expense which more than offset declines in net interest income and noninterest income compared with the 2009 period.

Corporate & Institutional Banking earned $427 million in the third quarter of 2010 compared with $309 million in the third quarter of 2009. The increase in earnings compared with third quarter 2009 was primarily due to a lower provision for credit losses driven by reduced exposure levels along with positive credit migration.

Asset Management Group
Asset Management Group earned $112 million for the first nine months of 2010 compared with $82 million for the same period in 2009. Assets under administration were $206 billion at September 30, 2010 and $217 billion at September 30, 2009. The first nine months of 2010 reflected a lower provision for credit losses, lower expenses from disciplined expense management and higher noninterest income. These improvements were partially offset by a decrease in net interest income from lower yields on loans.

Earnings for Asset Management Group totaled $44 million for the third quarter of 2010 compared with $35 million for the third quarter of 2009. The increase in earnings from the prior year quarter reflected a benefit from the provision for credit losses and lower expenses that more than offset a decline in revenue.

Residential Mortgage Banking
Residential Mortgage Banking earned $272 million for the first nine months of 2010 compared with $410 million in the first nine months of 2009. Earnings decreased from the first nine months of 2009 primarily due to reduced loan sales revenue and lower net hedging gains on mortgage servicing rights, partially offset by lower noninterest expense.

Residential Mortgage Banking earned $98 million in the third quarter of 2010 compared with $91 million for the third quarter of 2009. Higher net hedging gains on mortgage servicing rights and lower expenses in the 2010 quarter more than offset a decline in net interest income and a higher provision for credit losses.

BlackRock
Our BlackRock business segment earned $253 million in the first nine months of 2010 and $151 million in the first nine months of 2009. Third quarter 2010 business segment earnings from BlackRock were $99 million compared with $74 million in the third quarter of 2009. The benefits of BlackRock’s December 2009 acquisition of Barclays Global Investors (BGI) and improved capital markets conditions contributed to higher earnings at BlackRock.

Distressed Assets Portfolio
The Distressed Assets Portfolio earned $8 million for the first nine months of 2010 compared with $172 million for the first nine months of 2009. A $288 million increase in the provision for credit losses was the primary factor driving the decrease in earnings in the comparison.

For the third quarter of 2010, Distressed Assets Portfolio had earnings of $17 million compared with $14 million for the third quarter of 2009. Higher net interest income and lower expenses more than offset the impact of lower noninterest income and a higher provision for credit losses.

Other
“Other” reported earnings of $232 million for the first nine months of 2010 compared with a net loss of $496 million for the first nine months of 2009. The net loss for the 2009 period included higher other-than-temporary impairment (OTTI) charges compared with the 2010 period, alternative investment writedowns, a $133 million special FDIC assessment, and equity management losses.

“Other” reported earnings of $97 million for the third quarter of 2010 compared with a net loss of $33 million for the third quarter of 2009.

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CONSOLIDATED INCOME STATEMENT REVIEW

Our Consolidated Income Statement is presented in Part I, Item 1 of this Report.

Net income for the first nine months of 2010 was $2.6 billion compared with $1.3 billion for the first nine months of 2009. Net income for the third quarter of 2010 was $1.1 billion compared with $.6 billion for the third quarter of 2009. Total revenue for the first nine months of both 2010 and 2009 was $11.3 billion. Total revenue for the third quarter of 2010 decreased 7% to $3.6 billion from $3.9 billion for the third quarter of 2009.

NET INTEREST INCOME AND NET INTEREST MARGIN

	Three months ended September 30		Nine months ended September 30	
Dollars in millions	**2010**	2009	**2010**	2009
Net interest income	**$2,215**	$2,224	**$7,029**	$6,737
Net interest margin	**3.96%**	3.76%	**4.18%**	3.72%

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 the Statistical Information – Average Consolidated Balance Sheet And Net Interest Analysis section of this Report for additional information.

The increase in net interest income for the first nine months of 2010 compared with the first nine months of 2009 resulted primarily from the impact of lower deposit and borrowing costs somewhat offset by lower loan volume and lower revenue from our investment securities portfolio. Our deposit strategy included the retention and repricing at lower rates of relationship-based certificates of deposit and the planned run off of maturing non-relationship certificates of deposit and brokered deposits.

The net interest margin was 4.18% for the first nine months of 2010 and 3.72% for the first nine months of 2009. The following factors impacted the comparison:

- A decrease in the rate accrued on interest-bearing liabilities of 57 basis points. The rate accrued on interest-bearing deposits, the largest component, decreased 52 basis points.
- A decrease in the yield on interest-earning assets of 3 basis points. The yield on loans, the largest portion of our interest-earning assets, increased 8 basis points but was more than offset by the 111 basis point decline in yield on investment securities.
- The benefit of noninterest-bearing sources of funding decreased 8 basis points primarily due to the decline in interest rates.

The net interest margin was 3.96% for the third quarter of 2010 and 3.76% for the third quarter of 2009. The following factors impacted the comparison:

- A decrease in the rate accrued on interest-bearing liabilities of 29 basis points. The rate accrued on interest-bearing deposits, the largest component, decreased 36 basis points.
- A 6 basis point decrease in the yield on interest-earning assets. This decrease was driven by a 105 basis point decline in the yield on investment securities, partially offset by higher yields on loans.
- In addition, the benefit of noninterest-bearing sources of funding decreased 3 basis points primarily due to the decline in interest rates.

We expect net interest income and margin to trend down in the fourth quarter of 2010 but at a slower pace than we experienced from the second quarter of 2010 to the third quarter of 2010. We believe that lower purchase accounting accretion, continued soft loan demand and the low interest rate environment will contribute to lower net interest income and margin in the fourth quarter of 2010 compared with the third quarter of 2010.

NONINTEREST INCOME

Summary

Noninterest income totaled $4.2 billion for the first nine months of 2010, a decline of $361 million or 8% compared with the first nine months of 2009. Decreases in residential mortgage loan sales revenue, the value of commercial mortgage servicing rights and net hedging gains on residential mortgage servicing rights, along with lower service charges on deposits, were the primary factors in the comparison. Partially offsetting these items were lower OTTI charges and higher asset management fees.

Noninterest income totaled $1.4 billion for the third quarter of 2010, a decline of $246 million or 15% compared with the third quarter of 2009. This decrease was mainly due to the decrease in overdraft charges, the reduction in value of commercial mortgage servicing rights and third quarter 2009 gains on sales of commercial loans.

Additional Analysis

Asset management revenue was $751 million in the first nine months of 2010 compared with $639 million in the first nine months of 2009. Asset management revenue was $249 million in the third quarter of 2010 compared with $242 million in the third quarter of 2009. These increases reflected higher equity earnings from our BlackRock investment, improved equity markets and client growth. Discretionary assets under management at September 30, 2010 totaled $105 billion compared with $104 billion at September 30, 2009.

For the first nine months of 2010, consumer services fees totaled $939 million compared with $975 million in the first nine months of 2009. Consumer services fees were $328 million for the third quarter of 2010 compared with $330 million for the third quarter of 2009. Lower consumer service fees for 2010 in both comparisons reflected lower brokerage fees and the impact of the consolidation of the securitized credit card portfolio, partially offset by higher volume-related transaction fees. As further discussed in the Retail Banking section of the Business Segments Review portion of this Financial Review, we expect that the Credit CARD Act of 2009 will negatively impact full year 2010 revenues by approximately $75 million, a portion of which will be in the fourth quarter of 2010.

Corporate services revenue totaled $712 million in the first nine months of 2010 and $761 million in the first nine months of 2009. Corporate services revenue declined in the third quarter of 2010 to $183 million, compared with $252 million for the third quarter of 2009. The declines in both comparisons were largely the result of a reduction in the value of commercial mortgage servicing rights largely driven by lower interest rates, partially offset by higher merger and acquisition advisory and ancillary commercial mortgage servicing fees. Corporate services fees include the noninterest component of treasury management fees, which continued to be a strong contributor to revenue.

Residential mortgage revenue totaled $542 million in the first nine months of 2010 compared with $883 million in the first nine months of 2009. Third quarter 2010 residential mortgage revenue totaled $216 million compared with $207 million in the third quarter of 2009. The nine-month decline reflected reduced loan sales revenue given the strong loan origination refinance volume in 2009 and lower net hedging gains on mortgage servicing rights. Higher net hedging gains on mortgage servicing rights drove the third quarter 2010 increase.

Service charges on deposits totaled $573 million for the first nine months of 2010 and $714 million for the first nine months of 2009. Service charges on deposits totaled $164 million for the third quarter of 2010 compared with $248 million for the third quarter of 2009. The decrease in both instances was due to lower overdraft charges and required branch divestitures in the third quarter of 2009. As further discussed in the Retail Banking section of the Business Segments Review portion of this Financial Review, we expect that the new Regulation E rules related to overdraft charges will negatively impact our fourth quarter 2010 revenue by an estimated $100 million, or approximately $55 million more than its impact on the third quarter of 2010.

Net gains on sales of securities totaled $358 million for the first nine months of 2010 and $406 million for the first nine months of 2009. Third quarter net gains on sales of securities were $121 million in 2010 and $168 million in 2009.

The net credit component of OTTI of securities recognized in earnings was a loss of $281 million in the first nine months of 2010, including $71 million in the third quarter, compared with losses of $433 million and $129 million, respectively, for the same periods in 2009.

Other noninterest income totaled $650 million for the first nine months of 2010 compared with $660 million for the first nine months of 2009. Other noninterest income for the third quarter of 2010 totaled $193 million compared with $311 million for the third quarter of 2009. The third quarter of 2009 included $88 million of gains on sales of loans.

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 Financial Review, further details regarding private equity and alternative investments are included in the Market Risk Management-Equity And Other Investment Risk section, and further details regarding gains or losses related to our equity investment in BlackRock are included in the Business Segments Review section.

We believe that as the economy recovers, there will be greater opportunities for growth in client-related fee-based revenue.

PRODUCT REVENUE

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

Treasury management revenue, which includes fees as well as net interest income from customer deposit balances, totaled $919 million for the first nine months of 2010, an increase of $78 million or 9% compared with the first nine months of 2009. For the third quarter of 2010, treasury management revenue was $319 million, an increase of $38 million or 14% compared with the third quarter of 2009. These increases were primarily related to deposit growth and continued growth in legacy offerings such as purchasing cards and lockbox as well as services provided to the Federal government and healthcare customers.

Revenue from capital markets-related products and services totaled $411 million in the first nine months of 2010 compared with $346 million in the first nine months of 2009, an increase of $65 million or 19%. Higher underwriting, mergers and acquisition advisory fees, and syndications fees contributed to the improved results. Third quarter 2010 revenue was $119 million compared with $155 million for the third quarter of 2009, a decline of $36 million or 23%. The decline was driven by lower loan sale gains partially offset by increased mergers and acquisition advisory fees and syndications fees.

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 $146 million in the first nine months of 2010, a decrease of $206 million or 59% compared with the first nine months of 2009. For the third quarter of 2010, losses from commercial mortgage banking activities totaled $16 million compared with third quarter 2009 revenue of $119 million. These decreases were primarily due to valuations associated with commercial mortgage loans held for sale, net of hedges, higher impairment of mortgage servicing rights, and the sale during the second quarter 2010 of a duplicative agency servicing operation acquired as part of the National City transaction. These decreases were partially offset by higher ancillary commercial mortgage servicing fees.

PROVISION FOR CREDIT LOSSES

The provision for credit losses totaled $2.1 billion for the first nine months of 2010 compared with $2.9 billion for the first nine months of 2009. For the third quarter of 2010, the provision for credit losses totaled $486 million compared with $914 million for the third quarter of 2009. The lower provision in both comparisons reflected credit exposure reductions and overall improving credit migration during 2010.

We are optimistic about prospects for a stable-to-lower provision for credit losses in the fourth quarter of 2010 compared with the third quarter of 2010. Future provision levels will depend primarily on the level of nonperforming loans and the pace of economic recovery.

The Credit Risk Management portion of the Risk Management section of this Financial Review includes additional information regarding factors impacting the provision for credit losses.

NONINTEREST EXPENSE

Noninterest expense for the first nine months of 2010 was $6.3 billion compared with $6.9 billion for the first nine months of 2009, a decline of $591 million or 9%. The impact of higher cost savings related to the National City acquisition and the reversal of certain accrued liabilities in the second quarter of 2010, including $73 million associated with a franchise tax settlement and $47 million associated with an indemnification for certain Visa litigation, were reflected in the lower nine-month expenses. Lower expenses in the first nine months of 2010 also reflected a special FDIC assessment, intended to build the FDIC’s Deposit Insurance Fund, of $133 million in the second quarter of 2009.

Noninterest expense totaled $2.2 billion in the third quarter of 2010, a decline of 3% compared with the third quarter of 2009. Noninterest expense declined compared with the year ago quarter primarily due to higher acquisition-related cost savings.

We expect noninterest expense to be lower in the fourth quarter of 2010 relative to the third quarter of 2010 primarily due to lower integration costs and an expected fourth quarter reduction in our Visa indemnification liability.

See National City Integration Costs in the Executive Summary section of this Financial Review for details of integration costs incurred, including through the first nine months of 2010 and 2009.

We achieved National City acquisition cost savings of $1.7 billion on an annualized basis in the third quarter of 2010, higher and earlier than our original goal of $1.2 billion, and are on track to meet our new goal of $1.8 billion by the end of 2010.

EFFECTIVE TAX RATE

The effective tax rate was 25.0% for the first nine months of 2010 compared with 21.4% for the first nine months of 2009. The tax rate was lower on a year-to-date basis in 2009 due to lower levels of pretax income in 2009 partially offset by the 2010 favorable IRS letter ruling noted below.

For the third quarter of 2010, our effective tax rate was 18.8% compared with 25.5% for the third quarter of 2009. The lower tax rate in the third quarter of 2010 was primarily the result of receiving a favorable IRS letter ruling in July 2010 that resolved a prior tax position and resulted in a tax benefit of $89 million.

We anticipate that the full year 2010 effective tax rate will be approximately 26%.

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CONSOLIDATED BALANCE SHEET REVIEW

SUMMARIZED BALANCE SHEET DATA

In millions	Sept. 30 2010	Dec. 31 2009
Assets		
Loans	**$150,127**	$157,543
Investment securities	**63,461**	56,027
Cash and short-term investments	**7,188**	13,290
Loans held for sale	**3,275**	2,539
Goodwill and other intangible assets	**10,518**	12,909
Equity investments	**10,137**	10,254
Other	**15,427**	17,301
Total assets	**$260,133**	$269,863
Liabilities		
Deposits	**$179,183**	$186,922
Borrowed funds	**39,763**	39,261
Other	**8,521**	11,113
Total liabilities	**227,467**	237,296
Total shareholders' equity	**30,042**	29,942
Noncontrolling interests	**2,624**	2,625
Total equity	**32,666**	32,567
Total liabilities and equity	**$260,133**	$269,863

The summarized balance sheet data above is based upon our Consolidated Balance Sheet in Part I, Item 1 of this Report.

The decline in total assets at September 30, 2010 compared with December 31, 2009 was primarily due to decreases in loans and cash and short-term investments, partially offset by an increase in investment securities.

Total assets and liabilities at September 30, 2010 included $4.5 billion and $3.2 billion, respectively, related to Market Street and a credit card securitization trust as more fully described in the Off-Balance Sheet Arrangements And Variable Interest Entities section of this Financial Review and Note 3 Loan Sale and Servicing Activities and Variable Interest Entities in the Notes To Consolidated Financial Statements of this Report.

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 $2.8 billion at September 30, 2010 and $3.2 billion at December 31, 2009. The balances do not include future accretable net interest on the purchased impaired loans.

Loans decreased $7.4 billion, or 5%, as of September 30, 2010 compared with December 31, 2009. An increase in loans of $3.5 billion from the initial consolidation of Market Street and the securitized credit card portfolio was more than offset by the impact of soft customer loan demand combined with loan repayments and payoffs in the distressed assets portfolio.

Loans represented 58% of total assets at both September 30, 2010 and at December 31, 2009. Commercial lending represented 52% of the loan portfolio and consumer lending represented 48% at September 30, 2010.

Commercial real estate loans represented 7% of total assets at September 30, 2010 and 9% of total assets at December 31, 2009.

Details Of Loans

In millions	Sept. 30 2010	Dec. 31 2009
Commercial		
Retail/wholesale	**$ 9,752**	$ 9,515
Manufacturing	**9,519**	9,880
Service providers	**8,747**	8,256
Real estate related (a)	**7,398**	7,403
Financial services	**3,773**	3,874
Health care	**3,169**	2,970
Other	**10,830**	12,920
Total commercial	**53,188**	54,818
Commercial real estate		
Real estate projects	**13,021**	15,582
Commercial mortgage	**6,070**	7,549
Total commercial real estate	**19,091**	23,131
Equipment lease financing	**6,408**	6,202
TOTAL COMMERCIAL LENDING (b)	**78,687**	84,151
Consumer		
Home equity		
Lines of credit	**23,770**	24,236
Installment	**10,815**	11,711
Education	**8,819**	7,468
Automobile	**2,863**	2,013
Credit card and other unsecured lines of credit	**4,843**	3,536
Other	**3,846**	4,618
Total consumer	**54,956**	53,582
Residential real estate		
Residential mortgage	**15,708**	18,190
Residential construction	**776**	1,620
Total residential real estate	**16,484**	19,810
TOTAL CONSUMER LENDING	**71,440**	73,392
Total loans	**$150,127**	$157,543

(a) Includes loans to customers in the real estate and construction industries.
(b) Construction loans with interest reserves, and A Note/B Note restructurings are not significant to PNC.

Total loans above include purchased impaired loans related to National City amounting to $8.1 billion, or 5% of total loans, at September 30, 2010, and $10.3 billion, or 7% of total loans, at December 31, 2009.

We are committed to providing credit and liquidity to qualified borrowers. Total loan originations and new commitments and renewals totaled $112 billion for the first nine months of 2010, including $39 billion in the third quarter.

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. This estimate also considers other relevant factors such as:

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

Higher Risk Loans

Our loan portfolio includes certain loans deemed to be higher risk and therefore more likely to result in credit losses. We established specific and pooled reserves on the total commercial lending category of $2.9 billion at September 30, 2010. This commercial lending reserve provided adequate and appropriate loss coverage on the higher risk commercial loans in the total commercial portfolio. The commercial lending reserve represented 56% of the total allowance for loan and lease losses of $5.2 billion at that date. The remaining 44% 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. Such loans are excluded from the following assessment of higher risk loans.

Our home equity lines of credit and installment loans outstanding totaled $34.6 billion at September 30, 2010. 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 an original loan-to-value ratio greater than 90%. Such loans totaled $1.2 billion or approximately 4% of the total home equity line of credit and installment loans at September 30, 2010. These higher risk loans were concentrated in our geographic footprint with 28% in Pennsylvania, 13% in Ohio, 11% in New Jersey, 7% in Illinois, 6% in Michigan, 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 12% are in some stage of delinquency and 6% are in late stage (90+ days) delinquency status.

In our $15.7 billion residential mortgage portfolio, loans with a recent FICO credit score of less than or equal to 660 and a recent loan-to-value ratio greater than 90% totaled $.7 billion and comprised approximately 4% of this portfolio at September 30, 2010. Twenty-three percent of the higher risk loans are located in California, 12% in Florida, 11% 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 $.7 billion, approximately 47% are in some stage of delinquency and 36% are in 90+ days late stage delinquency status.

Within our broader home equity lines of credit, installment loans and residential mortgage portfolios, approximately 5% of the aggregate $50.3 billion loan outstandings 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 the first nine months of 2010 in connection with our acquisition of National City follows.

Valuation of Purchased Impaired Loans

Dollars in billions	December 31, 2008 Balance	December 31, 2008 Net Investment	December 31, 2009 Balance	December 31, 2009 Net Investment	**September 30, 2010 Balance**	**September 30, 2010 Net Investment**
Commercial and commercial real estate loans:						
Unpaid principal balance	$ 6.3		$ 3.5		**$ 2.2**	
Purchased impaired mark	(3.4)		(1.3)		**(.7)**	
Recorded investment	2.9		2.2		**1.5**	
Allowance for loan losses			(.2)		**(.3)**	
Net investment	2.9	46%	2.0	57%	**1.2**	**55%**
Consumer and residential mortgage loans:						
Unpaid principal balance	15.6		11.7		**8.4**	
Purchased impaired mark	(5.8)		(3.6)		**(1.8)**	
Recorded investment	9.8		8.1		**6.6**	
Allowance for loan losses			(.3)		**(.6)**	
Net investment	9.8	63%	7.8	67%	**6.0**	**71%**
Total purchased impaired loans:						
Unpaid principal balance	21.9		15.2		**10.6**	
Purchased impaired mark (a)	(9.2)		(4.9)		**(2.5)**	
Recorded investment	12.7		10.3		**8.1**	
Allowance for loan losses			(.5)		**(.9)(b)**	
Net investment	$ 12.7	58%	$ 9.8	64%	**$ 7.2**	**68%**

(a) Comprised of $5.5 billion of nonaccretable principal cash flows and $3.7 billion of accretable total cash flows at December 31, 2008, $1.4 billion of nonaccretable principal cash flows and $3.5 billion of accretable total cash flows at December 31, 2009, and $.2 billion of nonaccretable principal cash flows and $2.3 billion of accretable total cash flows at September 30, 2010.

(b) Impairment reserves of $.9 billion at September 30, 2010 reflect impaired loans with further credit quality deterioration since acquisition. This deterioration was more than offset by the cash received to date in excess of recorded investment of $.6 billion and the net reclassification to accretable, to be recognized over time, of $.9 billion.

The unpaid principal balance of purchased impaired loans declined from $21.9 billion at December 31, 2008 to $10.6 billion at September 30, 2010 due to amounts determined to be uncollectible, payoffs and disposals. The remaining purchased impaired mark at September 30, 2010 was $2.5 billion which was a decline from $9.2 billion at December 31, 2008. The net investment of $12.7 billion at December 31, 2008 declined 43% to $7.2 billion at September 30, 2010 primarily due to payoffs, disposals and further impairment partially offset by accretion during 2009 and the first nine months of 2010. At September 30, 2010, our largest individual purchased impaired loan had a recorded investment of $21 million.

We currently expect to collect total cash flows of $9.5 billion on purchased impaired loans, representing the $7.2 billion net investment at September 30, 2010 and the accretable net interest of $2.3 billion shown in the Accretable Net Interest table that follows.

Purchase Accounting Accretion

In millions	Three months ended Sept. 30 **2010**	Three months ended Sept. 30 2009	Nine months ended Sept. 30 **2010**	Nine months ended Sept. 30 2009
Non-impaired loans	**$ 70**	$ 172	**$ 293**	$ 662
Impaired loans	**187**	193	**710**	670
Reversal of contractual interest on impaired loans	**(138)**	(167)	**(408)**	(584)
Net impaired loans	**49**	26	**302**	86
Securities	**15**	25	**39**	97
Deposits	**122**	231	**433**	807
Borrowings	**(42)**	(58)	**(112)**	(195)
Total	**$ 214**	$ 396	**$ 955**	$1,457

Cash received in excess of recorded investment from sales or payoffs of impaired commercial loans (cash recoveries) totaled $350 million for the first nine months of 2010, including $111 million in the third quarter. We do not expect this level of cash recoveries to be sustainable on a quarterly basis.

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Remaining Purchase Accounting Accretion

In billions	Dec. 31 2008	Dec. 31 2009	**Sept. 30 2010**
Non-impaired loans	$ 2.4	$ 1.6	**$ 1.3**
Impaired loans (a)	3.7	3.5	**2.3**
Total loans (gross)	6.1	5.1	**3.6**
Securities	.2	.1	**.1**
Deposits	2.1	1.0	**.6**
Borrowings	(1.5)	(1.2)	**(1.1)**
Total	$ 6.9	$ 5.0	**$ 3.2**

(a) Adjustments include purchase accounting accretion, reclassifications from non-accretable to accretable net interest as a result of increases in estimated cash flows, and reductions in the accretable amount as a result of the identification of additional purchased impaired loans as of the National City acquisition close date of December 31, 2008.

Accretable Net Interest – Purchased Impaired Loans

In billions	
January 1, 2010	$ 3.5
Accretion (including cash recoveries)	(1.1)
Net reclassifications to accretable from non-accretable	.1
Disposals	(.2)
September 30, 2010	$ 2.3

In billions	
January 1, 2009	$ 3.7
Accretion (including cash recoveries)	(2.2)
Adjustments resulting from changes in purchase price allocation	.3
Net reclassifications to accretable from non-accretable	.9
Disposals	(.4)
September 30, 2010	$ 2.3

Net unfunded credit commitments are comprised of the following:

Net Unfunded Credit Commitments

In millions	**Sept. 30 2010**	Dec. 31 2009
Commercial / commercial real estate (a)	**$59,834**	$ 60,143
Home equity lines of credit	**19,500**	20,367
Consumer credit card and other unsecured lines	**16,478**	18,800
Other	**1,335**	1,485
Total	**$97,147**	$100,795

(a) Less than 4% of these amounts at each date 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 $15.3 billion at September 30, 2010 and $13.2 billion at December 31, 2009.

Unfunded credit commitments related to the consolidation of Market Street totaled $3.4 billion at September 30, 2010 and are now a component of PNC's total unfunded credit commitments. These amounts are included in the preceding table within the "Commercial / commercial real estate" category.

In addition to credit commitments, our net outstanding standby letters of credit totaled $9.9 billion at September 30, 2010 and $10.0 billion at December 31, 2009. Standby letters of credit commit us to make payments on behalf of our customers if specified future events occur.

Unfunded liquidity facility commitments and standby bond purchase agreements totaled $509 million at September 30, 2010 and $6.2 billion at December 31, 2009 and are included in the preceding table primarily within the "Commercial / commercial real estate" category. Due to the consolidation of Market Street, $5.5 billion of unfunded liquidity facility commitments were no longer included in the amounts in the preceding table as of September 30, 2010.

INVESTMENT SECURITIES

Details of Investment Securities

In millions	Amortized Cost	Fair Value
September 30, 2010		
SECURITIES AVAILABLE FOR SALE		
Debt securities		
US Treasury and government agencies	**$ 7,546**	**$ 7,883**
Residential mortgage-backed		
Agency	**28,470**	**29,093**
Non-agency	**8,663**	**7,581**
Commercial mortgage-backed		
Agency	**1,560**	**1,641**
Non-agency	**1,795**	**1,853**
Asset-backed	**2,897**	**2,702**
State and municipal	**1,578**	**1,601**
Other debt	**3,157**	**3,297**
Corporate stocks and other	**399**	**399**
Total securities available for sale	**$56,065**	**$56,050**
SECURITIES HELD TO MATURITY		
Debt securities		
Commercial mortgage-backed (non-agency)	**$ 4,378**	**$ 4,618**
Asset-backed	**3,024**	**3,104**
Other debt	**9**	**11**
Total securities held to maturity	**$ 7,411**	**$ 7,733**
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

The carrying amount of investment securities totaled $63.5 billion at September 30, 2010 and $56.0 billion at December 31, 2009. The increase in investment securities reflected a $5.3 billion increase in securities available for sale and a $2.2 billion increase in securities held to maturity as excess liquidity was invested in short duration, high quality securities. Investment securities represented 24% of total assets at September 30, 2010 and 21% at December 31, 2009.

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. We consider the portfolio to be well-diversified and of high quality. US Treasury and government agencies, agency residential mortgage-backed securities and agency commercial mortgage-backed securities collectively represented 61% of the investment securities portfolio at September 30, 2010.

In March 2010, we transferred $2.2 billion of available for sale commercial mortgage-backed non-agency securities to the held to maturity portfolio. The transfer involved high-quality securities where management's intent to hold changed. In reassessing the classification of these securities, management considered the potential for the fair value of the securities to be adversely impacted, even where there is no indication of credit impairment.

At September 30, 2010, the securities available for sale portfolio included a net unrealized loss of $15 million, which represented the difference between fair value and amortized cost. The comparable amount at December 31, 2009 was a net unrealized loss of $2.3 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 significant decline in the net unrealized loss from December 31, 2009 was primarily the result of lower market interest rates and improving liquidity and credit spreads on 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 from continuing operations, 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 OTTI 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 4.0 years at September 30, 2010 and 4.1 years at December 31, 2009.

We estimate that, at September 30, 2010, the effective duration of investment securities was 2.4 years for an immediate 50 basis points parallel increase in interest rates and 2.4 years for an immediate 50 basis points parallel decrease in interest rates. Comparable amounts at December 31, 2009 were 2.9 years and 2.5 years, respectively.

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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:

	September 30, 2010				
	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	**$ 29,093**	**$ 1,641**	**$ 7,581**	**$ 1,853**	**$ 2,702**
Fair Value – Held to Maturity				**4,618**	**3,104**
Total Fair Value	**$ 29,093**	**$ 1,641**	**$ 7,581**	**$ 6,471**	**$ 5,806**
% of Fair Value:					
By Vintage					
2010	**23%**	**29%**			**6%**
2009	**22%**	**39%**		**3%**	**15%**
2008	**9%**	**6%**			**17%**
2007	**14%**	**3%**	**17%**	**10%**	**12%**
2006	**7%**	**6%**	**23%**	**30%**	**13%**
2005 and earlier	**25%**	**17%**	**60%**	**57%**	**15%**
Not Available					**22%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
By Credit Rating					
Agency	**100%**	**100%**			
AAA			**8%**	**87%**	**72%**
AA			**4%**	**5%**	**6%**
A			**5%**	**4%**	**4%**
BBB			**4%**	**3%**	
BB			**11%**	**1%**	**1%**
B			**19%**		**4%**
Lower than B			**49%**		**11%**
No rating					**2%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**
By FICO Score					
>720			**60%**		**4%**
<720 and >660			**31%**		**8%**
<660					**3%**
No FICO score	**N/A**	**N/A**	**9%**	**N/A**	**85%**
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.

We recognize 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 we would be required to sell the security prior to expected recovery. The remaining portion of OTTI charges is included in accumulated other comprehensive loss.

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We recognized OTTI for the first nine months and third quarter of 2010 and 2009 as follows:

Other-Than-Temporary Impairments

In millions	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
Credit portion of OTTI losses (a)	**$ (71)**	$ (129)	**$(281)**	$ (433)
Noncredit portion of OTTI losses (b)	**(46)**	(272)	**(194)**	(1,107)
Total OTTI losses	**$ (117)**	$ (401)	**$(475)**	$(1,540)

(a) Reduction of noninterest income in our Consolidated Income Statement.
(b) Included in Accumulated other comprehensive loss on our Consolidated Balance Sheet.

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 our most significant categories of securities not backed by the US government or its agencies. A summary of all OTTI credit losses recognized for the third quarter and first nine months of 2010 by investment type is included in Note 7 Investment Securities in the Notes To Consolidated Financial Statements of this Report.

In millions	September 30, 2010 Residential Mortgage-Backed Securities Fair Value	Residential Mortgage-Backed Securities Net Unrealized Gain (Loss)	Commercial Mortgage-Backed Securities Fair Value	Commercial Mortgage-Backed Securities Net Unrealized Gain (Loss)	Asset-Backed Securities (a) Fair Value	Asset-Backed Securities (a) Net Unrealized Gain (Loss)
AVAILABLE FOR SALE SECURITIES (NON-AGENCY)						
Credit Rating Analysis						
AAA	**$ 580**	**$ (24)**	**$1,131**	**$ 50**	**$1,527**	**$ 4**
Other Investment Grade (AA, A, BBB)	**1,027**	**(49)**	**667**	**13**	**277**	**(6)**
Total Investment Grade	**1,607**	**(73)**	**1,798**	**63**	**1,804**	**(2)**
BB	**798**	**(121)**	**49**	**(7)**	**2**	
B	**1,436**	**(221)**	**6**	**2**	**222**	**(39)**
Lower than B	**3,740**	**(667)**			**641**	**(129)**
No Rating					**29**	**(25)**
Total Sub-Investment Grade	**5,974**	**(1,009)**	**55**	**(5)**	**894**	**(193)**
Total	**$7,581**	**$ (1,082)**	**$1,853**	**$ 58**	**$2,698**	**$ (195)**
OTTI Analysis						
Investment Grade:						
OTTI has been recognized	**$ 62**	**$ (12)**				
No OTTI recognized to date	**1,545**	**(61)**	**$1,798**	**$ 63**	**$1,804**	**$ (2)**
Total Investment Grade	**1,607**	**(73)**	**1,798**	**63**	**1,804**	**(2)**
Sub-Investment Grade:						
OTTI has been recognized	**3,610**	**(838)**	**18**	**(1)**	**639**	**(160)**
No OTTI recognized to date	**2,364**	**(171)**	**37**	**(4)**	**255**	**(33)**
Total Sub-Investment Grade	**5,974**	**(1,009)**	**55**	**(5)**	**894**	**(193)**
Total	**$7,581**	**$ (1,082)**	**$1,853**	**$ 58**	**$2,698**	**$ (195)**
SECURITIES HELD TO MATURITY (NON-AGENCY)						
Credit Rating Analysis						
AAA			**$4,510**	**$ 239**	**$2,676**	**$ 67**
Other Investment Grade (AA, A, BBB)			**108**	**1**	**290**	**7**
Total Investment Grade			**4,618**	**240**	**2,966**	**74**
BB					**16**	
B					**2**	
Lower than B					**10**	
No Rating					**98**	**6**
Total Sub-Investment Grade					**126**	**6**
Total			**$4,618**	**$ 240**	**$3,092**	**$ 80**

(a) Table excludes $4 million and $12 million of available for sale and held to maturity agency asset-backed securities, respectively.

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Residential Mortgage-Backed Securities

At September 30, 2010, our residential mortgage-backed securities portfolio was comprised of $29.1 billion fair value of US government agency-backed securities and $7.6 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 the first nine months of 2010, we recorded OTTI credit losses of $211 million on non-agency residential mortgage-backed securities, including $57 million in the third quarter. As of September 30, 2010, $207 million of the year-to-date credit losses related to securities rated below investment grade. As of September 30, 2010, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for non-agency residential mortgage-backed securities totaled $850 million and the related securities had a fair value of $3.7 billion.

The fair value of sub-investment grade investment securities for which we have not recorded an OTTI credit loss as of September 30, 2010 totaled $2.4 billion, with unrealized net losses of $171 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 $6.5 billion at September 30, 2010 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 $1.6 billion fair value at September 30, 2010 consisting of multi-family housing. Substantially all of the securities are the most senior tranches in the subordination structure.

OTTI credit losses on commercial mortgage-backed securities for the first nine months of 2010 were not significant. In addition, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for commercial mortgage-backed securities and the fair value of the related securities at September 30, 2010 were not significant. The remaining fair value for which OTTI was previously recorded approximates zero.

Asset-Backed Securities

The fair value of the asset-backed securities portfolio was $5.8 billion at September 30, 2010 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.

During the first nine months of 2010, we recorded OTTI credit losses of $67 million on asset-backed securities, including $14 million in the third quarter. All of the securities were collateralized by first and second lien residential mortgage loans and were rated below investment grade. As of September 30, 2010, the noncredit portion of OTTI losses recorded in accumulated other comprehensive loss for asset-backed securities totaled $160 million and the related securities had a fair value of $639 million.

For the sub-investment grade investment securities (available for sale and held to maturity) for which we have not recorded an OTTI loss through September 30, 2010, the remaining fair value was $381 million, with unrealized net losses of $27 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 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	Sept. 30 2010	Dec. 31 2009
Commercial mortgages at fair value	**$1,028**	$1,050
Commercial mortgages at lower of cost or market	**353**	251
Total commercial mortgages	**1,381**	1,301
Residential mortgages at fair value	**1,777**	1,012
Residential mortgages at lower of cost or market	**9**	
Total residential mortgages	**1,786**	1,012
Other	**108**	226
Total	**$3,275**	$2,539

We stopped originating certain commercial mortgage loans designated as held for sale during the first quarter of 2008 and continue pursuing opportunities to reduce these positions at appropriate prices. We sold $82 million of commercial mortgage loans held for sale carried at fair value in the first nine months of 2010 and sold $234 million in the first nine months of 2009.

We recognized net losses of $6 million in the first nine months of 2010 on the valuation and sale of commercial mortgage loans held for sale, net of hedges, including net gains of $7 million in the third quarter. Net gains of $62 million on the valuation and sale of commercial mortgages loans held for sale, net of hedges, were recognized in the first nine months of 2009, including $28 million in the third quarter.

Residential mortgage loan origination volume was $7.0 billion in the first nine months of 2010. Substantially all such loans were originated to agency or FHA standards. We sold $6.6 billion of loans and recognized related gains of $165 million during the first nine months of 2010, of which $77 million occurred in the third quarter. The comparable amounts for the first nine months of 2009 were $17.0 billion and $409 million, respectively, including $83 million in the third quarter.

Interest income on loans held for sale was $208 million for the first nine months of 2010, including $55 million in the third quarter. Comparable amounts in 2009 were $195 million and $68 million, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets totaled $10.5 billion at September 30, 2010 compared with $12.9 billion at December, 31, 2009. Goodwill declined $1.3 billion, to $8.2 billion, at September 30, 2010 compared with the year-end balance primarily due to the sale of GIS which reduced goodwill by $1.2 billion. The $1.1 billion decline in other intangible assets from December 31, 2009 included a $.5 billion decline in residential mortgage servicing rights and a $.3 billion decline in commercial mortgage servicing rights. Note 9 Goodwill and Other Intangible Assets included in the Notes To Consolidated Financial Statements of this Report provides further information on these items.

FUNDING AND CAPITAL SOURCES

Details Of Funding Sources

In millions	Sept. 30 2010	Dec. 31 2009
Deposits		
Money market	**$ 82,386**	$ 85,838
Demand	**45,811**	40,406
Retail certificates of deposit	**40,716**	48,622
Savings	**7,099**	6,401
Other time	**686**	1,088
Time deposits in foreign offices	**2,485**	4,567
Total deposits	**179,183**	186,922
Borrowed funds		
Federal funds purchased and repurchase agreements	**4,661**	3,998
Federal Home Loan Bank borrowings	**7,106**	10,761
Bank notes and senior debt	**13,508**	12,362
Subordinated debt	**10,023**	9,907
Other	**4,465**	2,233
Total borrowed funds	**39,763**	39,261
Total	**$218,946**	$226,183

Total funding sources decreased $7.2 billion, or 3%, at September 30, 2010 compared with December 31, 2009.

Total deposits decreased $7.7 billion at September 30, 2010 compared with December 31, 2009. Deposits decreased in the comparison primarily due to declines in retail certificates of deposit and money market deposits partially offset by an increase in demand deposits.

Interest-bearing deposits represented 74% of total deposits at September 30, 2010 compared with 76% at December 31, 2009.

Total borrowed funds increased $.5 billion since December 31, 2009. Other borrowed funds increased $2.2 billion in the comparison primarily due to an increase in commercial paper borrowings of $2.3 billion with the consolidation of Market Street. Bank notes and senior debt increased $1.1 billion since year-end. These increases were partially offset by a decline of $3.7 billion in Federal Home Loan Bank borrowings since December 31, 2009.

Capital

PNC increased common equity during the first nine months of 2010 as outlined below. 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.

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Total shareholders' equity increased $.1 billion, to $30.0 billion, at September 30, 2010 compared with December 31, 2009 and included the impact of the following:

- The first quarter 2010 issuance of 63.9 million shares of common stock in an underwritten offering at $54 per share resulted in a $3.4 billion increase in total shareholders' equity,
- An increase of $2.0 billion to retained earnings, and
- A positive swing of $2.1 billion in accumulated other comprehensive income (loss) largely due to decreases in net unrealized securities losses as more fully described in the Investment Securities portion of this Consolidated Balance Sheet Review.

The factors above were mostly offset by a decline of $7.3 billion in capital surplus preferred stock in connection with our February 2010 redemption of the Series N (TARP) Preferred Stock as explained further in Note 14 Total Equity And Other Comprehensive Income in the Notes To Consolidated Financial Statements in this Report.

Common shares outstanding were 526 million at September 30, 2010 and 462 million at December 31, 2009. Our first quarter 2010 common stock offering referred to above drove this increase.

Since our acquisition of National City on December 31, 2008, we have increased total common shareholders' equity by $11.9 billion, or 68%. 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.

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 the first nine months of 2010 under this program and, as described in our 2009 Form 10-K, were restricted from doing so under the TARP Capital Purchase Program prior to our February 2010 redemption of the Series N Preferred Stock.

Risk-Based Capital

Dollars in millions	**Sept. 30 2010**	Dec. 31 2009
Capital components		
Shareholders' equity		
Common	**$ 29,394**	$ 21,967
Preferred	**648**	7,975
Trust preferred capital securities	**2,941**	2,996
Noncontrolling interests	**1,350**	1,611
Goodwill and other intangible assets	**(9,111)**	(10,652)
Eligible deferred income taxes on goodwill and other intangible assets	**528**	738
Pension, other postretirement benefit plan adjustments	**402**	542
Net unrealized securities losses, after-tax	**86**	1,575
Net unrealized losses (gains) on cash flow hedge derivatives, after-tax	**(655)**	(166)
Other	**(207)**	(63)
Tier 1 risk-based capital	**25,376**	26,523
Subordinated debt	**5,143**	5,356
Eligible allowance for credit losses	**2,704**	2,934
Total risk-based capital	**$ 33,223**	$ 34,813
Tier 1 common capital		
Tier 1 risk-based capital	**$ 25,376**	$ 26,523
Preferred equity	**(648)**	(7,975)
Trust preferred capital securities	**(2,941)**	(2,996)
Noncontrolling interests	**(1,350)**	(1,611)
Tier 1 common capital	**$ 20,437**	$ 13,941
Assets		
Risk-weighted assets, including off- balance sheet instruments and market risk equivalent assets	**$213,655**	$232,257
Adjusted average total assets	**255,800**	263,103
Capital ratios		
Tier 1 risk-based	**11.9%**	11.4%
Tier 1 common	**9.6**	6.0
Total risk-based	**15.6**	15.0
Leverage	**9.9**	10.1

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 September 30, 2010 capital levels were aligned with them.

Dodd-Frank requires the Federal Reserve Board to establish capital requirements that would, among other things, eliminate the Tier 1 treatment of trust preferred securities following a phase-in period expected to begin in 2013. Accordingly, PNC will evaluate its alternatives, including the potential for early redemption of some or all of its trust preferred securities, based on such considerations it may consider relevant, including dividend rates, the specifics of the future capital requirements, capital market conditions and other factors.

Our Tier 1 risk-based capital ratio increased 50 basis points to 11.9% at September 30, 2010 from 11.4% at December 31, 2009. Our Tier 1 common capital ratio was 9.6% at September 30, 2010, an increase of 360 basis points compared with 6.0% at December 31, 2009. Increases in both ratios were attributable to retention of earnings in 2010, the first quarter 2010 equity offering, the third quarter 2010 sale of GIS, and lower risk-weighted assets. The increases in the Tier 1 risk-based capital ratio noted above were offset by the impact of the $7.6 billion first quarter 2010 redemption of the Series N (TARP) Preferred Stock. See Note 14 Total Equity And Other Comprehensive Income in the Notes To Consolidated Financial Statements in this Report for additional information regarding the Series N Preferred Stock redemption.

At September 30, 2010, PNC Bank, N.A., our domestic bank subsidiary, was considered "well capitalized" based on US regulatory capital ratio requirements, which are indicated on page 2 of this Report. We believe PNC Bank, N.A. will continue to meet these requirements during the remainder of 2010.

The access to, and cost of, funding for 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.

OFF-BALANCE SHEET ARRANGEMENTS AND VARIABLE INTEREST ENTITIES

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

- Commitments, including contractual obligations and other commitments, included within the Risk Management section of this Financial Review,
- Note 3 Loan Sale and Servicing Activities and Variable Interest Entities,
- Note 18 Commitments and Guarantees and
- Both Note 3 and Note 18 are in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report.

On January 1, 2010, we adopted ASU 2009-17 – Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This 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. VIEs are assessed for consolidation under Topic 810 when we hold variable interests in these entities. PNC consolidates VIEs when we are deemed to be the primary beneficiary. The primary beneficiary of a VIE is determined to be the party that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE and (2) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Effective January 1, 2010, we consolidated Market Street, a credit card securitization trust, and certain Low Income Housing Tax Credit (LIHTC) investments. We recorded consolidated assets of $4.2 billion, consolidated liabilities of $4.2 billion, and an after-tax cumulative effect adjustment to retained earnings of $92 million upon adoption.

The following provides a summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements, as of September 30, 2010 and December 31, 2009, respectively.

Consolidated VIEs – Carrying Value (a)

September 30, 2010 In millions	Market Street	Credit Card Securitization Trust	Tax Credit Investments (b)	Credit Risk Transfer Transaction	Total
Assets					
Cash and due from banks			$ 2		$ 2
Interest-earning deposits with banks			5		5
Investment securities	$ 202				202
Loans	2,094	$ 2,103		$ 447	4,644
Allowance for loan and lease losses		(213)		(6)	(219)
Equity investments			1,177		1,177
Other assets	339	3	435	10	787
Total assets	$2,635	$ 1,893	$ 1,619	$ 451	$6,598
Liabilities					
Other borrowed funds	$2,298	$ 523	$ 116		$2,937
Accrued expenses			79		79
Other liabilities	336		187		523
Total liabilities	$2,634	$ 523	$ 382		$3,539

(a) Amounts represent carrying value on PNC's Consolidated Balance Sheet.
(b) Amounts reported primarily represent LIHTC investments.

Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities
September 30, 2010		
Market Street	$ 3,220	$ 3,226
Credit Card Securitization Trust	2,231	995
Tax Credit Investments (a)	1,631	417
Credit Risk Transfer Transaction	766	766
December 31, 2009		
Tax Credit Investments (a)	$ 1,933	$ 808
Credit Risk Transfer Transaction	860	860

(a) Amounts reported primarily represent LIHTC investments.

Aggregate assets and aggregate liabilities differ from the consolidated carrying value of assets and liabilities due to elimination of intercompany assets and liabilities held by the consolidated VIE.

Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss	Carrying Value of Assets	Carrying Value of Liabilities
September 30, 2010					
Tax Credit Investments (a)	$ 3,818	$ 2,028	$ 850	$ 850(c)	$ 347(d)
Commercial Mortgage-Backed Securitizations (b)	73,206	73,206	1,727	1,727(e)	
Residential Mortgage-Backed Securitizations (b)	47,585	47,585	1,936	1,930(e)	6(d)
Collateralized Debt Obligations	18		2	2(c)	
Total	$124,627	$122,819	$ 4,515	$4,509	$ 353

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss
December 31, 2009			
Market Street	$ 3,698	$ 3,718	$ 6,155(f)
Tax Credit Investments (a)	1,786	1,156	743
Collateralized Debt Obligations	23		2
Total	$ 5,507	$ 4,874	$ 6,900

(a) Amounts reported primarily represent LIHTC investments. Aggregate assets and aggregate liabilities represent estimated balances due to limited availability of financial information associated with certain acquired partnerships.

(b) Amounts reported reflect involvement with securitization SPEs where PNC transferred to and/or services loans for a SPE and we hold securities issued by that SPE. We also invest in other mortgage and asset-backed securities issued by third-party VIEs with which we have no continuing involvement. Further information on these securities is included in Note 7 Investment Securities and values disclosed represent our maximum exposure to loss for those securities' holdings.
(c) Included in Equity investments on our Consolidated Balance Sheet.
(d) Included in Other liabilities on our Consolidated Balance Sheet.
(e) Included in Trading securities, Investment securities, Other intangible assets, and Other assets on our Consolidated Balance Sheet.
(f) PNC's risk of loss consisted of off-balance sheet liquidity commitments to Market Street of $5.6 billion and other credit enhancements of $.6 billion at December 31, 2009.

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 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 2009 and the first nine months of 2010, Market Street met all of its funding needs through the issuance of commercial paper.

Market Street commercial paper outstanding was $2.3 billion at September 30, 2010 and $3.1 billion at December 31, 2009. The weighted average maturity of the commercial paper was 39 days at September 30, 2010 and 36 days at December 31, 2009.

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 and an average balance of zero for the first nine months of 2010. PNC Capital Markets owned no Market Street commercial paper at September 30, 2010 and December 31, 2009. PNC Bank, N.A. made no purchases of Market Street commercial paper during the first nine months of 2010.

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

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

Market Street Commitments by Credit Rating (a)

	September 30, 2010	December 31, 2009
AAA/Aaa	**26%**	14%
AA/Aa	**61**	50
A/A	**12**	34
BBB/Baa	1	2
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.

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.

Our 2009 Form 10-K includes additional information regarding the Trust I and Trust II Securities, including descriptions of replacement capital covenants.

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 as described more fully in our 2009 Form 10-K.

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. As described in Note 10 Capital Securities of Subsidiary Trusts and Perpetual Trust Securities in our Notes To Consolidated Financial Statements in this Report, in September 2010 we redeemed $71 million in principal amounts related to the junior subordinated debentures issued by the acquired entities. Under the terms of the outstanding 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.

As more fully described in our 2009 Form 10-K, we are subject to replacement capital covenants with respect to four tranches of junior subordinated debentures inherited from National City as well as a replacement capital covenant with respect to our Series L Preferred Stock. As a result of a successful consent solicitation of the holders of our 6.875% Subordinated Notes due May 15, 2019, we terminated the replacement capital covenants with respect to these four tranches of junior subordinated debentures and our Series L Preferred Stock on November 5, 2010.

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FAIR VALUE MEASUREMENTS

In addition to the following, see Note 8 Fair Value in the Notes To Consolidated Financial Statements under Part 1, Item 1 of this Report for further information regarding fair value.

Assets recorded at fair value represented 28% and 23% of total assets at September 30, 2010 and December 31, 2009, respectively. The increase in the percentage of total assets recorded at fair value at September 30, 2010 compared with the prior year end was primarily due to increases in securities available for sale and financial derivatives. Liabilities recorded at fair value represented 3% and 2% of total liabilities at September 30, 2010 and December 31, 2009, respectively.

The following table includes the assets and liabilities measured at fair value and the portion of such assets and liabilities that are classified within Level 3 of the valuation hierarchy.

	Sept. 30, 2010		Dec. 31, 2009	
In millions	Total Fair Value	Level 3	Total Fair Value	Level 3
Assets				
Securities available for sale	**$56,050**	**$ 9,024**	$50,798	$ 9,933
Financial derivatives	**7,856**	**120**	3,916	50
Residential mortgage loans held for sale	**1,777**		1,012	
Trading securities	**955**	**71**	2,124	89
Residential mortgage servicing rights	**788**	**788**	1,332	1,332
Commercial mortgage loans held for sale	**1,028**	**1,028**	1,050	1,050
Equity investments	**1,375**	**1,375**	1,188	1,188
Customer resale agreements	**921**		990	
Loans	**90**		107	
Other assets	**780**	**361**	716	509
Total assets	**$71,620**	**$12,767**	$63,233	$14,151
Level 3 assets as a percentage of total assets at fair value		**18%**		22%
Level 3 assets as a percentage of consolidated assets		**5%**		5%
Liabilities				
Financial derivatives	**$ 6,233**	**$ 403**	$ 3,839	$ 506
Trading securities sold short	**872**		1,344	
Other liabilities	**8**		6	
Total liabilities	**$ 7,113**	**$ 403**	$ 5,189	$ 506
Level 3 liabilities as a percentage of total liabilities at fair value		**6%**		10%
Level 3 liabilities as a percentage of consolidated liabilities		**<1%**		<1%

The majority of Level 3 assets represent non-agency residential mortgage-backed and asset-backed securities in the available for sale securities portfolio for which there was a lack of observable trading activity.

During the first nine months of 2010, no material transfers of assets or liabilities between the hierarchy levels occurred.

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BUSINESS SEGMENTS REVIEW

We have six reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- Residential Mortgage Banking
- BlackRock
- Distressed Assets Portfolio

Business segment results, including inter-segment revenues, and a description of each business are included in Note 19 Segment Reporting included in the Notes To Consolidated Financial Statements of this Report. Certain amounts included in this Financial Review differ from those in Note 19 primarily due to the presentation in this Financial Review 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. Certain prior period amounts have been reclassified to reflect current methodologies and our current business and management structure. As a result of its sale, GIS is no longer a reportable business segment. 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 reflect the capital required for well-capitalized domestic banks and 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 total consolidated results from continuing operations before noncontrolling interests, which itself excludes the earnings and revenue attributable to GIS, including the related after-tax third quarter 2010 sale of GIS that are reflected in discontinued 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, 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.

Period-end Employees

	Sept. 30 2010	Dec. 31 2009	Sept. 30 2009
Full-time employees			
Retail Banking	**21,203**	21,416	21,644
Corporate & Institutional Banking	**3,660**	3,746	3,861
Asset Management Group	**2,971**	2,969	3,076
Residential Mortgage Banking	**3,339**	3,267	3,606
Distressed Assets Portfolio	**170**	175	157
Other			
Operations & Technology	**8,689**	9,249	9,373
Staff Services and other (a)	**4,588**	8,939	8,812
Total Other	**13,277**	18,188	18,185
Total full-time employees	**44,620**	49,761	50,529
Retail Banking part-time employees	**4,799**	4,737	4,859
Other part-time employees	**974**	1,322	1,520
Total part-time employees	**5,773**	6,059	6,379
Total	**50,393**	55,820	56,908

(a) Includes employees of GIS 4,450 at December 31, 2009 and 4,561 at September 30, 2009. We sold GIS effective July 1, 2010.

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. Total employees have decreased since September 30, 2009 primarily as a result of the sale of GIS and integration and conversion activities related to our National City acquisition.

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Results Of Businesses – Summary
(Unaudited)

Nine months ended September 30 – in millions	Income (Loss)		Revenue		Average Assets (a)	
	2010	2009	**2010**	2009	**2010**	2009
Retail Banking (b)	**$ 97**	$ 161	**$ 4,101**	$ 4,342	**$ 67,380**	$ 65,281
Corporate & Institutional Banking	**1,230**	775	**3,537**	3,889	**77,764**	86,391
Asset Management Group	**112**	82	**665**	701	**7,043**	7,367
Residential Mortgage Banking	**272**	410	**774**	1,152	**8,903**	8,289
BlackRock	**253**	151	**326**	191	**6,275**	4,599
Distressed Assets Portfolio	**8**	172	**927**	932	**18,246**	23,627
Total business segments	**1,972**	1,751	**10,330**	11,207	**185,611**	195,554
Other (b) (c) (d)	**232**	(496)	**943**	135	**79,744**	83,006
Income from continuing operations before noncontrolling interests (e)	**$2,204**	$1,255	**$11,273**	$11,342	**$265,355**	$278,560

(a) Period-end balances for BlackRock.
(b) Amounts for 2009 include the results of the 61 branches divested by early September 2009.
(c) For our segment reporting presentation in this Financial Review, “Other” for the first nine months of 2010 and 2009 included $309 million and $266 million, respectively, of pretax integration costs related to National City.
(d) “Other” average assets include securities available for sale associated with asset and liability management activities.
(e) Amounts are presented on a continuing operations basis and therefore exclude the earnings, revenue, and assets of GIS, including the third quarter 2010 gain on sale of GIS.

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RETAIL BANKING

(Unaudited)

Nine months ended September 30 Dollars in millions	2010 (a)	2009 (b)
INCOME STATEMENT		
Net interest income	**$ 2,608**	$ 2,689
Noninterest income		
Service charges on deposits	**556**	701
Brokerage	**161**	186
Consumer services	**673**	662
Other	**103**	104
Total noninterest income	**1,493**	1,653
Total revenue	**4,101**	4,342
Provision for credit losses	**946**	921
Noninterest expense	**3,007**	3,158
Pretax earnings	**148**	263
Income taxes	**51**	102
Earnings	**$ 97**	$ 161
AVERAGE BALANCE SHEET		
Loans		
Consumer		
Home equity	**$ 26,538**	$ 27,502
Indirect	**3,960**	4,049
Education	**8,409**	5,278
Credit cards	**3,975**	2,150
Other consumer	**1,792**	1,791
Total consumer	**44,674**	40,770
Commercial and commercial real estate	**11,302**	12,488
Floor plan	**1,287**	1,307
Residential mortgage	**1,669**	2,120
Total loans	**58,932**	56,685
Goodwill and other intangible assets	**5,881**	5,828
Other assets	**2,567**	2,768
Total assets	**$ 67,380**	$ 65,281
Deposits		
Noninterest-bearing demand	**$ 17,054**	$ 16,238
Interest-bearing demand	**19,654**	18,327
Money market	**40,045**	39,401
Total transaction deposits	**76,753**	73,966
Savings	**6,865**	6,621
Certificates of deposit	**42,749**	54,765
Total deposits	**126,367**	135,352
Other liabilities	**1,602**	58
Capital	**8,187**	8,564
Total liabilities and equity	**$136,156**	$143,974
PERFORMANCE RATIOS		
Return on average capital	**2%**	3%
Return on average assets	**.19**	.33
Noninterest income to total revenue	**36**	38
Efficiency	**73**	73
OTHER INFORMATION (c)		
Credit-related statistics:		
Commercial nonperforming assets	**$ 262**	$ 311
Consumer nonperforming assets	**400**	191
Total nonperforming assets (d)	**$ 662**	$ 502
Impaired loans (e)	**$ 939**	$ 1,161
Commercial lending net charge-offs	**$ 281**	$ 242
Credit card lending net charge-offs (on balance sheet)	**248**	152
Consumer lending (excluding credit card) net charge-offs	**316**	293
Total net charge-offs	**$ 845**	$ 687
Commercial lending annualized net charge-off ratio	**2.98%**	2.35%
Credit card annualized net charge-off ratio (on balance sheet)	**8.34%**	9.45%
Consumer lending (excluding credit card) annualized net charge-off ratio	**1.00%**	.96%
Total annualized net charge-off ratio	**1.92%**	1.62%
Other statistics:		
ATMs	**6,626**	6,463
Branches (f)	**2,461**	2,554

At September 30 Dollars in millions, except as noted	2010 (a)	2009 (b)
OTHER INFORMATION (CONTINUED) (C)		
Home equity portfolio credit statistics:		
% of first lien positions (g)	**35%**	35%
Weighted average loan-to-value ratios (g)	**73%**	74%
Weighted average FICO scores (h)	**725**	727
Annualized net charge-off ratio	**.87%**	.70%
Loans 30 – 89 days past due	**.79%**	.75%
Loans 90 days past due	**.94%**	.73%
Customer-related statistics:		
Retail Banking checking relationships (i)	**5,461,000**	5,392,000
Retail online banking active customers	**2,968,000**	2,682,000
Retail online bill payment active customers	**942,000**	753,000
Brokerage statistics:		
Financial consultants (j)	**713**	655
Full service brokerage offices	**40**	42
Brokerage account assets (billions)	**$ 31**	$ 30

(a) Information for 2010 reflects the impact of the consolidation in our financial statements for the securitized credit card portfolio of approximately $1.6 billion of credit card loans as of January 1, 2010.
(b) PNC completed the required divestiture of 61 branches in early September 2009. Amounts for periods prior to the divestiture included the impact of those branches.
(c) Presented as of September 30 except for net charge-offs and annualized net charge-off ratios, which are for the nine months ended.
(d) Includes nonperforming loans of $638 million at September 30, 2010 and $490 million at September 30, 2009.
(e) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.
(f) Excludes certain satellite branches that provide limited products and/or services.
(g) Includes loans from acquired portfolios for which lien position and loan-to-value information is not available.
(h) Represents the most recent FICO scores we have on file.
(i) Retail checking relationships for the prior period presented have been refined subsequent to completion of application system conversion activities related to the National City acquisition.
(j) Financial consultants provide services in full service brokerage offices and PNC traditional branches.

Retail Banking earned $97 million for the first nine months of 2010 compared with earnings of $161 million for the same period a year ago. Earnings declined from the prior year primarily due to lower revenues as a result of lower interest credits assigned to deposits and a decline in fees which were partially offset by well-managed expenses. Retail Banking continued to maintain its focus on growing customers and deposits, customer and employee satisfaction, investing in the business for future growth, as well as disciplined expense management during this period of market and economic uncertainty.

Information for the first nine months of 2010 reflects the impact of the consolidation in our financial statements of the securitized credit card portfolio of approximately $1.6 billion of credit card loans as of January 1, 2010. This consolidation impacted primarily the loan and borrowings categories on the balance sheet and nearly all major categories of our income statement.

Highlights of Retail Banking's performance for the first nine months of 2010 include the following:

- PNC successfully completed the conversion of customers at over 1,300 branches across nine states from National City Bank to PNC, providing further growth opportunities throughout our expanded footprint.

- Success in implementing Retail Banking's deposit strategy resulted in growth in average demand deposits of $2.1 billion, or 6%, over the prior year. Excluding approximately $0.9 billion of average demand deposits from year-to-date 2009 balances related to the 61 required branch divestitures completed in early September 2009, average demand deposits increased $3.0 billion, or 9%, over the prior year.
- Growth in demand deposits reflected the continued focus of Retail Banking on expanding and deepening customer relationships. Checking relationships grew by 67,000 from the beginning of 2010, better than expected in consideration of the impact of branch conversion activities in many markets. Markets not impacted by conversion activities had strong checking relationship results, and we have seen improved sales momentum in the acquired markets post-conversion, as a result of implementing our business model.
- Our investment in online banking capabilities continues to pay off. Active online bill payment and active online banking customers grew by 21% and 8%, respectively, during the first nine months of 2010. In a year-over-year comparison, active online bill pay and active online banking customers have increased 25% and 11%, respectively.
- For the second consecutive year, the Retail Bank was named a Gallup Great WorkPlace Award Winner, reflecting our brand attributes of ease, confidence and achievement. This recognition reflects our commitment to having an engaged workforce.
- PNC's expansive branch footprint covers nearly one-third of the U.S. population with a network of 2,461 branches and 6,626 ATM machines at September 30, 2010. We continue to invest in the branch network. In the first nine months of 2010, we opened 17 traditional and 18 in-store branches, and consolidated 87 branches. The decrease in branches was primarily driven by acquisition-related branch consolidations.

Total revenue for the first nine months of 2010 was $4.1 billion compared with $4.3 billion for the same period in 2009. Net interest income of $2.6 billion declined $81 million compared with the first nine months of 2009. Net interest income was negatively impacted by lower interest credits assigned to deposits, reflective of the rate environment, and benefited from the consolidation of the securitized credit card portfolio, higher demand deposits, and increased education loans.

Noninterest income declined $160 million over the first nine months of 2009. The decrease was due to a decrease in service charges on deposits related to lower overdraft charges, the negative impact of the consolidation of the securitized credit card portfolio, lower brokerage fees, and the impact of the required branch divestitures partially offset by, higher transaction volume-related fees within consumer services.

In 2010, Retail Banking revenues are negatively impacted by the implementation of new federal regulations. These regulations include: 1) the new rules set forth in Regulation E related to overdraft charges, 2) the Credit CARD Act of 2009, and 3) the education lending portions of the Health Care and Education Reconciliation Act of 2010 (HCERA).

The negative impact of Regulation E on revenue for the fourth quarter of 2010 is expected to be approximately $100 million, or approximately $55 million more than its impact on the third quarter of 2010. Additionally, the full year 2010 negative impact of the Credit CARD Act on revenues will be approximately $75 million. A portion of this impact will be in the fourth quarter of 2010. These estimates do not include additional impacts 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.

The education lending business will be adversely impacted by provisions of HCERA that went into effect on July 1, 2010. The law essentially eliminates the Federal Family Education Loan Program (FFELP), the federally guaranteed portion of this business available to private lenders. For 2009, we originated $2.6 billion of federally guaranteed loans under FFELP. We plan to continue to provide private education loans as another source of funding for students and families.

See additional information regarding Dodd-Frank in the Executive Summary section of this Financial Review. Over at least the next year, as regulatory agencies issue proposed and final regulations and as the new Consumer Financial Protection Bureau is organized, we will continue to evaluate the impact of Dodd-Frank.

The provision for credit losses was $946 million through September 30, 2010 compared with $921 million over the same period in 2009. Net charge-offs were $845 million for the first nine months of 2010 compared with $687 million in the same period last year. The year-over-year increase in provision and net charge-offs is due to the deteriorating economy that occurred throughout 2009, as well as an increase of $1.8 billion in average credit card loans primarily due to the consolidation of the $1.6 billion of credit card loans as of January 1, 2010, as previously mentioned. Credit quality has shown signs of stabilization during the first nine months of 2010 with a declining net charge-off trend in each of the first three quarters.

Noninterest expense for the first nine months of the year declined $151 million from the same period last year. Expenses were well-managed as continued investments in distribution channels were more than offset by acquisition cost savings and the required branch divestitures.

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.

In the first nine months of 2010, average total deposits decreased $9.0 billion, or 7%, compared with 2009.

- Average demand deposits increased $2.1 billion, or 6%, over the first nine months of 2009. The increase was primarily driven by customer growth and customer preferences for liquidity.
- Average money market deposits increased $644 million, or 2%, from the first nine months of 2009. The increase was primarily due to core money market growth as customers generally prefer more liquid deposits in a low rate environment.
- In the first nine months of 2010, average certificates of deposit decreased $12.0 billion from the same period last year. A continued decline in certificates of deposit is expected in the fourth quarter of 2010 due to the planned run off of higher rate certificates of deposit that were primarily obtained through the National City acquisition.

Currently, we plan to maintain our focus on a relationship-based lending strategy that targets specific customer sectors (mass consumers, homeowners, students, small businesses and auto dealerships) and our moderate risk lending approach. In the first nine months of 2010, average total loans were $58.9 billion, an increase of $2.2 billion, or 4%, over the same period last year.

- Average education loans grew $3.1 billion compared with the first nine months of 2009 primarily due to increases in federal loan volumes as a result of non-bank competitors exiting from the business, portfolio purchases, and the impact of our current strategy of holding education loans on the balance sheet. As previously noted, the federally guaranteed portion of this business was essentially eliminated going forward beginning July 1, 2010 due to HCERA.
- Average credit card balances increased $1.8 billion over the first nine months of 2009. The increase was primarily the result of the consolidation of the securitized credit card portfolio effective January 1, 2010.
- Average home equity loans declined $964 million over the same period of 2009. Consumer loan demand has slowed as a result of the current economic environment. The decline is driven by loan demand being outpaced by paydowns, refinancings, and charge-offs. Retail Banking's 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 commercial and commercial real estate loans declined $1.2 billion compared with the first nine months of 2009. The decline was primarily due to loan demand being outpaced by refinancings, paydowns, charge-offs and the required branch divestitures (approximately $0.3 billion of the decline on average).

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CORPORATE & INSTITUTIONAL BANKING

(Unaudited)

Nine months ended September 30 Dollars in millions except as noted	2010 (a)	2009
INCOME STATEMENT		
Net interest income	**$ 2,633**	$ 2,824
Noninterest income		
Corporate service fees	**627**	680
Other	**277**	385
Noninterest income	**904**	1,065
Total revenue	**3,537**	3,889
Provision for credit losses	**285**	1,320
Noninterest expense	**1,312**	1,356
Pretax earnings	**1,940**	1,213
Income taxes	**710**	438
Earnings	**$ 1,230**	$ 775
AVERAGE BALANCE SHEET		
Loans		
Commercial	**$33,019**	$38,755
Commercial real estate	**16,948**	19,346
Commercial – real estate related	**3,016**	3,922
Asset-based lending	**6,124**	6,443
Equipment lease financing	**5,444**	5,397
Total loans	**64,551**	73,863
Goodwill and other intangible assets	**3,669**	3,532
Loans held for sale	**1,415**	1,728
Other assets	**8,129**	7,268
Total assets	**$77,764**	$86,391
Deposits		
Noninterest-bearing demand	**$23,759**	$18,756
Money market	**12,246**	9,402
Other	**7,097**	7,636
Total deposits	**43,102**	35,794
Other liabilities	**11,542**	9,357
Capital	**7,593**	7,810
Total liabilities and equity	**$62,237**	$52,961

Nine months ended September 30 Dollars in millions except as noted	2010 (a)	2009
PERFORMANCE RATIOS		
Return on average capital	**22%**	13%
Return on average assets	**2.11**	1.20
Noninterest income to total revenue	**26**	27
Efficiency	**37**	35
COMMERCIAL MORTGAGE SERVICING PORTFOLIO (in billions)		
Beginning of period	**$ 287**	$ 270
Acquisitions/additions	**23**	31
Repayments/transfers	**(47)**	(26)
End of period	**$ 263**	$ 275
OTHER INFORMATION		
Consolidated revenue from: (b)		
Treasury Management	**$ 919**	$ 841
Capital Markets	**$ 411**	$ 346
Commercial mortgage loans held for sale (c)	**$ 49**	$ 138
Commercial mortgage loan servicing (d)	**97**	214
Total commercial mortgage banking activities	**$ 146**	$ 352
Total loans (e)	**$62,388**	$68,352
Credit-related statistics:		
Nonperforming assets (e) (f)	**$ 3,064**	$ 2,992
Impaired loans (e) (g)	**$ 890**	$ 1,482
Net charge-offs	**$ 725**	$ 711
Net carrying amount of commercial mortgage servicing rights (e)	**$ 616**	$ 897

(a) Information as of nine months ended September 30, 2010 reflects the impact of the consolidation in our financial statements of Market Street effective January 1, 2010. Includes $1.5 billion of loans, net of eliminations, and $2.6 billion of commercial paper borrowings included in Other liabilities.
(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 held for sale and net interest income on loans held for sale.
(d) Includes net interest income and noninterest income from loan servicing and ancillary services and commercial mortgage servicing rights valuations.
(e) As of period end.
(f) Includes nonperforming loans of $2.9 billion at both September 30, 2010 and September 30, 2009.
(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 the first nine months of 2010 compared with $775 million in the first nine months of 2009. Significantly higher earnings for the first nine months of 2010 reflected a lower provision for credit losses and lower noninterest expense which more than offset declines in net interest income and noninterest income compared with the 2009 period.

Highlights of Corporate & Institutional Banking performance over the first nine months of 2010 include:

- Net interest income for the first nine months of 2010 was $2.6 billion, a decrease of $191 million from 2009, impacted by a decrease in average loans and lower interest credits assigned to deposits.
- Corporate service fees were $627 million for the first nine months of 2010, a decrease of $53 million over the same period a year ago primarily due to a

reduction in the value of commercial mortgage servicing rights largely driven by lower interest rates somewhat offset by higher merger and acquisition advisory and ancillary commercial mortgage servicing fees. The major components of corporate service fees are treasury management, corporate finance fees and commercial mortgage servicing revenue.
  - Our Treasury Management business, which is ranked in the top ten nationally, continues to invest in the healthcare initiative which is designed to help provide our customers opportunities to reduce operating costs. Healthcare-related revenues in the first nine months of 2010 increased over 20% from the same period of last year.
  - Harris Williams is one of the nation's largest and most successful mergers and acquisitions advisory teams focused exclusively on the middle markets. Revenues increased over $40 million in the first nine months of 2010 compared with the same period in 2009 on higher deal activity driven by the improved financing environment. Harris Williams recently established its first overseas operation in London.
  - Midland Loan Services is one of the leading third-party providers of loan servicing, asset management and technology solutions for the commercial real estate finance industry. Midland is the only company in the industry with the highest U.S. servicer and special servicer ratings from Fitch Ratings and Standard & Poor's and has achieved these highest ratings for 11 consecutive years.
  - The commercial mortgage servicing portfolio was $263 billion at September 30, 2010 compared with $275 billion at September 30, 2009. The decrease was driven by the sale of a duplicative agency servicing operation acquired with National City during the second quarter of 2010 partially offset by the continued growth in the agency and conventional servicing portfolios.
- Other noninterest income was $277 million for 2010, a decrease of $108 million from the same period in 2009 primarily due to lower gains on loan sales from portfolio management activities, the sale of the duplicative agency servicing operation in the second quarter of 2010, and a decline in the value of commercial mortgage loans held for sale, net of hedges.
- The provision for credit losses was $285 million in the first nine months of 2010 compared with $1.3 billion in the first nine months of 2009. The decline reflected improvements in portfolio credit quality along with lower loan and commitment levels. Net charge-offs for the first nine months of 2010 were $725 million compared with $711 million for the first nine months of 2009. Net charge-offs continued to show signs of slowing in the middle market and asset-based lending portfolios.
- Noninterest expense was $1.3 billion for 2010, a decrease of $44 million from the same period in 2009. The decline resulted in part from the second quarter 2010 sale of the duplicative agency servicing operation. In addition, the first nine months of 2009 included net losses on the disposition of repossessed assets and lease residual impairment charges.
- Average loans were $65 billion for the first nine months of 2010 compared with $74 billion in the first nine months of 2009. Average loans for 2010 included the impact of the consolidation of Market Street. Excluding the impact of the Market Street consolidation, average loans decreased $11 billion or 15% compared with 2009. The decrease was due to exits of certain client relationships combined with continued soft utilization rates.
- PNC Real Estate is one of the industry's top providers of both conventional and affordable multifamily financing. It specializes in providing access to federal agency loan programs and is a top Fannie Mae DUS, FHA/Ginnie Mae and Freddie MAC Program Plus lender. Commercial real estate loans declined due to reduced demand, paydowns and charge-offs.
- PNC Business Credit is one of the top asset-based lenders in the country and plans to expand its operations with the pending acquisition of an asset-based lending group in the United Kingdom.
- PNC Equipment Finance is the 6th largest bank-affiliated leasing company with over $9 billion in equipment finance assets. Average loans and leases declined approximately $.2 billion for the first nine months of 2010 compared with the first nine months of 2009 due to runoff and sales of non-strategic portfolios more than offsetting portfolio acquisitions and improved origination volumes within our middle market customer base.
- Average deposits were $43 billion for the first nine months of 2010, an increase of $7.3 billion, or 20%, compared with the 2009 period. During 2010, customers continued to move balances from off-balance sheet sweep products to noninterest-bearing demand deposits and deposit inflows continued from National City customers who had previously moved funds to other institutions.

See the additional revenue discussion regarding treasury management, capital markets-related products and services, and commercial mortgage banking activities on page 10.

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ASSET MANAGEMENT GROUP
(Unaudited)

Nine months ended September 30 Dollars in millions except as noted	2010	2009
INCOME STATEMENT		
Net interest income	**$ 197**	$ 241
Noninterest income	**468**	460
Total revenue	**665**	701
Provision for credit losses	**11**	72
Noninterest expense	**477**	499
Pretax earnings	**177**	130
Income taxes	**65**	48
Earnings	**$ 112**	$ 82
AVERAGE BALANCE SHEET		
Loans		
Consumer	**$4,006**	$3,928
Commercial and commercial real estate	**1,503**	1,682
Residential mortgage	**893**	1,104
Total loans	**6,402**	6,714
Goodwill and other intangible assets	**404**	404
Other assets	**237**	249
Total assets	**$7,043**	$7,367
Deposits		
Noninterest-bearing demand	**$1,288**	$1,080
Interest-bearing demand	**1,768**	1,550
Money market	**3,245**	3,233
Total transaction deposits	**6,301**	5,863
Certificates of deposit and other	**766**	1,129
Total deposits	**7,067**	6,992
Other liabilities	**95**	101
Capital	**544**	582
Total liabilities and equity	**$7,706**	$7,675
PERFORMANCE RATIOS		
Return on average capital	**28%**	19%
Return on average assets	**2.13**	1.49
Noninterest income to total revenue	**70**	66
Efficiency	**72**	71
OTHER INFORMATION		
Total nonperforming assets (a) (b)	**$ 102**	$ 129
Impaired loans (a) (c)	**$ 155**	$ 206
Total net charge-offs	**$ 21**	$ 41
ASSETS UNDER ADMINISTRATION (in billions) (a) (d)		
Personal	**$ 95**	$ 93
Institutional	**111**	124
Total	**$ 206**	$ 217
Asset Type		
Equity	**$ 107**	$ 98
Fixed Income	**66**	56
Liquidity/Other	**33**	63
Total	**$ 206**	$ 217
Discretionary assets under management		
Personal	**$ 67**	$ 66
Institutional	**38**	38
Total	**$ 105**	$ 104
Asset Type		
Equity	**$ 51**	$ 47
Fixed Income	**38**	34
Liquidity/Other	**16**	23
Total	**$ 105**	$ 104
Nondiscretionary assets under administration		
Personal	**$ 28**	$ 27
Institutional	**73**	86
Total	**$ 101**	$ 113
Asset Type		
Equity	**$ 56**	$ 51
Fixed Income	**28**	22
Liquidity/Other	**17**	40
Total	**$ 101**	$ 113

(a) As of September 30.
(b) Includes nonperforming loans of $94 million at September 30, 2010 and $124 million at September 30, 2009.
(c) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008.
(d) Excludes brokerage account assets.

Asset Management Group earned $112 million for the first nine months of 2010 compared with $82 million for the same period in 2009. Assets under administration were $206 billion at September 30, 2010 and $217 billion at September 30, 2009. The first nine months of 2010 reflected a lower provision for credit losses, lower expenses from disciplined expense management and higher noninterest income. These improvements were partially offset by a decrease in net interest income from lower yields on loans.

Highlights of Asset Management Group's performance during the first nine months of 2010 include the following:
- Successfully executed its National City trust system conversions,
- Outperformed its sales and client acquisition goals,
- Exceeded expense management targets, and
- Credit performance showed signs of stabilization.

Assets under administration of $206 billion at September 30, 2010 decreased $11 billion compared with the balance at September 30, 2009. Discretionary assets under management of $105 billion at September 30, 2010 increased $1 billion compared with the balance at September 30, 2009 as year-over-year improvement in the equity markets and strong sales results were mitigated by integration impacts. Nondiscretionary assets under administration of $101 billion declined $12 billion from 2009 due to the strategic exit of noncore businesses.

Total revenue for the first nine months of 2010 was $665 million compared with $701 million for the same period in 2009. Net interest income for the first nine months of 2010 decreased $44 million compared with the first nine months of 2009, primarily due to a reduction in higher yield loans. Noninterest income of $468 million for the first nine months of 2010 increased $8 million compared with the first nine months of 2009 as the impacts of strong sales results and the improved equity markets were partially offset by the strategic exit of noncore businesses.

The provision for credit losses was $11 million for the first nine months of 2010 compared with $72 million for the first nine months of 2009. Net charge-offs were $21 million for the first nine months of 2010 and $41 million for the first nine months of 2009. Credit quality has shown signs of stabilization in the first nine months of 2010.

Noninterest expense of $477 million in the first nine months of 2010 decreased $22 million or 4% from the same period in 2009. The decline is attributable to disciplined expense management including integration-related initiatives. The implementation of efficiency initiatives will continue through the remainder of 2010.

Average deposits for the first nine months of 2010 increased $75 million from the comparable period last year as a 7% increase in transaction deposits more than offset the strategic exit of higher rate certificates of deposit. Average loan balances decreased $312 million, or 5%, from the first nine months of 2009 as commercial and residential mortgage declines more than offset growth in home equity loans.

RESIDENTIAL MORTGAGE BANKING

(Unaudited)

Nine months ended September 30 Dollars in millions, except as noted	2010	2009
INCOME STATEMENT		
Net interest income	**$ 206**	$ 261
Noninterest income		
Loan servicing revenue		
Servicing fees	**196**	171
Net MSR hedging gains	**198**	320
Loan sales revenue	**165**	409
Other	**9**	(9)
Total noninterest income	**568**	891
Total revenue	**774**	1,152
Provision for (recoveries of) credit losses	**(3)**	3
Noninterest expense	**349**	490
Pretax earnings	**428**	659
Income taxes	**156**	249
Earnings	**$ 272**	$ 410
AVERAGE BALANCE SHEET		
Portfolio loans	**$2,643**	$1,780
Loans held for sale	**1,184**	2,498
Mortgage servicing rights (MSR)	**1,069**	1,318
Other assets	**4,007**	2,693
Total assets	**$8,903**	$8,289
Deposits	**$2,927**	$4,306
Borrowings and other liabilities	**2,614**	2,861
Capital	**1,320**	1,322
Total liabilities and equity	**$6,861**	$8,489
PERFORMANCE RATIOS		
Return on average capital	**28%**	41%
Return on average assets	**4.08**	6.61
Noninterest income to total revenue	**73**	77
Efficiency	**45**	43
OTHER INFORMATION		
Servicing portfolio for others (in billions) (a)	**$ 131**	$ 158
Fixed rate	**89%**	88%
Adjustable rate/balloon	**11%**	12%
Weighted average interest rate	**5.69%**	5.89%
MSR capitalized value (in billions)	**$ 0.8**	$ 1.3
MSR capitalization value (in basis points)	**60**	81
Weighted average servicing fee (in basis points)	**30**	30
Loan origination volume (in billions)	**$ 7.0**	$ 16.9
Percentage of originations represented by:		
Agency and government programs	**99%**	97%
Refinance volume	**69%**	74%
Total nonperforming assets (a) (b)	**$ 327**	$ 343
Impaired loans (a) (c)	**$ 173**	$ 412

(a) As of September 30.
(b) Includes nonperforming loans of $104 million at September 30, 2010 and $180 million at September 30, 2009.
(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 $272 million for the first nine months of 2010 compared with $410 million in the first nine months of 2009. Earnings decreased from the first nine months of 2009 primarily due to reduced loan sales revenue and lower net hedging gains on mortgage servicing rights, partially offset by lower noninterest expense.

Residential Mortgage Banking overview:

- Total loan originations were $7.0 billion for the first nine months of 2010 compared with $16.9 billion for the first nine months of 2009. Lower mortgage rates in the first nine months of 2009 resulted in high loan application and origination volumes. Even though mortgage interest rates fell considerably near the end of the second quarter of 2010, management does not expect to experience the same level of loan refinance origination volume as occurred in 2009. Loans continued to be primarily originated through direct channels under FNMA, FHLMC and FHA/VA agency 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. At September 30, 2010, the liability for estimated losses on repurchase and indemnification claims for the Residential Mortgage Banking business segment was $155 million. We recognized $53 million of additional reserves in the third quarter of 2010.
- Residential mortgage loans serviced for others totaled $131 billion at September 30, 2010 compared with $158 billion at September 30, 2009. Payoffs continued to outpace new direct loan origination volume during the first nine months of 2010. The decline from a year earlier also reflected the sale of a $7.9 billion servicing portfolio in the fourth quarter of 2009.
- Noninterest income was $568 million in the first nine months of 2010 compared with $891 million in the first nine months of 2009. The decline was due to reduced loan sales revenue, net of additional repurchase reserves, reflective of strong loan origination refinance volume in the first nine months of 2009 and lower net hedging gains on mortgage servicing rights.
- Net interest income was $206 million for the first nine months of 2010 compared with $261 million for the first nine months of 2009. The decrease resulted from lower escrow deposit balances and residential mortgage loans held for sale.
- Noninterest expense declined to $349 million in the first nine months of 2010 compared with $490 million in the first nine months of 2009 as lower loan origination volume drove a reduction in expense.
- The fair value of mortgage servicing rights was $.8 billion at September 30, 2010 compared with $1.3 billion at September 30, 2009. The decline in fair value resulted from lower mortgage rates at September 30, 2010 and a smaller servicing portfolio.

BLACKROCK

Information related to our equity investment in BlackRock follows:

Nine months ended September 30 Dollars in millions	**2010**	2009
Business segment earnings (a)	**$253**	$151
PNC's share of BlackRock earnings (b)	**23%**	31%

(a) Includes PNC's share of BlackRock's reported GAAP earnings and additional income taxes on those earnings incurred by PNC.
(b) At September 30.

In billions	**Sept. 30 2010**	Dec. 31 2009
Carrying value of PNC's investment in BlackRock (c)	**$ 6.0**	$ 5.8
Market value of PNC's investment in BlackRock (d)	**7.4**	10.1

(c) The September 30, 2010 amount is comprised of our equity investment of $5.9 billion and $.1 billion of goodwill and accumulated other comprehensive income related to our BlackRock investment. The comparable amounts at December 31, 2009 were $5.7 billion and $.1 billion. PNC accounts for its investment in BlackRock under the equity method of accounting, exclusive of a related $1.9 billion deferred tax liability as of September 30, 2010 and December 31, 2009.
(d) Does not include liquidity discount.

BLACKROCK SECONDARY COMMON STOCK OFFERING

On November 3, 2010, BlackRock announced the commencement of a secondary offering of 42 million shares of its common stock.

Of the shares being offered, 34.5 million shares are being offered by another BlackRock shareholder and up to 7.5 million common shares are being offered by PNC. The proposed sale includes common shares issuable upon conversion of shares of BlackRock's Series B Preferred Stock. Although we have elected to adjust our stake in BlackRock, we continue to consider our investment in BlackRock a key component of our diversified revenue strategy.

BLACKROCK/BARCLAYS GLOBAL INVESTORS TRANSACTION

As more fully described in Item 7 of our 2009 Form 10-K, 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 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.

BLACKROCK LTIP AND EXCHANGE AGREEMENTS

PNC's noninterest income for the first nine months of 2009 included a pretax gain of $98 million related to our BlackRock LTIP shares obligation. This gain 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 that period.

Item 7 of our 2009 Form 10-K describes the Exchange Agreement that PNC entered into with BlackRock on December 26, 2008 and the Exchange Agreement that BlackRock entered into with Merrill Lynch on that same date and the resulting impact on PNC's equity ownership interest in BlackRock that was effective February 27, 2009. The PNC and Merrill Lynch Exchange Agreements restructured PNC's and Merrill Lynch's respective ownership of BlackRock common and preferred equity.

In connection with the PNC Exchange Agreement, PNC's obligation to deliver BlackRock common shares in connection with the BlackRock LTIP 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 its BlackRock Series C Preferred Stock at fair value, which offsets the impact of marking-to-market the obligation to deliver these shares to BlackRock. The fair value amount of the BlackRock Series C Preferred Stock is included on our Consolidated Balance Sheet in the caption 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 of this Report.

PNC accounts for its remaining investment in BlackRock under the equity method of accounting. As a result of the Exchange Agreements, our percentage ownership of BlackRock common stock (approximately 35% at September 30, 2010) is higher than our 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.

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DISTRESSED ASSETS PORTFOLIO

(Unaudited)

Nine months ended September 30 Dollars in millions, except as noted	2010	2009
INCOME STATEMENT		
Net interest income	**$ 964**	$ 861
Noninterest income (loss)	**(37)**	71
Total revenue	**927**	932
Provision for credit losses	**745**	457
Noninterest expense	**169**	197
Pretax earnings	**13**	278
Income taxes	**5**	106
Earnings	**$ 8**	$ 172
AVERAGE BALANCE SHEET		
COMMERCIAL LENDING:		
Commercial/Commercial real estate (a)	**$ 2,374**	$ 3,565
Lease financing	**788**	823
Total commercial lending	**3,162**	4,388
CONSUMER LENDING:		
Consumer (b)	**6,354**	7,236
Residential real estate	**7,835**	10,243
Total consumer lending	**14,189**	17,479
Total portfolio loans	**17,351**	21,867
Other assets	**895**	1,760
Total assets	**$18,246**	$23,627
Deposits	**$ 89**	$ 42
Other liabilities	**78**	100
Capital	**1,351**	1,576
Total liabilities and equity	**$ 1,518**	$ 1,718
PERFORMANCE RATIOS		
Return on average capital	**1%**	15%
Return on average assets	**.06**	.97
OTHER INFORMATION		
Nonperforming assets (c) (d)	**$ 1,218**	$ 1,473
Impaired loans (c) (e)	**$ 6,001**	$ 7,803
Net charge-offs (f)	**$ 494**	$ 423
Annualized net charge-off ratio (f)	**3.81%**	2.59%
LOANS (c)		
COMMERCIAL LENDING		
Commercial/Commercial real estate (a)	**$ 1,911**	$ 3,162
Lease financing	**757**	798
Total commercial lending	**2,668**	3,960
CONSUMER LENDING		
Consumer (b)	**6,011**	6,783
Residential real estate	**7,014**	8,939
Total consumer lending	**13,025**	15,722
Total loans	**$15,693**	$19,682

(a) Primarily residential real estate development loans.
(b) Primarily brokered home equity loans.
(c) As of period end.
(d) Includes nonperforming loans of $.9 billion at September 30, 2010 and $1.3 billion at September 30, 2009.
(e) Recorded investment of purchased impaired loans related to National City, adjusted to reflect additional loan impairments effective December 31, 2008. At September 30, 2010, this segment contained 74% of PNC's purchased impaired loans.
(f) For the nine months ended September 30.

This business segment consists primarily of assets acquired with National City and had earnings of $8 million for the first nine months of 2010 compared with $172 million for the first nine months of 2009. A $288 million increase in the provision for credit losses was the primary factor driving the decrease in earnings in the comparison.

Distressed Assets Portfolio overview:

- Sales of residential mortgage loans and brokered home equity loans with unpaid principal balances of approximately $1.6 billion and carrying value of $0.6 billion closed during the third quarter of 2010. We do not have any continuing servicing involvement and very limited representations and warranties with the loans sold.
- Average loans declined to $17.4 billion in the first nine months of 2010 compared with $21.9 billion in the 2009 period. The decline was impacted by portfolio management activities including loan sales and efforts to encourage customers to refinance or pay off loan balances.
- Net interest income was $964 million in the first nine months of 2010 compared with $861 million for the 2009 period. The increase was driven by higher accretion on impaired loans due to improved cash collection results which more than offset the decline in average loans.
- Noninterest income was a loss of $37 million for first nine months of 2010 compared with revenue of $71 million for the first nine months of 2009 due to an increase in recourse reserves for potential repurchases of brokered home equity loans sold in 2007 and prior years. The 2009 period included asset disposition gains which were higher than those in 2010.
- The provision for credit losses was $745 million in the first nine months of 2010 compared with $457 million in the comparable 2009 period. The provision for 2010 included $109 million related to the third quarter sales of residential mortgage loans and brokered home equity loans, along with higher reserves for seriously delinquent impaired consumer loans.
- Noninterest expense for the first nine months of 2010 of $169 million declined $28 million compared with the 2009 period primarily due to lower other real estate owned related expenses and losses.
- Nonperforming loans decreased $.4 billion, to $.9 billion, at September 30, 2010 compared with September 30, 2009. The consumer lending portfolio comprised 45% of the nonperforming loans at September 30, 2010. An improvement was seen in both the consumer and commercial lending portfolios with a decline of $.2 billion in both portfolios.
- Net charge-offs were $494 million for the first nine months of 2010 and $423 million for the first nine months of 2009. Net charge-offs in 2010 included $75 million related to the residential mortgage loan sales in the third quarter. Net charge-offs for each portfolio increased in the comparison with the exception of non-prime mortgages and brokered home equity.

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 portfolio 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 $15.7 billion of loans held in this portfolio at September 30, 2010 are stated inclusive of a fair value adjustment on purchased impaired loans at acquisition. Taking the adjustment and loan loss allowance into account, the net carrying basis of this loan portfolio is 79% of customer outstandings.
- Commercial Lending within the Distressed Assets Portfolio business segment is comprised of $1.9 billion in residential development assets (i.e. condominiums, townhomes, developed and undeveloped land) primarily acquired from National City. This commercial lending portfolio has declined 33% since September 30, 2009. A team of asset managers actively deploy workout strategies on this portfolio through reducing unfunded loan exposure, refinancing, customer payoffs, foreclosures and loan sales. The overall credit quality of this portfolio is considered to be moderately better at September 30, 2010 compared with the beginning of 2010 based upon continuing dispositions of credits, improved economic conditions and increased activity in several markets. The other primary component of Commercial Lending is $.8 billion of performing cross-border leases.

The fair value adjustments 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 taking into account risk mitigation.

- Consumer Lending consists mainly of residential mortgages and home equity loans.
  - Residential 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. 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 originated by a third party originator.
  - Residential 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 them toward completion. Otherwise, the property is to be managed on an "as is" basis or returned to raw land for sale.
  - 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.
  - When loans are sold, investors may request PNC to indemnify them against losses or to repurchase loans that they believe do not comply with applicable representations. From 2005 to 2007, we sold home equity loans with such representations. At September 30, 2010, the liability for estimated losses on repurchase and indemnification claims for the Distressed Assets Portfolio business segment was $103 million. We recognized $53 million of additional reserves in the third quarter of 2010.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 1 Accounting Policies in Part II, Item 8 of our 2009 Form 10-K and in the Notes To Consolidated Financial Statements included in Part I, Item 1 of this Report describe the most significant accounting policies that we use. Certain of these policies require us to make estimates or economic assumptions that may prove inaccurate or be subject to variations that may significantly affect our reported results and financial position for the period or in future periods.

We must use estimates, assumptions, and judgments when 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.

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

We discuss the following critical accounting policies and judgments under this same heading in Item 7 of our 2009 Form 10-K:

- Fair Value Measurements
- Allowances For Loan And Lease Losses And Unfunded Loan Commitments And Letters of Credit
- Estimated Cash Flows on Purchased Impaired Loans
- Goodwill
- Lease Residuals
- Revenue Recognition
- Residential Mortgage Servicing Rights
- Income Taxes

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, and 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 September 30, 2010 are shown in the table below. The expected and actual rates of mortgage loan prepayments are 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 U.S. 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	**Sept. 30, 2010**	Dec. 31 2009
Fair value	**$ 788**	$1,332
Weighted-average life (in years)	**2.5**	4.5
Weighted-average constant prepayment rate	**21.47%**	19.92%
Spread over forward interest rate swap rates	**12.23%**	12.16%

A sensitivity analysis of the hypothetical effect on the fair value of MSRs to adverse changes in key assumptions is presented below. These sensitivities do not include the impact of the related hedging activities. 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	**Sept. 30, 2010**	Dec. 31, 2009
Prepayment rate:		
Decline in fair value from 10% adverse change	**$ 35**	$ 56
Decline in fair value from 20% adverse change	**$ 66**	$ 109
Spread over forward interest rate swap rates:		
Decline in fair value from 10% adverse change	**$ 30**	$ 55
Decline in fair value from 20% adverse change	**$ 58**	$ 106

Proposed Accounting Standards

The FASB issued several Exposure Drafts for comment during 2010, including, in May 2010, the Proposed Accounting Standards Update – *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities – Financial Instruments (Topic 825) and Derivatives and Hedging (Topic 815).* Under the proposal, most financial instruments (including loans and securities) would be measured at fair value with changes in fair value recognized in either net income or other comprehensive income. Additional aspects of this proposal include modifications for recognizing credit impairments, changes to hedge accounting requirements, and disclosures of both fair value and amortized cost information on the face of the financial statements.

In July 2010, the FASB issued Proposed Accounting Standards Update – *Contingencies (Topic 450) – Disclosure of Certain Loss Contingencies.* Under the proposal, additional disclosures would be required, including for remote loss contingencies with a potentially severe impact and a tabular reconciliation of accrued loss contingencies.

In August 2010, the FASB issued Proposed Accounting Standards Update –*Leases (Topic 840).* Under the proposal, lessees and lessors would apply a right-of-use model in accounting for most leases, including subleases. A lessee would recognize an asset representing its right to use the leased asset for the lease term and a liability to make lease payments and a lessor would recognize an asset representing its right to receive lease payments and recognize a lease liability while continuing to recognize the underlying asset or a residual asset representing its rights to the underlying asset at the end of the lease term. The exposure draft also proposes disclosures about the amounts recognized in the financial statements arising from leases and the amount, timing and uncertainty of cash flows arising from those contracts.

In October 2010, the FASB issued Proposed Accounting Standards Update – *Receivables (Topic 310) – Clarification to Accounting for Troubled Debt Restructurings by Creditors.* The proposed ASU would preclude a creditor from using an effective rate test in its evaluation of whether a restructuring constitutes a troubled debt restructuring. Furthermore, guidance would be clarified to indicate 1) If a debtor does not otherwise have access to funds at a market rate for debt with similar risk characteristics as the restructured debt, the restructuring would be considered to be at below a market rate and therefore should be considered a troubled debt restructuring, 2) A restructuring that results in a temporary or permanent increase in the contractual interest rate cannot be presumed to be at a rate that is at or above market, 3) A borrower that is not currently in default may still be considered to be experiencing financial difficulty when payment default is considered "probable in the foreseeable future" and 4) A restructuring that results in an insignificant delay in contractual cash flows may still be considered a troubled debt restructuring. Under the proposal, additional disclosures (including comparative information) would be required.

Also, see Note 1 Accounting Policies in the Notes To Consolidated Financial Statements of this Report regarding the impact of the adoption of new accounting guidance issued by the Financial Accounting Standards Board.

STATUS OF QUALIFIED DEFINED BENEFIT PENSION PLAN

We have a noncontributory, qualified defined benefit pension plan (plan or pension plan) covering eligible employees. Benefits are derived from a cash balance formula based on compensation levels, age and length of service. Pension contributions are based on an actuarially determined amount necessary to fund total benefits payable to plan participants. 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 our 2009 Form 10-K.

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 was 8.25% for 2009, 2008 and 2007. 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 2010 is 8.00%, down from 8.25% for 2009. During 2010, we decreased 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, we changed 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 $46 million in 2010 compared with pretax expense of $117 million in 2009. This year-over-year expected reduction is 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 do not expect to be required by law to make any contributions to the plan 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.

RISK MANAGEMENT

We encounter risks as part of the normal course of our business and we design risk management processes to help manage these risks.

The Risk Management section included in Item 7 of our 2009 Form 10-K includes a description of our risk management philosophy, principles, governance and various aspects of our corporate-level risk management program, and a 2009 overview of enterprise-wide risk. Additionally, our 2009 Form 10-K provides an analysis of the risk management processes for what we view as our primary areas of risk: credit, operational, liquidity and market, as well as a discussion of our use of financial derivatives as part of our overall asset and liability risk management process, and addresses historical performance in appropriate places within the Risk Management section of that report.

The following information updates our 2009 Form 10-K risk management disclosures.

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.

Nonperforming, Past Due And Potential Problem Assets

Credit quality showed further signs of stabilization during the third quarter of 2010 and delinquency measures improved compared with prior periods. During the third quarter, we continued to see an overall improvement in credit migration for performing loans and a reduction in overall credit exposure. Assuming at least modest US Gross Domestic

Product (GDP) growth, we believe our delinquencies and nonperforming metrics will continue to decline in the fourth quarter of 2010 compared with the third quarter of 2010.

Nonperforming assets were $5.7 billion at September 30, 2010, a decline of $647 million compared with $6.3 billion at December 31, 2009. Nonperforming loans decreased $835 million since December 31, 2009 while foreclosed and other assets increased $188 million.

Nonperforming assets at September 30, 2010 declined in the Corporate & Institutional Banking, Asset Management Group, Residential Mortgage Banking, and Distressed Assets Portfolio business segments compared with the balances at December 31, 2009 and increased 9% in the Retail Banking business segment.

Purchased impaired loans are excluded from nonperforming loans. Any decrease, other than for prepayments or interest rate decreases for variable rate notes, in the net present value of expected cash flows of individual commercial or pooled consumer purchased impaired loans would result in an impairment charge to the provision for loan losses in the period in which the change becomes probable. Any increase in the net present value of expected cash flows of purchased impaired loans would first result in a recovery of previously recorded allowance for loan losses, to the extent applicable, 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 this Report for additional information.

Additionally, most consumer loans and lines of credit, not secured by residential real estate, are charged off after 120 to 180 days past due, are not placed on nonaccrual status, and are excluded from nonperforming loans. Nonperforming loans also do not include loans held for sale.

The portion of the allowance for loan and lease losses allocated to commercial lending nonperforming loans was 28% at September 30, 2010 and 29% at December 31, 2009. Approximately 76% of these nonperforming loans are secured by collateral that is expected to reduce credit losses and require less reserves in the event of default.

Nonperforming assets were 3.76% of total loans and foreclosed and other assets at September 30, 2010 compared with 3.99% at December 31, 2009.

Nonperforming Assets By Type

In millions	Sept. 30 2010	Dec. 31 2009
Nonaccrual loans		
Commercial		
Retail/wholesale	**$ 219**	$ 231
Manufacturing	**266**	423
Real estate related (a)	**338**	419
Financial services	**36**	117
Health care	**59**	41
Other	**612**	575
Total commercial	**1,530**	1,806
Commercial real estate		
Real estate projects	**1,562**	1,754
Commercial mortgage	**427**	386
Total commercial real estate	**1,989**	2,140
Equipment lease financing	**104**	130
TOTAL COMMERCIAL LENDING	**3,623**	4,076
Consumer		
Home equity	**406**	356
Other	**38**	36
Total consumer	**444**	392
Residential real estate		
Residential mortgage	**727**	955
Residential construction	**42**	248
Total residential real estate	**769**	1,203
TOTAL CONSUMER LENDING	**1,213**	1,595
Total nonperforming loans	**4,836**	5,671
Foreclosed and other assets		
Commercial lending	**366**	266
Consumer lending	**467**	379
Total foreclosed and other assets	**833**	645
Total nonperforming assets	**$5,669**	$6,316

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

Change In Nonperforming Assets

In millions	2010	2009
January 1	**$ 6,316**	$ 2,181
Transferred from accrual	**4,154**	6,458
Charge-offs and valuation adjustments	**(1,604)**	(1,230)
Principal activity including payoffs	**(939)**	(828)
Asset sales and transfers to held for sale	**(1,036)**	(566)
Returned to performing-TDRs	**(425)**	
Returned to performing-Other	**(797)**	(371)
September 30	**$ 5,669**	$ 5,644

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 ratio of nonperforming loans to total loans and allowance for loan and lease losses to nonperforming loans. We recorded purchased impaired loans at estimated fair value of $12.7 billion at December 31, 2008, including an adjustment 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 the net present value 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 this Report for additional information on those loans.

At September 30, 2010, our largest nonperforming asset was approximately $54 million and our average nonperforming loan associated with commercial lending was approximately $1 million.

The amount of nonperforming loans that was current as to remaining principal and interest was $1.3 billion at September 30, 2010 and $1.7 billion at December 31, 2009.

PNC modifies loans under government and PNC-developed modification programs based upon our commitment to help eligible homeowners avoid foreclosure where appropriate. Initially, a borrower is evaluated for a modification under a government program. If a borrower does not qualify under a government program, then the borrower is evaluated under a PNC program. As of September 30, 2010, approximately 1,000 or $228 million of owned residential real estate loans have been modified under the government HAMP program. Currently, only the HAMP program includes a trial payment period. Under HAMP, the trial payment period is three months, and upon successful completion, the loan is permanently modified. The impacts of these modifications are considered in our allowance for loan and lease losses. Loans permanently modified under this program are classified as troubled debt restructurings (TDRs), as further discussed below, and are placed on nonaccrual status.

PNC programs utilize both temporary and permanent modifications and typically reduce the interest rate, extend the term and/or forgive principal. Temporary modifications fall between 3 – 60 months in length, with the majority for a period of up to 24 months after which the interest rate reverts to that under the original loan. Regardless of the length of the modification, all modifications are evaluated to determine whether they are TDRs. The impacts of these modifications are considered in our allowance for loan and lease losses. Additionally, when modified, TDRs are placed on nonaccrual status, except as noted below.

Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties are considered TDRs. TDRs typically result from our loss mitigation activities and could include rate reductions, term extensions and/or principal forgiveness intended to minimize the economic loss and to avoid foreclosure or repossession of collateral. Total nonperforming loans included TDRs of $595 million at September 30, 2010 and $440 million at December 31, 2009. Purchased impaired loans are excluded from TDRs.

TDRs returned to performing (accrual) status totaled $425 million at September 30, 2010 and are excluded from nonperforming loans. These loans have demonstrated a period of at least six months of performance under the modified terms. Approximately $17 million of TDRs previously returned to performing status are now classified as nonperforming as they are no longer current under the modified terms.

In addition, credit cards and certain small business and consumer credit agreements whose terms have been modified primarily through interest rate reductions totaling $315 million at September 30, 2010 are TDRs. However, since our policy is to exempt these loans from being placed on nonaccrual status as permitted by regulatory guidance as these loans are directly charged off in the period that they become 180 days past due, these loans are excluded from nonperforming loans.

Accruing Loans Past Due 30 To 89 Days (a) (c)

	Amount		Percent of Outstandings	
Dollars in millions	**Sept. 30 2010**	Dec. 31 2009	**Sept. 30 2010**	Dec. 31 2009
Commercial	**$ 293**	$ 684	**.55%**	1.26%
Commercial real estate	**353**	666	**1.97**	3.10
Equipment lease financing	**10**	128	**.16**	2.06
Consumer	**430**	438	**.83**	.87
Residential real estate	**347**	472	**2.70**	3.12
Total	**$1,433**	$2,388	**1.01**	1.62

Accruing Loans Past Due 90 Days Or More (b) (d)

	Amount		Percent of Outstandings	
Dollars in millions	**Sept. 30 2010**	Dec. 31 2009	**Sept. 30 2010**	Dec. 31 2009
Commercial	**$ 90**	$ 188	**.17%**	.35%
Commercial real estate	**58**	150	**.32**	.70
Equipment lease financing	**4**	6	**.06**	.10
Consumer	**270**	226	**.52**	.45
Residential real estate	**179**	314	**1.60**	2.07
Total	**$ 601**	$ 884	**.43**	.60

(a) Excludes loans that are government insured/guaranteed, primarily residential mortgages, totaling $.4 billion at September 30, 2010 and $.2 billion at December 31, 2009.

(b) Excludes loans that are government insured/guaranteed, primarily residential mortgages, totaling $2.0 billion at September 30, 2010 and $1.8 billion at December 31, 2009.

(c) Excludes purchased impaired loans acquired from National City totaling $.4 billion at September 30, 2010 and $.8 billion at December 31, 2009. These loans are excluded as they are considered performing loans due to the accretion of interest income.

(d) Excludes purchased impaired loans acquired from National City totaling $1.8 billion at September 30, 2010 and $2.9 billion at December 31, 2009. These loans are excluded as they are considered performing loans due to the accretion of interest income.

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 $742 million at September 30, 2010 and $811 million at December 31, 2009.

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 the first nine months of 2010 to the process and procedures we follow to determine our allowance of loan and lease losses.

As noted above, we establish an allowance for specific loans. Generally, the allowance is determined based upon the fair value of the collateral underlying the specific loan. The fair value of the collateral is based upon an appraisal or, if a recent appraisal is not available, the net book value of the asset from its most recent financial statements adjusted for loss given default collateral recovery rates.

A portion of the allowance for loan and lease losses related to qualitative and measurement factors 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 and pool reserve methodologies. These factors include, but are 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.

At September 30, 2010, the portion of reserves for these factors was $261 million.

We increased the allowance for loan and lease losses to $5.2 billion at September 30, 2010 compared with $5.1 billion at December 31, 2009. The increase was primarily due to consolidation of the securitized credit card portfolio. The allowance as a percent of nonperforming loans was 108% and as a percent of total loans was 3.48% at September 30, 2010. The comparable percentages at December 31, 2009 were 89% and 3.22%, respectively. Excluding the allowance for purchased impaired loans and consumer loans and lines of credit, not secured by residential real estate, of $1.4 billion at September 30, 2010 and $1.0 billion at December 31, 2009, respectively, the allowance as a percent of nonperforming loans was 78% at September 30, 2010 and 72% at December 31, 2009.

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 investment grade or equivalent portion of the loan portfolio has performed well and has not been subject to significant deterioration. The overall level of commercial allowance has decreased in the third quarter of 2010 based upon these factors, as well as lower outstanding balances. Additionally, guarantees on loans greater than $1 million and owner guarantees for small business loans do not significantly impact our allowance for loan and lease losses. We continue to experience some pressure in the residential real estate and commercial real estate lending sectors consistent with the current slow and somewhat uncertain economic recovery.

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 adjustments as of December 31, 2008. As of September 30, 2010, we have reserves of $.9 billion for purchased impaired loans.

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 this Report regarding changes in the allowance for loan and lease losses and in the allowance for unfunded loan commitments and letters of credit.

We are optimistic about prospects for a stable-to-lower provision for credit losses in the fourth quarter of 2010 compared with the third quarter of 2010. Future provision levels will depend primarily on the level of nonperforming loans, our related coverage ratios, and the pace of economic recovery.

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Charge-Offs And Recoveries

Nine months ended September 30 Dollars in millions	Charge-offs	Recoveries	Net Charge-offs	Percent of Average Loans
2010				
Commercial	**$ 896**	**$ 223**	**$ 673**	**1.65%**
Commercial real estate	**489**	**57**	**432**	**2.74**
Equipment lease financing	**91**	**38**	**53**	**1.14**
Consumer	**810**	**85**	**725**	**1.76**
Residential real estate	**282**	**20**	**262**	**1.92**
Total	**$2,568**	**$ 423**	**$2,145**	**1.85**
2009				
Commercial	$ 896	$ 94	$ 802	1.70%
Commercial real estate	250	23	227	1.21
Equipment lease financing	115	17	98	2.11
Consumer	694	78	616	1.58
Residential real estate	176	43	133	.83
Total	$2,131	$ 255	$1,876	1.49

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 adjustments of $9.2 billion as of December 31, 2008. However, as a result of further credit deterioration on purchased impaired commercial loans, we recorded $158 million of net charge-offs during the first nine months of 2010. Net charge-offs were not recorded on purchased impaired consumer pools.

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.

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. These activities represent additional risk positions rather than hedges of risk.

We approve counterparty credit lines for all of our CDS activities. 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 “Derivatives not designated as hedging instruments under GAAP” table in the Financial Derivatives section of this Risk Management discussion.

OPERATIONAL RISK MANAGEMENT

The operational risk in connection with the National City integration has been effectively managed. Our integration objectives have been successfully met and integration-related risk issues have been proactively identified, assessed and mitigated. Post-integration, our operational risk management focus has shifted to continued stabilization, the increased complexities driven by our size and several external environmental factors impacting our business model. We will continue to execute our rigorous risk management processes and evaluate the effectiveness of key processes, technologies and controls to help ensure performance at expected levels.

LIQUIDITY RISK MANAGEMENT

Liquidity risk has two fundamental components. The first is the potential loss if we were unable to meet our funding requirements at a reasonable cost. The second is the potential inability to operate our businesses because adequate contingent liquidity is not available in a stressed environment. 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 and to help ensure that we maintain an appropriate level of contingent 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 our Liquidity Risk Policy. Management’s Asset and Liability Committee regularly reviews compliance with the established limits.

Parent company liquidity guidelines are designed to help ensure that sufficient liquidity is available to meet our parent company obligations over the succeeding 24-month period. Risk limits for parent company liquidity are established within our Enterprise Capital Management Policy. The Board of Directors’ Joint Risk Committee regularly reviews compliance with the established limits.

Bank Level Liquidity – Uses

Obligations requiring the use of liquidity can generally be characterized as either contractual or discretionary. At the bank level, primary contractual obligations include funding loan commitments, satisfying deposit withdrawal requests and maturities and debt service related to bank borrowings. We also maintain adequate bank liquidity to meet future potential loan demand and provide for other business needs, as necessary.

As of September 30, 2010, there were approximately $5.0 billion of bank borrowings with maturities of less than one year.

Bank Level Liquidity – Sources

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

At September 30, 2010, our liquid assets consisted of short-term investments (Federal funds sold, resale agreements, trading securities, and interest-earning deposits with banks) totaling $3.5 billion and securities available for sale totaling $56.0 billion. Of our total liquid assets of $59.5 billion, we had $28.7 billion pledged as collateral for borrowings, trust, and other commitments. The level of liquid assets fluctuates over time based on many factors, including market conditions, loan and deposit growth and active balance sheet management.

In addition to the customer deposit base, which has historically provided the single largest source of relatively stable and low-cost funding and liquid assets, the bank also obtains liquidity through the issuance of traditional forms of funding including long-term debt (senior notes and subordinated debt and Federal Home Loan Bank (FHLB) advances) and short-term borrowings (Federal funds purchased, securities sold under repurchase agreements, commercial paper issuances, and other short-term borrowings).

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 September 30, 2010, PNC Bank, N.A. had issued $6.9 billion of debt under this program. Total senior and subordinated debt declined to $5.6 billion at September 30, 2010 from $7.4 billion at December 31, 2009 due to maturities.

PNC Bank, N.A. is a member of the FHLB-Pittsburgh and as such has access to advances from FHLB-Pittsburgh secured generally by residential mortgage and other mortgage-related loans. At September 30, 2010, our unused secured borrowing capacity was $8.4 billion with FHLB-Pittsburgh. Total FHLB borrowings declined to $7.1 billion at September 30, 2010 from $10.8 billion at December 31, 2009 due to maturities.

PNC Bank, N.A. has the ability to offer up to $3.0 billion of its commercial paper. As of September 30, 2010, there were no issuances outstanding under this program. Commercial paper included in Other borrowed funds on our Consolidated Balance Sheet is issued by Market Street as described in Off-Balance Sheet Arrangements and Variable Interest Entities in this Financial Review.

PNC Bank, N.A. can also borrow from the Federal Reserve Bank of Cleveland's (Federal Reserve Bank) discount window to meet short-term liquidity requirements. The Federal Reserve, however, is not viewed as the primary means of funding our routine business activities, but rather as a potential source of liquidity in a stressed environment or during a market disruption. These potential borrowings are secured by securities and commercial loans. At September 30, 2010, our unused secured borrowing capacity was $23.7 billion with the Federal Reserve Bank.

Parent Company Liquidity – Uses

Obligations requiring the use of liquidity can generally be characterized as either contractual or discretionary. The parent company's contractual obligations consist primarily of debt service related to parent company borrowings and funding non-bank affiliates. Additionally, the parent company maintains adequate liquidity to fund discretionary activities such as paying dividends to PNC shareholders, share repurchases, and acquisitions.

As of September 30, 2010, there were approximately $2.7 billion of parent company borrowings with maturities of less than one year.

Parent Company Liquidity – Sources

The principal source of parent company liquidity 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.

The amount available for dividend payments to the parent company by PNC Bank, N.A. without prior regulatory approval was approximately $2.0 billion at September 30, 2010. 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 our 2009 Form 10-K 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 Financial Review.

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 September 30, 2010, the parent company had approximately $4.2 billion in funds available from its cash and short-term investments. This amount includes $1.8 billion of net after-tax cash proceeds from the sale of GIS.

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

We have effective shelf registration statements pursuant to which we can issue additional debt and equity securities, including certain hybrid capital instruments. Total senior and subordinated debt and hybrid capital instruments increased to $18.0 billion at September 30, 2010 from $14.9 billion at December 31, 2009 due to net year-to-date issuances. On August 11, 2010, PNC Funding Corp issued $750 million of senior notes due August 2020. Interest will be paid semiannually at a fixed rate of 4.375%.

Note 19 Equity in our 2009 Form 10-K describes the 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 first quarter 2010 common stock and senior notes offerings described in Note 28 Subsequent Events in our 2009 Form 10-K 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 million during the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share.

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.

After exchanging its TARP Warrant for 16,885,192 warrants, each to purchase one share of PNC common stock, the US Treasury sold the warrants in a secondary public offering. The sale closed on May 5, 2010.

The parent company, through its subsidiary PNC Funding Corp. has the ability to offer up to $3.0 billion of commercial paper to provide additional liquidity. As of September 30, 2010, there were no issuances outstanding under this 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.

In general, rating agencies base their ratings on many quantitative and qualitative factors, including capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current legislative and regulatory environment, including implied government support. In addition, rating agencies themselves have been subject to scrutiny arising from the financial crisis and could make or be required to make substantial changes to their ratings policies and practices, particularly in response to legislative and regulatory changes, including as a result of provisions in Dodd-Frank. Potential changes in the legislative and regulatory environment and the timing of those changes could impact our ratings, which as noted above, could impact our liquidity and financial condition. 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 November 1, 2010 for PNC and PNC Bank, N.A. 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	Baa3	BBB	A
PNC Bank, N.A.			
Subordinated debt	A3	A	A
Long-term deposits	A2	A+	AA-
Short-term deposits	P-1	A-1	F1+

On November 1, 2010, Moody's announced that they had downgraded the ratings of 10 large US regional banks after reducing its government support assumptions for these entities. The ratings for these companies, which had been placed on review for possible downgrade on July 27, 2010, had benefitted from Moody's support assumptions since 2009. The reduction in the support assumption resulted in a one-notch downgrade of PNC's bank-level debt and long-term deposits ratings. The ratings of PNC's holding company were not on review and were affirmed. Moody's indicated that the firm continues to ascribe support in the case of PNC, but at a reduced level. The ongoing assumption of support for PNC is primarily due to our importance in the payment system and significant national deposit share. However, the assumed level of support does not provide any lift to the bank's current stand-alone ratings. At the same time, the ratings outlook on PNC was changed to positive from stable reflecting its improving credit metrics and strengthened capital profile. All of the other ratings in the table above were the same on both September 30, 2010 and November 1, 2010.

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Commitments

The following tables set forth contractual obligations and various other commitments as of September 30, 2010 representing required and potential cash outflows.

Contractual Obligations

September 30, 2010 – in millions	Total
Remaining contractual maturities of time deposits	**$43,887**
Borrowed funds	**39,763**
Minimum annual rentals on noncancellable leases	**2,459**
Nonqualified pension and postretirement benefits	**539**
Purchase obligations (a)	**583**
Total contractual cash obligations	**$87,231**

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

At September 30, 2010, the liability for uncertain tax positions, excluding associated interest and penalties, was $246 million. This liability represents an estimate of tax positions that we have taken in our tax returns which ultimately may 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. See Note 15 Income Taxes in the Notes To Consolidated Financial Statements of this Report for additional information.

Our contractual obligations totaled $97.6 billion at December 31, 2009 as further detailed in Item 7 of our 2009 Form 10-K. The decline to $87.2 billion at September 30, 2010 as outlined in the table above was due primarily to a $10.4 billion decline in the remaining contractual maturities of time deposits.

Other Commitments (a)

September 30, 2010 – in millions	Total Amounts Committed
Net unfunded credit commitments	**$ 97,147**
Standby letters of credit (b)	**9,937**
Reinsurance agreements (c)	**4,272**
Recourse agreements (d)	**4,029**
Other commitments (e)	**784**
Total commitments	**$116,169**

(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 $6.3 billion of standby letters of credit that support remarketing programs for customers' variable rate demand notes.
(c) Reinsurance agreements are with third-party insurers related to insurance sold to our customers.
(d) Recourse agreements are arrangements with FNMA's and FHLMC's DUS Programs.
(e) Includes unfunded commitments related to private equity investments of $370 million and other investments of $21 million which are not on our Consolidated Balance Sheet. Also includes commitments related to tax credit investments of $377 million and other direct equity investments of $16 million which are included in Other liabilities on our 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.

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 third quarters of 2010 and 2009 follow:

Interest Sensitivity Analysis

	Third Quarter 2010	Third Quarter 2009
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	**1.5%**	.9%
100 basis point decrease (a)	**(1.8)%**	(2.0)%
Effect on net interest income in second year from gradual interest rate change over the preceding 12 months of:		
100 basis point increase	**4.6%**	1.4%
100 basis point decrease (a)	**(5.9)%**	(5.5)%
Duration of Equity Model (a)		
Base case duration of equity (in years):	**(3.0)**	(2.2)
Key Period-End Interest Rates		
One-month LIBOR	**.26%**	.25%
Three-year swap	**.87%**	1.87%

(a) Given the inherent limitations in certain of these measurement tools and techniques, results become less meaningful as interest rates approach zero.

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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 Slope decrease (a 200 basis point decrease between two-year and ten-year rates superimposed on current base rates) scenario.

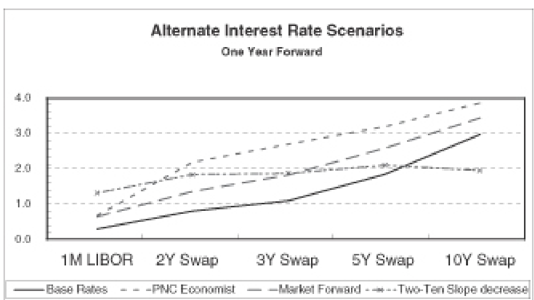
Net Interest Income Sensitivity to Alternative Rate Scenarios (Third Quarter 2010)

	PNC Economist	Market Forward	Two-Ten Slope
First year sensitivity	**1.0%**	**(.3)%**	**(1.1)%**
Second year sensitivity	**3.9%**	**1.2%**	**(1.8)%**

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 above table. These simulations assume that as assets and liabilities mature, they are replaced or repriced at then current market rates. We also consider forward projections of purchase accounting accretion when forecasting net interest income.

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



The third quarter 2010 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

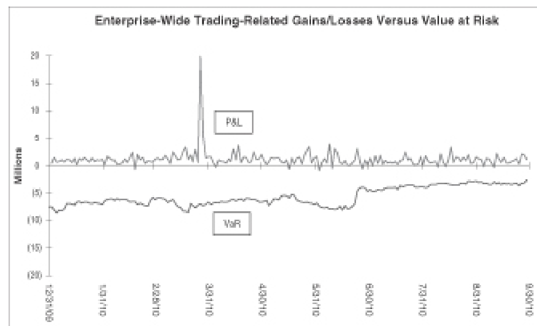
Our trading activities are primarily customer-driven trading in fixed income securities, equities, derivatives, and foreign exchange contracts. They also include the underwriting of fixed income and equity securities. Proprietary trading positions were essentially eliminated by the end of the second quarter of 2010.

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

During the first nine months of 2010, our VaR ranged between $2.8 million and $8.8 million, averaging $5.8 million. During the first nine months of 2009, our VaR ranged between $5.8 million and $10.1 million, averaging $7.4 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. Over a typical business cycle, 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 the first nine months of either 2010 or 2009, as the trading markets have moved into a period of relatively low pricing volatility.

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



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Trading Revenue

Nine months ended September 30 In millions	**2010**	2009
Net interest income	**$ 43**	$ 46
Noninterest income	**99**	111
Total trading revenue	**$142**	$157
Securities underwriting and trading (a)	**$ 70**	$ 63
Foreign exchange	**59**	53
Financial derivatives	**13**	41
Total trading revenue (b)	**$142**	$157

Three months ended September 30 In millions	**2010**	2009
Net interest income	**$ 11**	$ 14
Noninterest income	**21**	31
Total trading revenue	**$ 32**	$ 45
Securities underwriting and trading (a)	**$ 17**	$ 24
Foreign exchange	**14**	12
Financial derivatives	**1**	9
Total trading revenue (b)	**$ 32**	$ 45

(a) Includes changes in fair value for certain loans accounted for at fair value.
(b) Product trading revenue includes related hedged activity.

Trading revenue excludes the impact of economic hedging activities, which relate primarily to residential mortgage servicing rights, and residential and held-for-sale commercial real estate loans.

Trading revenue decreased by $15 million compared with the first nine months of 2009 and $13 million compared with the third quarter of 2009 primarily due to lower proprietary trading results and the increased impact of counterparty credit risk on valuations of customer derivative positions. The decline in the nine month comparison was partially offset by improved underwriting results. The decline in the quarterly comparison was partially offset by improved customer-driven trading results. Proprietary trading positions were essentially eliminated in the second quarter of 2010.

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.

A summary of our equity investments follows:

In millions	**Sept. 30 2010**	Dec. 31 2009
BlackRock	**$ 5,904**	$ 5,736
Tax credit investments	**2,102**	2,510
Private equity	**1,366**	1,184
Visa	**456**	456
Other	**309**	368
Total	**$10,137**	$10,254

BlackRock

PNC owned approximately 44 million common stock equivalent shares of BlackRock equity at September 30, 2010, accounted for under the equity method. The carrying value of our investment in BlackRock at September 30, 2010 was $6.0 billion, which includes our equity investment of $5.9 billion and $.1 billion of related goodwill and accumulated other comprehensive income related to our BlackRock investment. The market value of our investment in BlackRock was $7.4 billion at September 30, 2010 (not including liquidity discount). The primary risk measurement, similar to other equity investments, is economic capital. Further information about BlackRock is included in the Business Segments Review section of this Financial Review.

Tax Credit Investments

Included in our equity investments are tax credit investments which are mostly accounted for under the equity method.

These investments, as well as equity investments held by consolidated partnerships, totaled $2.1 billion at September 30, 2010 and $2.5 billion at December 31, 2009.

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 carried at estimated fair value totaled $1.4 billion at September 30, 2010 and $1.2 billion at December 31, 2009. As of September 30, 2010, $740 million was invested directly in a variety of companies and $626 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 $220 million as of September 30, 2010. 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 $370 million at September 30, 2010 compared with $453 million at December 31, 2009.

Visa
At September 30, 2010, our investment in Visa Class B common shares totaled approximately 23 million shares. In May 2010, Visa funded $500 million to their litigation escrow account and reduced the conversion ratio of Visa B to A shares. We consequently recognized our estimated $47 million share of the $500 million as a reduction of our indemnification liability and a reduction of noninterest expense. Considering the adjustment to the conversion ratio, the Class B shares would convert to approximately 12.9 million of publicly traded Visa Class A common shares. In September 2010, Visa announced their intention to fund their litigation escrow account by an additional $800 million. This funding occurred in October 2010. As a result, we expect to recognize an additional $76 million reduction of the indemnification liability in the fourth quarter of 2010.

As of September 30, 2010, we had recognized $456 million of our Visa ownership, which we acquired with National City, on our Consolidated Balance Sheet. Based on the September 30, 2010 closing price of $74.26 for the Visa Class A shares, the market value of our investment was $960 million. 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, March 25, 2011, 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 any 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.

Note 18 Commitments and Guarantees in our Notes To Consolidated Financial Statements of this Report and Note 25 Commitments and Guarantees in our Notes To Consolidated Financial Statements under Item 8 of our 2009 Form 10-K have further information on our Visa indemnification obligation.

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 September 30, 2010, other investments totaled $309 million compared with $368 million at December 31, 2009. We recognized net gains related to these investments of $33 million during the first nine months of 2010, including $7 million during the third quarter. We recognized net losses related to these investments of $62 million during the first nine months of 2009, including a gain of $17 million during the third quarter.

Given the nature of these investments, if market conditions affecting their valuation were to worsen, we could incur future losses.

Our unfunded commitments related to other investments totaled $21 million at September 30, 2010 and $66 million at December 31, 2009.

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

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

Further information on our financial derivatives is presented in Note 1 Accounting Policies in our Notes To Consolidated Financial Statements under Item 8 of our 2009 Form 10-K and in Note 12 Financial Derivatives in the Notes To Consolidated Financial Statements in this Report, which 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.

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The following table provides the notional or contractual amounts and estimated net fair value of financial derivatives at September 30, 2010 and December 31, 2009.

Financial Derivatives

In millions	September 30, 2010 Notional/ Contractual Amount	September 30, 2010 Estimated Net Fair Value	December 31, 2009 Notional/ Contractual Amount	December 31, 2009 Estimated Net Fair Value
Derivatives designated as hedging instrument under GAAP				
Interest rate contracts (a)				
Asset rate conversion				
Receive fixed swaps	**$ 14,637**	**$ 525**	$ 13,055	$ (64)
Pay fixed swaps (c)	**1,815**	**(66)**		
Liability rate conversion				
Receive fixed swaps	**11,203**	**1,272**	13,048	707
Forward purchase commitments	**4,005**	**34**	350	1
Total interest rate risk management	**31,660**	**1,765**	26,453	644
Total derivatives designated as hedging instruments (b)	**$ 31,660**	**$ 1,765**	$ 26,453	$ 644
Derivatives not designated as hedging instruments under GAAP				
Derivatives used for residential mortgage banking activities:				
Interest rate contracts				
Swaps	**$ 69,752**	**$ 288**	$ 38,596	$ (152)
Caps/floors – Purchased			5,200	50
Futures	**57,269**		41,609	
Future options	**83,800**	**20**	18,580	28
Swaptions	**13,155**	**(2)**	24,145	(22)
Commitments related to residential mortgage assets	**18,680**	**58**	9,565	6
Total residential mortgage banking activities	**$ 242,656**	**$ 364**	$ 137,695	$ (90)
Derivatives used for commercial mortgage banking activities:				
Interest rate contracts				
Swaps (c)	**$ 1,668**	**$ (66)**	$ 1,948	$ (15)
Commitments related to commercial mortgage assets	**3,027**	**3**	1,733	8
Credit contracts				
Credit default swaps	**185**	**11**	460	52
Total commercial mortgage banking activities	**$ 4,880**	**$ (52)**	$ 4,141	$ 45
Derivatives used for customer-related activities:				
Interest rate contracts				
Swaps (c)	**$ 88,592**	**$ (178)**	$ 91,090	$ (54)
Caps/floors				
Sold	**3,174**	**(10)**	3,457	(15)
Purchased	**2,442**	**9**	2,115	14
Swaptions	**2,367**	**60**	1,996	11
Futures	**2,122**		2,271	
Foreign exchange contracts	**8,618**	**10**	8,002	14
Equity contracts	**378**		351	
Credit contracts				
Risk participation agreements	**2,922**	**1**	2,819	1
Total customer-related	**$ 110,615**	**$ (108)**	$ 112,101	$ (29)
Derivatives used for other risk management activities:				
Interest rate contracts				
Swaps	**$ 865**		$ 4,667	$ 3
Caps/floors – Purchased	**100**	**$ 1**		
Swaptions			720	(9)
Futures	**280**		145	
Future options				
Commitments related to residential mortgage assets			50	
Foreign exchange contracts (c)	**34**	**(2)**	41	1
Credit contracts				
Credit default swaps	**664**	**9**	1,128	(2)
Other contracts (d)	**209**	**(354)**	211	(486)
Total other risk management	**$ 2,152**	**$ (346)**	$ 6,962	$ (493)
Total derivatives not designated as hedging instruments	**$ 360,303**	**$ (142)**	$ 260,899	$ (567)
Total Gross Derivatives	**$ 391,963**	**$ 1,623**	$ 287,352	$ 77

(a) The floating rate portion of interest rate contracts is based on money-market indices. As a percent of notional amount, 58% were based on 1-month LIBOR and 42% on 3-month LIBOR at September 30, 2010 compared with 57% and 43%, respectively, at December 31, 2009.

(b) Fair value amount includes net accrued interest receivable of $151 million at September 30, 2010 and $162 million at December 31, 2009.

(c) The increases in the negative fair values from December 31, 2009 to September 30, 2010 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 2010 and contracts terminated.

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

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2010, 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 our Executive Vice President and 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 September 30, 2010, and that there has been no change in PNC's internal control over financial reporting that occurred during the third quarter of 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

GLOSSARY OF TERMS

Accretable net interest (Accretable yield) – 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.

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; 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 certain 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. Nonperforming loans do not include purchased impaired loans as we are currently accreting interest income over the expected life of the loans.

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 and redemptions, 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 interest-bearing money market deposits, interest-bearing demand deposits, and noninterest-bearing deposits.

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

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," "should," "project," "goal" 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 in our 2009 Form 10-K, other 2010 Form 10-Qs and elsewhere in this Report, including in the Risk Factors and Risk Management sections of those reports. 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.
- A slowing or failure of the moderate economic recovery that began last year.
- Continued effects of the aftermath of recessionary conditions and the uneven spread of the positive impacts of the recovery on the economy in general and our customers in particular, including adverse impact on loan utilization rates as well as delinquencies, defaults and customer ability to meet credit obligations.
- 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 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.
- We will be impacted by the extensive reforms enacted in the Dodd-Frank Wall Street Reform and Consumer Protection Act. Further, as much of that Act will require the adoption of implementing regulations by a number of different regulatory bodies, the precise nature, extent and timing of many of these reforms and the impact on us is still uncertain.
- Financial industry restructuring in the current environment could also impact our business and financial performance as a result of changes in the creditworthiness and performance of our counterparties and by changes in the competitive and regulatory landscape.
- Our results depend on our ability to manage current elevated levels of impaired assets.
- 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 view that the moderate economic recovery that began last year will continue throughout the rest of 2010 and slowly gather momentum in 2011 amidst continued low interest rates.
- 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.
  - Unfavorable resolution of legal proceedings or other claims and regulatory and other governmental investigations or other inquiries. In addition to matters relating to PNC's business and activities, such matters may also include proceedings, claims, investigations, or inquiries relating to pre-acquisition business and activities of acquired companies such as National City.
  - 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 III" 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.
- Our expansion with our National City acquisition in geographic markets and into business operations in areas in which we did not have significant experience or presence prior to 2009 presents greater risks and uncertainties than were present for us in other recent acquisitions.

- 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 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.

We grow our business in part by acquiring from time to time other financial services companies. Acquisitions present us with risks in addition to those presented by the nature of the business acquired. These include risks and uncertainties related both to the acquisition transactions themselves and to the integration of the acquired businesses into PNC after closing.

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. Acquisitions may involve our entry into new businesses or new geographic or other markets, and these situations also present risks resulting from our inexperience in those 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.

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CONSOLIDATED INCOME STATEMENT

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except per share data *Unaudited*	Three months ended September 30 **2010**	2009	Nine months ended September 30 **2010**	2009
Interest Income				
Loans	**$1,996**	$2,091	**$ 6,314**	$ 6,759
Investment securities	**592**	684	**1,787**	2,045
Other	**113**	113	**378**	343
Total interest income	**2,701**	2,888	**8,479**	9,147
Interest Expense				
Deposits	**233**	387	**758**	1,407
Borrowed funds	**253**	277	**692**	1,003
Total interest expense	**486**	664	**1,450**	2,410
Net interest income	**2,215**	2,224	**7,029**	6,737
Noninterest Income				
Asset management	**249**	242	**751**	639
Consumer services	**328**	330	**939**	975
Corporate services	**183**	252	**712**	761
Residential mortgage	**216**	207	**542**	883
Service charges on deposits	**164**	248	**573**	714
Net gains on sales of securities	**121**	168	**358**	406
Other-than-temporary impairments	**(117)**	(401)	**(475)**	(1,540)
Less: Noncredit portion of other-than-temporary impairments (a)	**(46)**	(272)	**(194)**	(1,107)
Net other-than-temporary impairments	**(71)**	(129)	**(281)**	(433)
Other	**193**	311	**650**	660
Total noninterest income	**1,383**	1,629	**4,244**	4,605
Total revenue	**3,598**	3,853	**11,273**	11,342
Provision For Credit Losses	**486**	914	**2,060**	2,881
Noninterest Expense				
Personnel	**959**	1,068	**2,874**	3,150
Occupancy	**177**	172	**536**	533
Equipment	**152**	170	**492**	522
Marketing	**81**	58	**196**	174
Other	**789**	746	**2,175**	2,485
Total noninterest expense	**2,158**	2,214	**6,273**	6,864
Income from continuing operations before income taxes and noncontrolling interests	**954**	725	**2,940**	1,597
Income taxes	**179**	185	**736**	342
Income from continuing operations before noncontrolling interests	**775**	540	**2,204**	1,255
Income from discontinued operations (net of income taxes of $311, $11, $338, and $22)	**328**	19	**373**	41
Net income	**1,103**	559	**2,577**	1,296
Less: Net income (loss) attributable to noncontrolling interests	**2**	(20)	**(12)**	(7)
Preferred stock dividends	**4**	99	**122**	269
Preferred stock discount accretion and redemptions	**3**	13	**254**	42
Net income attributable to common shareholders	**$1,094**	$ 467	**$ 2,213**	$ 992
Basic Earnings Per Common Share				
Continuing operations	**$ 1.45**	$ .97	**$ 3.56**	$ 2.10
Discontinued operations	**.63**	.04	**.72**	.09
Net income	**$ 2.08**	$ 1.01	**$ 4.28**	$ 2.19
Diluted Earnings Per Common Share				
Continuing operations	**$ 1.45**	$ .96	**$ 3.52**	$ 2.08
Discontinued operations	**.62**	.04	**.72**	.09
Net income	**$ 2.07**	$ 1.00	**$ 4.24**	$ 2.17
Average Common Shares Outstanding				
Basic	**523**	460	**515**	451
Diluted	**526**	461	**518**	452

(a) Included in accumulated other comprehensive income (loss).

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions, except par value *Unaudited*	September 30 2010	December 31 2009
Assets		
Cash and due from banks (September 30, 2010 includes $2 for VIEs) (a)	**$ 3,724**	$ 4,288
Federal funds sold and resale agreements (includes $921 and $990 measured at fair value) (b)	**2,094**	2,390
Trading securities	**955**	2,124
Interest-earning deposits with banks (September 30, 2010 includes $5 for VIEs) (a)	**415**	4,488
Loans held for sale (includes $2,805 and $2,062 measured at fair value) (b)	**3,275**	2,539
Investment securities (September 30, 2010 includes $202 for VIEs) (a)	**63,461**	56,027
Loans (September 30, 2010 includes $4,644 for VIEs) (includes $90 and $88 measured at fair value) (a) (b)	**150,127**	157,543
Allowance for loan and lease losses (September 30, 2010 includes $(219) for VIEs) (a)	**(5,231)**	(5,072)
Net loans	**144,896**	152,471
Goodwill	**8,166**	9,505
Other intangible assets	**2,352**	3,404
Equity investments (September 30, 2010 includes $1,177 for VIEs) (a)	**10,137**	10,254
Other (September 30, 2010 includes $787 for VIEs) (includes $354 and $486 measured at fair value) (a) (b)	**20,658**	22,373
Total assets	**$ 260,133**	$ 269,863
Liabilities		
Deposits		
Noninterest-bearing	**$ 46,065**	$ 44,384
Interest-bearing	**133,118**	142,538
Total deposits	**179,183**	186,922
Borrowed funds		
Federal funds purchased and repurchase agreements	**4,661**	3,998
Federal Home Loan Bank borrowings	**7,106**	10,761
Bank notes and senior debt	**13,508**	12,362
Subordinated debt	**10,023**	9,907
Other (September 30, 2010 includes $2,937 for VIEs) (a)	**4,465**	2,233
Total borrowed funds	**39,763**	39,261
Allowance for unfunded loan commitments and letters of credit	**193**	296
Accrued expenses (September 30, 2010 includes $79 for VIEs) (a)	**3,134**	3,590
Other (September 30, 2010 includes $523 for VIEs) (a)	**5,194**	7,227
Total liabilities	**227,467**	237,296
Equity		
Preferred stock (c)		
Common stock – $5 par value		
Authorized 800 shares, issued 536 and 471 shares	**2,680**	2,354
Capital surplus – preferred stock	**646**	7,974
Capital surplus – common stock and other	**12,008**	8,945
Retained earnings	**15,114**	13,144
Accumulated other comprehensive income (loss)	**146**	(1,962)
Common stock held in treasury at cost: 10 and 9 shares	**(552)**	(513)
Total shareholders’ equity	**30,042**	29,942
Noncontrolling interests	**2,624**	2,625
Total equity	**32,666**	32,567
Total liabilities and equity	**$ 260,133**	$ 269,863

(a) Amounts represent the assets or liabilities of consolidated variable interest entities (VIEs).
(b) Amounts represent items for which the Corporation has elected the fair value option.
(c) Par value less than $.5 million at each date.

See accompanying Notes To Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

THE PNC FINANCIAL SERVICES GROUP, INC.

In millions *Unaudited*	Nine months ended September 30 2010	2009
Operating Activities		
Net income	**$ 2,577**	$ 1,296
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	**2,060**	2,881
Depreciation and amortization	**753**	747
Deferred income taxes	**691**	143
Net gains on sales of securities	**(358)**	(406)
Net other-than-temporary impairments	**281**	433
Gain on sale of PNC Global Investment Servicing	**(639)**	
Net gains related to BlackRock LTIP shares adjustment		(103)
Undistributed earnings of BlackRock	**(176)**	(107)
Excess tax benefits from share-based payment arrangements	**(1)**	(1)
Net change in		
Trading securities and other short-term investments	**1,092**	(35)
Loans held for sale	**(1,056)**	267
Other assets	**(1,411)**	3,094
Accrued expenses and other liabilities	**566**	(5,978)
Other	**58**	298
Net cash provided by operating activities	**4,437**	2,529
Investing Activities		
Sales		
Securities available for sale	**17,994**	12,611
Loans	**2,326**	408
Repayments/maturities		
Securities available for sale	**5,869**	5,552
Securities held to maturity	**1,857**	251
Purchases		
Securities available for sale	**(28,344)**	(25,364)
Securities held to maturity	**(1,180)**	(1,514)
Loans	**(3,680)**	(212)
Net change in		
Federal funds sold and resale agreements	**310**	(589)
Interest-earning deposits with banks	**3,880**	13,623
Loans	**8,247**	10,977
Net cash received from (paid for) acquisition and divestiture activity	**2,479**	(3,396)
Other (a)	**686**	(9)
Net cash provided by investing activities	**10,444**	12,338
Financing Activities		
Net change in		
Noninterest-bearing deposits	**1,912**	6,650
Interest-bearing deposits	**(9,097)**	(11,603)
Federal funds purchased and repurchase agreements	**667**	(1,177)
Federal Home Loan Bank short-term borrowings	**(280)**	
Other short-term borrowed funds	**(461)**	(1,755)
Sales/issuances		
Federal Home Loan Bank long-term borrowings		1,500
Bank notes and senior debt	**3,270**	2,459
Other long-term borrowed funds	**3,090**	147
Supervisory Capital Assessment Program – common stock		624
Common and treasury stock	**3,466**	174
Repayments/maturities		
Federal Home Loan Bank long-term borrowings	**(3,310)**	(7,633)
Bank notes and senior debt	**(2,455)**	(3,868)
Subordinated debt	**(269)**	(529)
Other long-term borrowed funds	**(3,856)**	(125)
Preferred stock – TARP	**(7,579)**	
Redemption of noncontrolling interest	**(99)**	
Excess tax benefits from share-based payment arrangements	**1**	1
Acquisition of treasury stock	**(172)**	(124)
Preferred stock cash dividends paid	**(122)**	(269)
Common stock cash dividends paid	**(151)**	(384)
Net cash used by financing activities	**(15,445)**	(15,912)
Net Decrease In Cash And Due From Banks	**(564)**	(1,045)
Cash and due from banks at beginning of period	**4,288**	4,471
Cash and due from banks at end of period	**$ 3,724**	$ 3,426
Supplemental Disclosures		
Interest paid	**$ 1,419**	$ 2,526
Income taxes paid	**571**	53
Income taxes refunded	**8**	611
Non-cash Investing and Financing Items		
Transfer from (to) loans to (from) loans held for sale, net	**632**	(190)
Transfer from loans to foreclosed assets	**1,064**	698

(a) Includes the impact of the consolidation of variable interest entities as of January 1, 2010.

See accompanying Notes To Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

THE PNC FINANCIAL SERVICES GROUP, INC.

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, and residential mortgage banking, 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, Virginia, Missouri, Delaware, Washington, D.C., and Wisconsin. PNC also provides certain products and services internationally.

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 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 2010 presentation. These reclassifications did not have a material impact on our consolidated financial condition or results of operations.

The second quarter of 2010 included a $105 million pretax adjustment primarily related to the recognition of $64 million of additional interest income on purchased impaired loans, a $29 million reduction of interest expense related to the accretion of the purchase accounting adjustment for borrowings assumed in the National City acquisition, and another miscellaneous item. This correction should have been recorded in 2009. Management believes that the impact of this correction is not material to any prior period, the current period, or the estimated 2010 full year consolidated financial statements.

See Note 2 Divestiture regarding our July 1, 2010 sale of PNC Global Investment Servicing Inc. The Consolidated Income Statement for all periods presented and related Notes To Consolidated Financial Statements reflect the global investment servicing business as discontinued operations.

In our opinion, the unaudited interim consolidated financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. The results of operations for interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

When preparing these unaudited interim consolidated financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2009 Annual Report on Form 10-K (2009 Form 10-K). Reference is made to Note 1 Accounting Policies in the 2009 Form 10-K for a detailed description of significant accounting policies. There have been no significant changes to these policies in the first nine months of 2010 other than as disclosed herein. These interim consolidated financial statements serve to update the 2009 Form 10-K and may not include all information and notes necessary to constitute a complete set of financial statements.

We have considered the impact on these consolidated financial statements of events occurring subsequent to September 30, 2010.

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 our 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 derivative not designated as a hedging instrument under GAAP as disclosed in Note 12 Financial Derivatives.

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 13 Earnings Per Share for additional information.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2010, we adopted 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 guidance removes the concept of a qualifying special-purpose entity. The 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.

On January 1, 2010, we adopted 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. This 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. VIEs are assessed for consolidation under Topic 810 when we hold variable interests in these entities. PNC consolidates VIEs when we are deemed to be the primary beneficiary. The primary beneficiary of a VIE is determined to be the party that meets both of the following criteria: (1) has the power to make decisions that most significantly affect the economic performance of the VIE and (2) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Effective January 1, 2010, we consolidated Market Street Funding LLC (Market Street), a credit card securitization trust, and certain Low Income Housing Tax Credit (LIHTC) investments. We recorded consolidated assets of $4.2 billion, consolidated liabilities of $4.2 billion, and an after-tax cumulative effect adjustment to retained earnings of $92 million upon adoption (see Note 3 Loan Sale and Servicing Activities and Variable Interest Entities).

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

In April 2010, the FASB issued ASU 2010-18, Receivables (Topic 310), Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset. This ASU amends the accounting guidance related to loans that are accounted for within a pool under ASC 310-30. The new guidance clarifies that modifications of such loans do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. The amended guidance continues to require that an entity consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. No additional disclosures are required as a result of this ASU. ASU 2010-18 is effective for modifications of loans accounted for within pools under ASC 310-30 occurring in the first interim or annual period ending on or after July 15, 2010 with early adoption permitted. PNC accounts for loans within pools consistent with the guidance in this ASU.

In July 2010, the FASB issued ASU 2010-20 – Receivables (Topic 310) – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. This ASU requires additional disclosures related to an entity’s allowance for credit losses and the credit quality of its financing receivables (e.g., loans). Certain disclosures will be effective December 31, 2010 and others beginning in the first quarter of 2011.

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NOTE 2 DIVESTITURE

SALE OF PNC GLOBAL INVESTMENT SERVICING

On July 1, 2010, we sold 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 pursuant to a definitive agreement entered into on February 2, 2010. This transaction resulted in a pretax gain of $639 million, net of transaction costs. The after-tax amount of the gain of $328 million is included within Income from discontinued operations, on our Consolidated Income Statement.

Results of operations of GIS through June 30, 2010 are presented as Income from discontinued operations, net of income taxes, on our Consolidated Income Statement for all periods presented.

As part of the sale agreement, PNC has agreed to provide certain transitional services on behalf of GIS until completion of related systems conversion activities.

Asset and liabilities of GIS at December 31, 2009 follow.

Investment in Discontinued Operations

In millions	December 31, 2009
Interest-earning deposits with banks	$ 255
Goodwill	1,243
Other intangible assets	51
Other	359
Total assets	$ 1,908
Interest-bearing deposits	$ 93
Accrued expenses	266
Other	1,009
Total liabilities	$ 1,368
Net assets	$ 540

NOTE 3 LOAN SALE AND SERVICING ACTIVITIES AND VARIABLE INTEREST ENTITIES

LOAN SALE AND SERVICING ACTIVITIES

We have transferred residential and commercial mortgage loans in securitization or sales transactions in which we have continuing involvement. These transfers have occurred through Agency securitization, Non-Agency securitization, and whole-loan sale transactions. In Agency securitizations, Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC) (collectively “the Agencies”) securitize our transferred loans into mortgage-backed securities for sale into the secondary market through Special Purpose Entities (SPEs) they sponsor. In Non-Agency securitizations, we have transferred loans into securitization SPEs. In other instances third-party investors have purchased (in whole-loan sale transactions) and subsequently sold our loans into securitization SPEs. Third-party investors have also purchased our loans in whole-loan sale transactions. Securitization SPEs, which are legal entities that are utilized in the Agency and Non-Agency securitization transactions, are VIEs.

Our continuing involvement in the Agency securitizations, Non-Agency securitizations, and whole-loan sale transactions generally consists of servicing, limited repurchases of previously transferred loans and loss share arrangements, and, in limited circumstances, holding of mortgage-backed securities issued by the securitization SPEs.

Depending on the transaction, we may act as the master, primary, and/or special servicer to the securitization SPEs or third-party investors. Servicing responsibilities typically consist of collecting and remitting monthly borrower principal and interest payments, maintaining escrow deposits, performing loss mitigation and foreclosure activities, and, in certain instances, funding of servicing advances. Servicing advances, which are reimbursable, are recognized in Other assets at cost and are made for principal and interest and collateral protection. With respect to Agency securitizations, the Agencies are responsible for working out defaulted loans.

We earn servicing and other ancillary fees for our role as servicer and depending on the contractual terms of the servicing arrangement, we can be terminated as servicer with or without cause. At the consummation date of each type of loan transfer, we recognize a servicing asset at fair value. Servicing assets are recognized in Other intangible assets on our Consolidated Balance Sheet and are classified within Level 3 of the fair value hierarchy. See Note 8 Fair Value and Note 9 Goodwill and Other Intangible Assets for further discussion of our residential and commercial servicing assets.

Certain loans transferred to the Agencies contain removal of account provisions (ROAPs). Under these ROAPs, we hold an option to repurchase at par individual delinquent loans that meet certain criteria. When we have the unilateral ability to repurchase a delinquent loan, effective control over the loan has been regained and we recognize the loan and a corresponding liability on the balance sheet regardless of our intent to repurchase the loan. At September 30, 2010 and December 31, 2009, the balance of our ROAP asset and liability totaled $367 million and $577 million, respectively.

We generally do not retain mortgage-backed securities issued by the Agency and Non-Agency securitization SPEs at the inception of the securitization transactions. Rather, our limited holdings of these securities occur through subsequent purchases in the secondary market. PNC does not retain any credit risk on its Agency mortgage-backed security positions as FNMA, FHLMC, and the U.S. Government (for GNMA) guarantee losses of principal and interest on the underlying mortgage loans. We generally hold a senior class of Non-Agency mortgage-backed securities.

We also have involvement with certain Agency and Non-Agency commercial securitization SPEs where we have not transferred commercial mortgage loans. These SPEs were sponsored by independent third-parties and the loans held by these entities were purchased exclusively from other third-parties. Generally, our involvement with these SPEs is as servicer with servicing activities consistent to those described above. In certain instances, we can be terminated as servicer in these commercial securitization structures without cause by the controlling class of mortgage-backed security holders of the SPE.

We recognize a liability for our loss exposure associated with contractual obligations to repurchase previously transferred loans due to breaches of representations and warranties and also for loss sharing arrangements with the Agencies (collectively "recourse obligations"). Other than providing temporary liquidity under servicing advances and our loss exposure associated with our recourse obligations, we have not provided nor are we required to provide any type of credit support, guarantees, or commitments to the securitization SPEs or third-party investors in these transactions. See Note 18 Commitments and Guarantees for further discussion of our recourse obligations.

Certain Financial Information and Cash Flows Associated with Loan Sale and Servicing Activities

	September 30, 2010		December 31, 2009	
In millions	Residential Mortgages	Commercial Mortgages (a)	Residential Mortgages	Commercial Mortgages (a)
FINANCIAL INFORMATION				
Servicing portfolio (b)	**$131,594**	**$ 164,191**	$146,050	$ 185,167
Carrying value of servicing assets (c)	**788**	**616**	1,332	921
Servicing advances	**569**	**380**	599	383
Servicing deposits	**2,855**	**3,400**	3,118	3,774
Recourse obligations (d)	**155**	**30**	229	71
Carrying value of mortgage-backed securities held (e)	**1,907**	**1,578**	2,011	1,905

	Three Months Ended September 30, 2010		**Nine Months Ended September 30, 2010**	
In millions	Residential Mortgages	Commercial Mortgages (a)	Residential Mortgages	Commercial Mortgages (a)
CASH FLOWS				
Sales of loans (f)	**$ 2,381**	**$ 475**	**$ 6,607**	**$ 1,453**
Repurchases of previously transferred loans	**550**		**1,756**	
Contractual servicing fees received	**100**	**48**	**316**	**174**
Servicing advances recovered/(funded), net	**(30)**	**1**	**30**	**3**
Cash flows on mortgage-backed securities held (e)	**143**	**237**	**433**	**441**

(a) Represents financial and cash flow information associated with both commercial mortgage loan transfer and servicing activities.
(b) For our continuing involvement with residential mortgage loan transfers, amount represents outstanding balance of loans transferred and serviced. For commercial mortgages, amount represents the portion of the overall servicing portfolio in which loans have been transferred by us or third parties to VIEs. It does not include loans serviced by us that were originated by third parties and have not been transferred to a VIE.
(c) See Note 8 Fair Value and Note 9 Goodwill and Other Intangible Assets for further information.
(d) Represents liability for our loss exposure associated with loan repurchases for breaches of representations and warranties and our commercial mortgage loss share arrangements for our Residential Mortgage Banking and Corporate & Institutional Banking business segments, respectively. See Note 18 Commitments and Guarantees for further information.
(e) Represents securities held where PNC transferred and/or serviced loans to a securitization SPE and we hold securities issued by that SPE.
(f) There were no gains or losses recognized on the transaction date for sales of residential mortgage and certain commercial mortgage loans as these loans are recognized on the balance sheet at fair value. For transfers of commercial loans not recognized on the balance sheet at fair value, gains/losses recognized on sales of these loans were insignificant for the three months and nine months ended September 30, 2010.

VARIABLE INTEREST ENTITIES (VIES)

We are involved with various entities in the normal course of business that are deemed to be VIEs. We assess VIEs for consolidation based upon the accounting policies described in Note 1 and effective January 1, 2010, we consolidated Market Street, a credit card securitization trust, and certain Low Income Housing Tax Credit (LIHTC) investments as a result of adopting ASU 2009-17 – Consolidations (Topic 810).

The following provides a summary of VIEs, including those that we have consolidated and those in which we hold variable interests but have not consolidated into our financial statements as of September 30, 2010 and December 31, 2009, respectively.

Consolidated VIEs – Carrying Value (a)

September 30, 2010 In millions	Market Street	Credit Card Securitization Trust	Tax Credit Investments (b)	Credit Risk Transfer Transaction	Total
Assets					
Cash and due from banks			$ 2		$ 2
Interest-earning deposits with banks			5		5
Investment securities	$ 202				202
Loans	2,094	$ 2,103		$ 447	4,644
Allowance for loan and lease losses		(213)		(6)	(219)
Equity investments			1,177		1,177
Other assets	339	3	435	10	787
Total assets	$ 2,635	$ 1,893	$ 1,619	$ 451	$6,598
Liabilities					
Other borrowed funds	$ 2,298	$ 523	$ 116		$2,937
Accrued expenses			79		79
Other liabilities	336		187		523
Total liabilities	$ 2,634	$ 523	$ 382		$3,539

(a) Amounts represent carrying value on PNC's Consolidated Balance Sheet.
(b) Amounts reported primarily represent LIHTC investments.

Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities
September 30, 2010		
Market Street	$ 3,220	$ 3,226
Credit Card Securitization Trust	2,231	995
Tax Credit Investments (a)	1,631	417
Credit Risk Transfer Transaction	766	766
December 31, 2009		
Tax Credit Investments (a)	$ 1,933	$ 808
Credit Risk Transfer Transaction	860	860

(a) Amounts reported primarily represent LIHTC investments.

Aggregate assets and aggregate liabilities differ from the consolidated carrying value of assets and liabilities due to elimination of intercompany assets and liabilities held by the consolidated VIE.

Non-Consolidated VIEs

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss	Carrying Value of Assets	Carrying Value of Liabilities
September 30, 2010					
Tax Credit Investments (a)	$ 3,818	$ 2,028	$ 850	$ 850(c)	$ 347(d)
Commercial Mortgage-Backed Securitizations (b)	73,206	73,206	1,727	1,727(e)	
Residential Mortgage-Backed Securitizations (b)	47,585	47,585	1,936	1,930(e)	6(d)
Collateralized Debt Obligations	18		2	2(c)	
Total	$124,627	$122,819	$ 4,515	$4,509	$ 353

In millions	Aggregate Assets	Aggregate Liabilities	PNC Risk of Loss
December 31, 2009			
Market Street	$ 3,698	$ 3,718	$ 6,155(f)
Tax Credit Investments (a)	1,786	1,156	743
Collateralized Debt Obligations	23		2
Total	$ 5,507	$ 4,874	$ 6,900

(a) Amounts reported primarily represent LIHTC investments. Aggregate assets and aggregate liabilities represent estimated balances due to limited availability of financial information associated with certain acquired partnerships.

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(b) Amounts reported reflect involvement with securitization SPEs where PNC transferred to and/or services loans for a SPE and we hold securities issued by that SPE. We also invest in other mortgage and asset-backed securities issued by third-party VIEs with which we have no continuing involvement. Further information on these securities is included in Note 7 Investment Securities and values disclosed represent our maximum exposure to loss for those securities' holdings.
(c) Included in Equity investments on our Consolidated Balance Sheet.
(d) Included in Other liabilities on our Consolidated Balance Sheet.
(e) Included in Trading securities, Investment securities, Other intangible assets, and Other assets on our Consolidated Balance Sheet.
(f) PNC's risk of loss consisted of off-balance sheet liquidity commitments to Market Street of $5.6 billion and other credit enhancements of $.6 billion at December 31, 2009.

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 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 2009 and the first nine months of 2010, 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. Through these arrangements, PNC has the power to direct the activities of the special purpose entity (SPE) that most significantly affect its economic performance and these arrangements expose PNC to expected losses or residual returns that are significant to Market Street.

The commercial paper obligations at September 30, 2010 and December 31, 2009 were supported by Market Street's assets. While PNC may be obligated to fund under the $5.5 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 such as by the over-collateralization of the assets or by another third party in the form of deal-specific credit enhancement. 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 $652 million of the liquidity facilities if the underlying assets are in default. Market Street creditors have no direct recourse to PNC.

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 June 2015. At September 30, 2010, $584 million was outstanding on this facility. This amount was eliminated in PNC's Consolidated Balance Sheet as of September 30, 2010 due to the consolidation of Market Street. We are not required to nor have we provided additional financial support to the SPE.

CREDIT CARD SECURITIZATION TRUST

We are the sponsor of several credit card securitizations facilitated through an SPE trust. This bankruptcy-remote SPE or VIE was established to purchase credit card receivables from the sponsor and to issue and sell asset-backed securities created by it to independent third-parties. The SPE was financed primarily through the sale of these asset-backed securities. These transactions were originally structured as a form of liquidity and to afford favorable capital treatment. At September 30, 2010, Series 2006-1, 2007-1, and 2008-3 issued by the SPE were outstanding. Series 2005-1 was paid off during the third quarter of 2010.

Our continuing involvement in these securitization transactions consists primarily of holding certain retained interests and acting as the primary servicer. For each securitization series, our retained interests held are in the form of a pro-rata undivided interest, or sellers' interest, in the transferred receivables, subordinated tranches of asset-backed securities, interest-only strips, discount receivables, and subordinated interests in accrued interest and fees in securitized receivables. We consolidated the SPE as of January 1, 2010 as we are deemed the primary beneficiary of the entity based upon our level of continuing involvement. Our role as primary servicer gives us the power to direct the activities of the SPE that most significantly affect its economic performance and our holding of retained interests gives us the obligation to absorb or receive expected losses or residual returns that are significant to the SPE. Accordingly, all retained interests held in the credit card SPE are eliminated in consolidation. The underlying assets of the consolidated SPE are restricted only for payment of the beneficial interest issued by the SPE. We are not required to nor have we provided additional financial support to the SPE. Additionally, creditors of the SPE have no direct recourse to PNC.

TAX CREDIT INVESTMENTS

We make certain equity investments in various limited partnerships or limited liability companies (LLCs) that sponsor affordable housing projects utilizing the 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.

Typically, the general partner or managing member will be the party that has the right to make decisions that will most significantly impact the economic performance of the entity. The primary sources of losses and benefits 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 are the general partner or managing member and have a limited partnership interest or non-managing member interest that could potentially absorb losses or receive benefits that are significant. 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. There are no terms or conditions that have required or could require us, as the primary beneficiary, to provide financial support. Also, we have not provided nor do we intend to provide financial or other support to the limited partnership or LLC that we are not contractually obligated to provide. The consolidated aggregate assets and liabilities of these LIHTC investments are provided in the Consolidated VIEs table and reflected in the "Other" business segment.

We also have LIHTC investments in which we are not the general partner and do not have the right to make decisions that will most significantly impact the economic performance of the entity. Accordingly, we are not the primary beneficiary of these investments and thus they are not consolidated. These investments are disclosed in the Non-Consolidated VIEs 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 method 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 (which merged into PNC Bank, N.A. in November 2009) sponsored an SPE and concurrently entered into a credit risk transfer agreement with an independent third party to mitigate credit losses on a pool of nonconforming residential mortgage loans originated by its former First Franklin business unit. The SPE or VIE was formed with a small equity contribution and was structured as a bankruptcy-remote entity so that its creditors have no recourse to the sponsor. In exchange for a perfected security interest in the cash flows of the nonconforming mortgage loans, the SPE issued asset-backed securities to the sponsor in the form of senior, mezzanine, and subordinated equity notes.

The credit risk transfer agreement associated with this transaction is no longer outstanding as a result of certain actions taken by us and the independent third-party in 2009. Refer to our 2009 Form 10-K for further details of these actions. We continue to hold all asset-backed securities issued by the SPE and are also the depositor in this transaction. As a result, we are deemed the primary beneficiary of the SPE. Our rights as depositor give us the power to direct the activities of the SPE that most significantly affect its economic performance and our holding of all asset-backed securities gives us the obligation to absorb or receive expected losses or residual returns that are significant to the SPE. Accordingly, this SPE is consolidated and all of the entity's assets, liabilities, and equity associated with the securities held by us are intercompany balances and are eliminated in consolidation. The underlying assets of the consolidated SPE are restricted only for payment of the asset-backed securities issued by the SPE. We are not required to nor have we provided additional financial support to the SPE.

In October 2010, the governing documents were amended to give PNC the option to unilaterally terminate the securitization structure. On October 28, 2010, PNC exercised its option to terminate the securitization structure. The dissolution of the structure did not have any impact on the statement of financial condition, liquidity, or cash flows of PNC.

RESIDENTIAL AND COMMERCIAL MORTGAGE-BACKED SECURITIZATIONS
In connection with each Agency and Non-Agency securitization discussed above, we evaluate each SPE utilized in these transactions for consolidation. In performing these assessments, we evaluate our level of continuing involvement in these transactions as the magnitude of our involvement ultimately determines whether or not we hold a variable interest and/or are the primary beneficiary of the SPE. Factors we consider in our consolidation assessment include the significance of (1) our role as servicer, (2) our holdings of mortgage-backed securities issued by the securitization SPE, and (3) the rights of third-party variable interest holders.

Our first step in our assessment is to determine whether we hold a variable interest in the securitization SPE. We hold a variable interest in an Agency and Non-Agency securitization SPE through our holding of mortgage-backed securities issued by the SPE and/or our recourse obligations. Each SPE in which we hold a variable interest is evaluated to determine whether we are the primary beneficiary of the entity. For Agency securitization transactions, our contractual role as servicer does not give us the power to direct the activities that most significantly affect the economic performance of the SPEs. Thus, we are not the primary beneficiary of these entities. For Non-Agency securitization transactions, we would be the primary beneficiary to the extent our servicing activities give us the power to direct the activities that most significantly affect the economic performance of the SPE and we hold a more than insignificant variable interest in the entity. At September 30, 2010, our level of continuing involvement in Non-Agency securitization SPEs did not result in PNC being deemed the primary beneficiary of any of these entities. Details about the Agency and Non-Agency securitization SPEs where we hold a variable interest and are not the primary beneficiary are included in the table above. Our maximum exposure to loss as a result of our involvement with these SPEs is the carrying value of the mortgage-backed securities, servicing assets, servicing advances, and our liabilities associated with our recourse obligations. Creditors of the securitization SPEs have no recourse to PNC's assets or general credit.

NOTE 4 LOANS AND COMMITMENTS TO EXTEND CREDIT
Loans outstanding were as follows:

In millions	September 30 2010	December 31 2009
Commercial	**$ 53,188**	$ 54,818
Commercial real estate	**19,091**	23,131
Consumer	**54,956**	53,582
Residential real estate	**16,484**	19,810
Equipment lease financing	**6,408**	6,202
Total loans (a)	**$ 150,127**	$ 157,543

(a) Net of unearned income, net deferred loan fees, unamortized discounts and premiums, and purchase discounts and premiums totaling $2.8 billion and $3.2 billion at September 30, 2010 and December 31, 2009, respectively.

Future accretable discounts related to purchased impaired loans are not included in loans outstanding.

At September 30, 2010, we pledged $11.9 billion of loans to the Federal Reserve Bank and $26.6 billion of loans to the Federal Home Loan Bank as collateral for the contingent ability to borrow, if necessary. The comparable amounts at December 31, 2009 were $18.8 billion and $32.6 billion, respectively.

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 $90 million, or less than 1% of the total loan portfolio, at September 30, 2010.

Net Unfunded Credit Commitments

In millions	September 30 2010	December 31 2009
Commercial and commercial real estate (a) (b)	**$ 59,834**	$ 60,143
Home equity lines of credit	**19,500**	20,367
Consumer credit card line and other unsecured lines	**16,478**	18,800
Other	**1,335**	1,485
Total	**$ 97,147**	$ 100,795

(a) Amount related to purchased customer receivables totaled $3.4 billion at September 30, 2010 due to the January 1, 2010 consolidation of Market Street.
(b) Amount related to Market Street totaled $5.6 billion at December 31, 2009. This amount was eliminated as of September 30, 2010 due to the consolidation of Market Street.

Commitments to extend credit represent arrangements to lend funds or provide liquidity subject to specified contractual conditions. At September 30, 2010 commercial commitments are reported net of $15.3 billion of participations, assignments and syndications, primarily to financial institutions. The comparable amount at December 31, 2009 was $13.2 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.

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NOTE 5 ASSET QUALITY

The following amounts exclude purchased impaired loans acquired in connection with the December 31, 2008 National City acquisition. See Note 6 Purchased Impaired Loans Related to National City for further information.

Nonperforming Assets

Dollars in millions	September 30, 2010	December 31, 2009
Nonaccrual loans		
Commercial	**$ 1,530**	$ 1,806
Commercial real estate	**1,989**	2,140
Equipment lease financing	**104**	130
TOTAL COMMERCIAL LENDING	**3,623**	4,076
Consumer		
Home equity	**406**	356
Other	**38**	36
Total consumer	**444**	392
Residential real estate		
Residential mortgage	**727**	955
Residential construction	**42**	248
Total residential real estate	**769**	1,203
TOTAL CONSUMER LENDING	**1,213**	1,595
Total nonaccrual/nonperforming loans	**4,836**	5,671
Foreclosed and other assets		
Commercial lending	**366**	266
Consumer lending	**467**	379
Total foreclosed and other assets	**833**	645
Total nonperforming assets	**$ 5,669**	$ 6,316
Nonperforming loans to total loans	**3.22%**	3.60%
Nonperforming assets to total loans and foreclosed and other assets	**3.76**	3.99
Nonperforming assets to total assets	**2.18**	2.34

Loans whose contractual terms have been restructured in a manner which grants a concession to a borrower experiencing financial difficulties are considered troubled debt restructurings (TDRs). TDRs 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. Total nonperforming loans in the table above include TDRs of $595 million at September 30, 2010 and $440 million at December 31, 2009.

TDRs returned to performing (accrual) status totaled $425 million at September 30, 2010 and are excluded from nonperforming loans. These loans have demonstrated a period of at least six months of performance under the modified terms.

In addition, credit cards and certain small business and consumer credit agreements whose terms have been modified totaled $315 million at September 30, 2010 and are TDRs. However, since our policy is to exempt these loans from being placed on nonaccrual status as permitted by regulatory guidance as these loans are directly charged off in the period that they become 180 days past due, these loans are excluded from nonperforming loans.

Net interest income less the provision for credit losses was $5.0 billion for the first nine months of 2010 compared with $3.9 billion for the first nine months of 2009. Comparable amounts for the third quarter of 2010 and the third quarter of 2009 were $1.7 billion and $1.3 billion, respectively.

Rollforward of Allowance for Loan and Lease Losses

In millions	2010	2009
January 1	**$ 5,072**	$ 3,917
Charge-offs	**(2,568)**	(2,131)
Recoveries	**423**	255
Net charge-offs	**(2,145)**	(1,876)
Provision for credit losses	**2,060**	2,881
Acquired allowance (a)		(114)
Adoption of ASU 2009-17, *Consolidations*	**141**	
Divestiture		(18)
Net change in allowance for unfunded loan commitments and letters of credit	**103**	20
September 30	**$ 5,231**	$ 4,810

(a) Reflects adjustments to the National City allowance acquired December 31, 2008 due to additional impairment of loans effective at that date.

Rollforward of Allowance for Unfunded Loan Commitments and Letters of Credit

In millions	2010	2009
January 1	**$ 296**	$344
Net change in allowance for unfunded loan commitments and letters of credit	**(103)**	(20)
September 30	**$ 193**	$324

Originated Impaired Loans exclude leases and smaller homogeneous type loans as well as purchased impaired loans related to our acquisition of National City, but include acquired loans that are impaired subsequent to acquisition. We did not recognize any interest income on Originated Impaired Loans, including TDRs that have not returned to performing status, while they were impaired in the first nine months of 2010 or 2009. The following table provides further detail on Originated Impaired Loans individually evaluated for reserves and the associated allowance for loan losses:

Originated Impaired Loans (a)

In millions	Sept. 30 2010	Dec. 31 2009
Impaired loans with an associated reserve	**$3,752**	$3,475
Impaired loans without an associated reserve	**289**	471
Total impaired loans	**$4,041**	$3,946
Specific allowance for credit losses (b)	**$1,400**	$1,148
Average impaired loan balance (c)	**$4,241**	$2,664

(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) Amounts include $516 million at September 30, 2010 for TDRs.
(c) Nine-month average for each year.

NOTE 6 PURCHASED IMPAIRED LOANS RELATED TO NATIONAL CITY

As further described in Note 6 of the 2009 Form 10-K, 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. 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.

Purchased Impaired Loans

	September 30, 2010		December 31, 2009	
In millions	Recorded Investment	Outstanding Balance	Recorded Investment	Outstanding Balance
Commercial	**$ 353**	**$ 526**	$ 531	$ 921
Commercial real estate	**1,206**	**1,679**	1,636	2,600
Consumer	**3,112**	**4,343**	3,457	5,097
Residential real estate	**3,459**	**4,072**	4,663	6,620
Total	**$ 8,130**	**$ 10,620**	$10,287	$ 15,238

During the first nine months of 2010, the recorded investment of purchased impaired loans decreased by a net $2.2 billion as a result of payments and other exit activities partially offset by accretion of purchase accounting discount.

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 an impairment charge to the provision for credit losses in the period in which the changes become probable. Subsequent decreases to the net present value of expected cash flows will generally result in an impairment 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. Prepayments and interest rate decreases for variable rate notes 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 and interest rate decreases for variable rate notes, the effect will be to reduce the yield prospectively. During the first nine months of 2010, $508 million of provision and $158 million of charge-offs were recorded on impaired loans. As of September 30, 2010, decreases in the net present value of expected cash flows of purchased impaired loans resulted in an allowance for loan and lease losses of $906 million on $7.1 billion of the impaired loans while the remaining $1.0 billion of impaired loans required no allowance as net present value of expected cash flows improved or remained the same. Subsequent increases in the net present value of 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, which is recognized prospectively. 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.

Activity for the accretable yield for the first nine months of 2010 follows.

Accretable Yield

In millions	2010
January 1	**$ 3,502**
Accretion (including cash recoveries)	**(1,060)**
Net reclassifications to accretable from non-accretable	**73**
Disposals	**(187)**
September 30	**$ 2,328**

NOTE 7 INVESTMENT SECURITIES

Investment Securities Summary

In millions	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
September 30, 2010				
SECURITIES AVAILABLE FOR SALE				
Debt securities				
US Treasury and government agencies	**$ 7,546**	**$ 337**		**$ 7,883**
Residential mortgage-backed				
Agency	**28,470**	**716**	**$ (93)**	**29,093**
Non-agency	**8,663**	**241**	**(1,323)**	**7,581**
Commercial mortgage-backed				
Agency	**1,560**	**81**		**1,641**
Non-agency	**1,795**	**75**	**(17)**	**1,853**
Asset-backed	**2,897**	**46**	**(241)**	**2,702**
State and municipal	**1,578**	**80**	**(57)**	**1,601**
Other debt	**3,157**	**144**	**(4)**	**3,297**
Total debt securities	**55,666**	**1,720**	**(1,735)**	**55,651**
Corporate stocks and other	**399**			**399**
Total securities available for sale	**$56,065**	**$1,720**	**$(1,735)**	**$56,050**
SECURITIES HELD TO MATURITY				
Debt securities				
Commercial mortgage-backed (non-agency)	**$ 4,378**	**$ 241**	**$ (1)**	**$ 4,618**
Asset-backed	**3,024**	**80**		**3,104**
Other debt	**9**	**2**		**11**
Total securities held to maturity	**$ 7,411**	**$ 323**	**$ (1)**	**$ 7,733**
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

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.

In March 2010, we transferred $2.2 billion of available for sale commercial mortgage-backed non-agency securities to the held to maturity portfolio. The reclassification was made at fair value at the date of transfer. Net pretax unrealized gains in accumulated other comprehensive loss totaled $92 million at the transfer date and will be accreted over the remaining life of the related securities as an adjustment of yield in a manner consistent with the amortization of the premium on the same transferred securities, resulting in no impact on net income.

The following table presents gross unrealized loss and fair value of securities available for sale at September 30, 2010 and December 31, 2009. 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 other-than-temporary impairment (OTTI) has been recognized in accumulated other comprehensive loss. The gross unrealized loss on debt securities held to maturity was $1 million at September 30, 2010 and $13 million at December 31, 2009 with the majority of positions in a continuous loss position for less than 12 months.

Gross Unrealized Loss and Fair Value of Securities Available for Sale

In millions	Unrealized loss position less than 12 months		Unrealized loss position 12 months or more		Total	
	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value
September 30, 2010						
Debt securities						
Residential mortgage-backed						
Agency	**$ (76)**	**$ 6,823**	**$ (17)**	**$ 275**	**$ (93)**	**$ 7,098**
Non-agency	**(24)**	**155**	**(1,299)**	**6,072**	**(1,323)**	**6,227**
Commercial mortgage-backed						
Non-agency	**(2)**	**66**	**(15)**	**225**	**(17)**	**291**
Asset-backed	**(15)**	**371**	**(226)**	**801**	**(241)**	**1,172**
State and municipal	**(3)**	**235**	**(54)**	**250**	**(57)**	**485**
Other debt	**(1)**	**82**	**(3)**	**11**	**(4)**	**93**
Total	**$ (121)**	**$ 7,732**	**$ (1,614)**	**$ 7,634**	**$ (1,735)**	**$15,366**
December 31, 2009						
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

Evaluating Investments for Other-than-Temporary Impairments
For the securities in the above table, as of September 30, 2010 we do not intend to sell and have determined it is not more likely than not we will be required to sell the securities 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. 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 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 if applicable, 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 our most significant categories of securities not backed by the US government or its agencies.

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 based upon ratings, collateral performance, projected losses, market prices and judgment to identify bonds that have the potential to be credit impaired.

Securities not passing all of the 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.

Credit Impairment Assessment Assumptions – Non-Agency Residential Mortgage-Backed and Asset-Backed Securities (a)

September 30, 2010	Range	Weighted-average (b)
Long-term prepayment rate (annual CPR)		
Prime	**7-20%**	**14%**
Alt-A	**3-12**	**5**
Remaining collateral expected to default		
Prime	**0-52%**	**20%**
Alt-A	**0-82**	**44**
Loss severity		
Prime	**15-60%**	**44%**
Alt-A	**27-80**	**56**

(a) Collateralized by first and second-lien non-agency residential mortgage loans.
(b) Calculated by weighting the relevant assumption for each individual security by the current outstanding cost basis of the security.

Non-Agency 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 forecast. 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 the third quarter and first nine months of 2010 and 2009, the OTTI credit 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 Credit Losses Recognized in Earnings

In millions	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
Available for sale securities:				
Non-agency residential mortgage-backed	**$ (57)**	$ (92)	**$ (211)**	$ (340)
Non-agency commercial mortgage-backed			**(3)**	(6)
Asset-backed	**(14)**	(34)	**(67)**	(76)
Other debt		(3)		(7)
Marketable equity securities				(4)
Total	**$ (71)**	$ (129)	**$ (281)**	$ (433)

Summary of OTTI Noncredit Losses Included in Accumulated Other Comprehensive Loss

In millions	Three months ended September 30 2010	Three months ended September 30 2009	Nine months ended September 30 2010	Nine months ended September 30 2009
Total	**$ (46)**	$ (272)	**$ (194)**	$ (1,107)

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

In millions	Non-agency residential mortgage-backed	Non-agency commercial mortgage-backed	Asset-backed	Other debt	Total
For the three months ended September 30, 2010					
June 30, 2010	$ (621)	$ (9)	$ (198)	$ (12)	$(840)
Loss where impairment was not previously recognized	(15)				(15)
Additional loss where credit impairment was previously recognized	(42)		(14)		(56)
September 30, 2010	**$ (678)**	**$ (9)**	**$ (212)**	**$ (12)**	**$(911)**

In millions	Non-agency residential mortgage-backed	Non-agency commercial mortgage-backed	Asset-backed	Other debt	Total
For the three months ended September 30, 2009					
June 30, 2009	$ (284)	$ (6)	$ (75)	$ (4)	$(369)
Loss where impairment was not previously recognized	(37)		(20)		(57)
Additional loss where credit impairment was previously recognized	(55)		(14)	(3)	(72)
September 30, 2009	$ (376)	$ (6)	$ (109)	$ (7)	$(498)

In millions	Non-agency residential mortgage-backed	Non-agency commercial mortgage-backed	Asset-backed	Other debt	Total
For the nine months ended September 30, 2010					
December 31, 2009	$ (479)	$ (6)	$ (145)	$ (12)	$(642)
Loss where impairment was not previously recognized	(41)	(3)	(11)		(55)
Additional loss where credit impairment was previously recognized	(170)		(56)		(226)
Reduction due to credit impaired securities sold	12				12
September 30, 2010	**$ (678)**	**$ (9)**	**$ (212)**	**$ (12)**	**$(911)**

In millions	Non-agency residential mortgage-backed	Non-agency commercial mortgage-backed	Asset-backed	Other debt	Total
For the nine months ended September 30, 2009 (a)					
December 31, 2008	$ (35)		$ (34)		$ (69)
Loss where impairment was not previously recognized	(192)	$ (6)	(54)	$ (4)	(256)
Additional loss where credit impairment was previously recognized	(149)		(21)	(3)	(173)
September 30, 2009	$ (376)	$ (6)	$ (109)	$ (7)	$(498)

(a) Excludes OTTI credit losses related to equity securities totaling $4 million.

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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

Nine months ended September 30 In millions	Proceeds	Gross Gains	Gross Losses	Net Gains	Tax Expense
2010	**$18,285**	**$421**	**$ (63)**	**$358**	**$ 125**
2009	12,655	421	(15)	406	142

The following table presents, by remaining contractual maturity, the amortized cost, fair value and weighted-average yield of debt securities at September 30, 2010.

Contractual Maturity of Debt Securities

September 30, 2010 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	$ 9	$ 4,200	$ 2,848	$ 489	**$ 7,546**
Residential mortgage-backed					
Agency		42	1,398	27,030	**28,470**
Non-agency			39	8,624	**8,663**
Commercial mortgage-backed					
Agency	1	425	1,129	5	**1,560**
Non-agency		57		1,738	**1,795**
Asset-backed	1	294	405	2,197	**2,897**
State and municipal	52	150	196	1,180	**1,578**
Other debt	6	2,696	263	192	**3,157**
Total debt securities available for sale	$ 69	$ 7,864	$ 6,278	$41,455	**$55,666**
Fair value	$ 69	$ 8,078	$ 6,638	$40,866	**$55,651**
Weighted-average yield, GAAP basis	3.71%	2.54%	3.59%	4.39%	**4.04%**
SECURITIES HELD TO MATURITY					
Commercial mortgage-backed (non-agency)		$ 212	$ 72	$ 4,094	**$ 4,378**
Asset-backed	$ 43	2,265	348	368	**3,024**
Other debt		1	6	2	**9**
Total debt securities held to maturity	$ 43	$ 2,478	$ 426	$ 4,464	**$ 7,411**
Fair value	$ 43	$ 2,563	$ 440	$ 4,687	**$ 7,733**
Weighted-average yield, GAAP basis	2.77%	2.86%	2.56%	4.91%	**4.08%**

Based on current interest rates and expected prepayment speeds, the weighted-average expected maturity of mortgage and other asset-backed debt securities were as follows as of September 30, 2010:

Weighted-Average Expected Maturity of Mortgage and Other Asset-Backed Debt Securities

	September 30, 2010
Agency mortgage-backed securities	**3.8 years**
Non-agency mortgage-backed securities	**4.5 years**
Agency commercial mortgage-backed securities	**5.6 years**
Non-agency commercial mortgage-backed securities	**3.5 years**
Asset-backed securities	**3.3 years**

Weighted-average yields are based on historical cost with effective yields weighted for the contractual maturity of each security.

The following table presents the fair value of securities that have been either pledged to or accepted from others to collateralize outstanding borrowings.

Fair Value of Securities Pledged and Accepted as Collateral

In millions	September 30, 2010	December 31, 2009
Pledged to others	**$ 28,717**	$ 23,368
Accepted from others:		
Permitted by contract or custom to sell or repledge	**2,001**	2,357
Permitted amount repledged to others	**672**	1,283

The securities pledged to others 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, and were used to secure public and trust deposits, repurchase agreements, and for other purposes. The securities accepted from others that we are permitted by contract or custom to sell or repledge are a component of Federal funds sold and resale agreements on our Consolidated Balance Sheet.

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 and trading securities, commercial mortgage loans held for sale, private equity investments, residential mortgage servicing rights, BlackRock Series C Preferred Stock and certain 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.

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. For 55% of our positions, we use prices obtained from pricing services provided by the Barclay's Capital Index and Interactive Data Corp. (IDC). For 15% 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 dealer or market 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 September 30, 2010, 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 have elected to account for certain residential mortgage loans originated for sale on a recurring basis at fair value. At 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.

Residential Mortgage Servicing Rights

Residential mortgage servicing rights (MSRs) are carried at fair value on a recurring basis. Currently, 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 2010 and 2009, we determine the fair value of commercial mortgage loans held for sale by using a whole loan methodology. Fair value is determined using sale valuation 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 classified 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 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 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 have elected to 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
We have 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 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. Although dividends are equal to 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. Due to the significance of unobservable inputs, this security is classified as Level 3.

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Assets and liabilities measured at fair value on a recurring basis, including instruments for which PNC has elected the fair value option, follow.

Fair Value Measurements – Summary

	September 30, 2010				December 31, 2009			
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								
US Treasury and government agencies	**$7,440**	**$ 443**		**$ 7,883**	$7,026	$ 494		$ 7,520
Residential mortgage-backed								
Agency		**29,093**		**29,093**		24,433	$ 5	24,438
Non-agency			**$ 7,581**	**7,581**			8,302	8,302
Commercial mortgage-backed								
Agency		**1,641**		**1,641**		1,297		1,297
Non-agency		**1,853**		**1,853**		3,842	6	3,848
Asset-backed		**1,577**	**1,125**	**2,702**		414	1,254	1,668
State and municipal		**1,368**	**233**	**1,601**		1,084	266	1,350
Other debt		**3,225**	**72**	**3,297**		1,962	53	2,015
Total debt securities	**7,440**	**39,200**	**9,011**	**55,651**	7,026	33,526	9,886	50,438
Corporate stocks and other	**266**	**120**	**13**	**399**	230	83	47	360
Total securities available for sale	**7,706**	**39,320**	**9,024**	**56,050**	7,256	33,609	9,933	50,798
Financial derivatives (a) (b)								
Interest rate contracts		**7,564**	**113**	**7,677**	25	3,630	47	3,702
Other contracts		**172**	**7**	**179**	2	209	3	214
Total financial derivatives		**7,736**	**120**	**7,856**	27	3,839	50	3,916
Residential mortgage loans held for sale (c)		**1,777**		**1,777**		1,012		1,012
Trading securities (d)								
Debt (e)	**523**	**319**	**71**	**913**	1,690	299	89	2,078
Equity	**42**			**42**	46			46
Total trading securities	**565**	**319**	**71**	**955**	1,736	299	89	2,124
Residential mortgage servicing rights (f)			**788**	**788**			1,332	1,332
Commercial mortgage loans held for sale (c)			**1,028**	**1,028**			1,050	1,050
Equity investments								
Direct investments			**740**	**740**			595	595
Indirect investments (g)			**635**	**635**			593	593
Total equity investments			**1,375**	**1,375**			1,188	1,188
Customer resale agreements (h)		**921**		**921**		990		990
Loans (i)		**90**		**90**		107		107
Other assets								
BlackRock Series C Preferred Stock (j)			**354**	**354**			486	486
Other		**419**	**7**	**426**		207	23	230
Total other assets		**419**	**361**	**780**		207	509	716
Total assets	**$8,271**	**$50,582**	**$12,767**	**$71,620**	$9,019	$40,063	$14,151	$63,233
Liabilities								
Financial derivatives (b) (k)								
Interest rate contracts		**$ 5,687**	**$ 42**	**$ 5,729**	$ 2	$ 3,185	$ 18	$ 3,205
BlackRock LTIP			**354**	**354**			486	486
Other contracts		**143**	**7**	**150**		146	2	148
Total financial derivatives		**5,830**	**403**	**6,233**	2	3,331	506	3,839
Trading securities sold short (l)								
Debt (e)	**$ 861**	**11**		**872**	1,288	42		1,330
Equity					14			14
Total trading securities sold short	**861**	**11**		**872**	1,302	42		1,344
Other liabilities		**8**		**8**		6		6
Total liabilities	**$ 861**	**$ 5,849**	**$ 403**	**$ 7,113**	$1,304	$ 3,379	$ 506	$ 5,189

(a) Included in Other assets on our Consolidated Balance Sheet.

(b) Amounts at September 30, 2010 and December 31, 2009 are presented gross and are not reduced by the impact of legally enforceable master netting agreements that allow PNC to net positive and negative positions and cash collateral held or placed with the same counterparty. At September 30, 2010 and December 31, 2009, respectively, the net asset amounts were $2.446 billion and $2.047 billion and the net liability amounts were $1.022 billion and $1.733 billion.

(c) Included in Loans held for sale on our Consolidated Balance Sheet. PNC has elected the fair value option for certain commercial and residential mortgage loans held for sale.

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(d) Fair value includes net unrealized losses of $4 million at September 30, 2010 and net unrealized gains of $9 million at December 31, 2009.
(e) Comprised primarily of US Treasury and government agencies securities.
(f) Included in Other intangible assets on our Consolidated Balance Sheet.
(g) 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.
(h) Included in Federal funds sold and resale agreements on our Consolidated Balance Sheet. PNC has elected the fair value option for these items.
(i) Included in Loans on our 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.
(j) PNC has elected the fair value option for these shares.
(k) Included in Other liabilities on our Consolidated Balance Sheet.
(l) Included in Other borrowed funds on our Consolidated Balance Sheet.

Reconciliations of assets and liabilities measured at fair value on a recurring basis using Level 3 inputs for the three months and nine months ended September 30, 2010 and 2009 follow.

Three Months Ended September 30, 2010

		Total realized / unrealized gains or losses (a)				
Level 3 Instruments Only In millions	June 30, 2010	Included in earnings (*)	Included in other comprehensive income	Purchases, issuances, and settlements, net	September 30, 2010 (d)	(*) Attributable to unrealized gains or losses related to assets and liabilities held at September 30, 2010
Assets						
Securities available for sale						
Residential mortgage- backed non-agency	$ 7,635	$ (57)	$ (90)	$ 93	$ 7,581	$ (57)
Asset-backed	1,150	(14)	18	(29)	1,125	(14)
State and municipal	237		(4)		233	
Other debt	82		2	(12)	72	
Corporate stocks and other	47			(34)	13	
Total securities available for sale	9,151	(71)	(74)	18	9,024	(71)
Financial derivatives	85	45		(10)	120	42
Trading securities – Debt	73	1		(3)	71	
Residential mortgage servicing rights	963	(149)		(26)	788	(153)
Commercial mortgage loans held for sale	1,036	11		(19)	1,028	17
Equity investments						
Direct investments	650	47		43	740	42
Indirect investments	618	26		(9)	635	22
Total equity investments	1,268	73		34	1,375	64
Other assets						
BlackRock Series C Preferred Stock	298	56			354	56
Other	7				7	
Total other assets	305	56			361	56
Total assets	$12,881	$ (34)	$ (74)	$ (6)	$ 12,767	$ (45)
Total liabilities (c)	$ 355	$ 52		$ (4)	$ 403	$ 50

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Three Months Ended September 30, 2009

Level 3 Instruments Only In millions	June 30, 2009	Total realized / unrealized gains or losses (a): Included in earnings (*)	Included in other comprehensive income	Purchases, issuances, and settlements, net	Transfers into Level 3, net (b)	September 30, 2009	(*) Attributable to unrealized gains or losses related to assets and liabilities held at September 30, 2009
Assets							
Securities available for sale							
Residential mortgage-backed agency	$ 5					$ 5	
Residential mortgage-backed non-agency	9,014	$ (92)	$ 256	$ (498)	$ 28	8,708	$ (92)
Commercial mortgage-backed non-agency	3,658		302	(211)	2	3,751	
Asset-backed	1,212	(34)	66	(32)		1,212	(34)
State and municipal	276		(2)	(11)		263	
Other debt	53	(3)	3	(2)		51	(3)
Corporate stocks and other	50			(2)		48	
Total securities available for sale	14,268	(129)	625	(756)	30	14,038	(129)
Financial derivatives	125	29		(46)	(24)	84	30
Trading securities							
Debt	97	3		(14)		86	3
Equity	29	1		(12)	(6)	12	1
Total trading securities	126	4		(26)	(6)	98	4
Residential mortgage servicing rights	1,459	(176)		(1)		1,282	(179)
Commercial mortgage loans held for sale	1,179	30		(88)		1,121	30
Equity investments	1,160	(1)		1		1,160	(5)
Other assets							
BlackRock Series C Preferred Stock	367	87				454	87
Other	38		9	(5)		42	
Total other assets	405	87	9	(5)		496	87
Total assets	$18,722	$ (156)	$ 634	$ (921)		$ 18,279	$ (162)
Total liabilities (c)	$ 414	$ 101		$ (19)	$ (1)	$ 495	$ 99

(a) Losses for assets are bracketed while losses for liabilities are not.
(b) PNC's policy is to recognize transfers in and transfers out as of the end of the reporting period.
(c) Financial derivatives.
(d) There were no transfers into or out of Level 3 for the three months ended September 30, 2010.

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Nine Months Ended September 30, 2010

Level 3 Instruments Only In millions	December 31, 2009	Total realized / unrealized gains or losses (a) Included in earnings (*)	Included in other comprehensive income	Purchases, issuances, and settlements, net	Transfers into Level 3 (b)	Transfers out of Level 3 (b)	September 30, 2010	(*) Attributable to unrealized gains or losses related to assets and liabilities held at September 30, 2010
Assets								
Securities available for sale								
Residential mortgage-backed agency	**$ 5**			**$ (5)**				
Residential mortgage-backed non-agency	**8,302**	**$ (239)**	**$ (110)**	**(370)**		**$ (2)**	**$ 7,581**	**$ (211)**
Commercial mortgage-backed non-agency	**6**				**$ 2**	**(8)**		
Asset-backed	**1,254**	**(67)**	**50**	**(112)**			**1,125**	**(67)**
State and municipal	**266**	**5**	**(21)**	**(18)**	**1**		**233**	
Other debt	**53**		**6**	**(16)**	**29**		**72**	
Corporate stocks and other	**47**		**(1)**	**(33)**			**13**	
Total securities available for sale	**9,933**	**(301)**	**(76)**	**(554)**	**32**	**(10)**	**9,024**	**(278)**
Financial derivatives	**50**	**87**		**(17)**			**120**	**86**
Trading securities – Debt	**89**	**(2)**		**(16)**			**71**	**(4)**
Residential mortgage servicing rights	**1,332**	**(472)**		**(72)**			**788**	**(464)**
Commercial mortgage loans held for sale	**1,050**	**33**		**(55)**			**1,028**	**42**
Equity investments								
Direct investments	**595**	**135**		**10**			**740**	**112**
Indirect investments	**593**	**67**		**(25)**			**635**	**54**
Total equity investments	**1,188**	**202**		**(15)**			**1,375**	**166**
Other assets								
BlackRock Series C Preferred Stock	**486**	**(128)**		**(4)**			**354**	**(128)**
Other	**23**		**(4)**	**(12)**			**7**	
Total other assets	**509**	**(128)**	**(4)**	**(16)**			**361**	**(128)**
Total assets	**$ 14,151**	**$ (581)**	**$ (80)**	**$ (745)**	**$ 32**	**$ (10)**	**$ 12,767**	**$ (580)**
Total liabilities (c)	**$ 506**	**$ (121)**		**$ 17**	**$ 1**		**$ 403**	**$ (122)**

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Nine Months Ended September 30, 2009

Level 3 Instruments Only In millions	Dec. 31, 2008	National City Acquisition	Balance, January 1, 2009	Total realized / unrealized gains or losses (a) Included in earnings (*)	Included in other comprehensive income	Purchases, issuances, and settlements, net	Transfers into Level 3, net (b)	September 30, 2009	(*) Attributable to unrealized gains or losses related to assets and liabilities held at September 30, 2009
Assets									
Securities available for sale									
Residential mortgage- backed agency		$ 7	$ 7		$ (2)			$ 5	
Residential mortgage-backed non-agency	$3,304	899	4,203	$ (340)	839	$ (713)	$ 4,719	8,708	$ (340)
Commercial mortgage-backed non-agency	337		337	(6)	627	(255)	3,048	3,751	(6)
Asset-backed	833	59	892	(68)	(35)	(44)	467	1,212	(68)
State and municipal	271	50	321		1	(33)	(26)	263	
Other debt	34	48	82	(6)		(25)		51	(6)
Corporate stocks and other	58		58		(6)	(4)		48	
Total securities available for sale	4,837	1,063	5,900	(420)	1,424	(1,074)	8,208	14,038	(420)
Financial derivatives	125	35	160	125		(181)	(20)	84	28
Trading securities									
Debt	56	26	82	1		8	(5)	86	6
Equity	17	6	23	2		(9)	(4)	12	1
Total trading securities	73	32	105	3		(1)	(9)	98	7
Residential mortgage servicing rights	6	1,019	1,025	243		14		1,282	207
Commercial mortgage loans held for sale	1,400	1	1,401	(48)		(232)		1,121	(39)
Equity investments	571	610	1,181	(80)		60	(1)	1,160	(88)
Other assets									
BlackRock Series C Preferred Stock				243		211		454	243
Other		40	40	(5)	(3)	10		42	(5)
Total other assets		40	40	238	(3)	221		496	238
Total assets	$7,012	$ 2,800	$ 9,812	$ 61	$ 1,421	$ (1,193)	$ 8,178	$ 18,279	$ (67)
Total liabilities (c)	$ 22	$ 16	$ 38	$ 241		$ 217	$ (1)	$ 495	$ 242

(a) Losses for assets are bracketed while losses for liabilities are not.
(b) PNC's policy is to recognize transfers in and transfers out as of the end of the reporting period.
(c) Financial derivatives.

Net losses (realized and unrealized) included in earnings relating to Level 3 assets and liabilities were $460 million for the first nine months of 2010 compared with $180 million for the first nine months of 2009. The net losses (realized and unrealized) for the third quarter of 2010 were $86 million compared with $257 million for the third quarter of 2009. These amounts included net unrealized losses of $458 million and $95 million, respectively, for the 2010 periods. The comparable amounts for the 2009 periods were net unrealized losses of $309 million and $261 million, respectively. These amounts were included in noninterest income on the Consolidated Income Statement.

During the first nine months of 2010, no material transfers of assets or liabilities between the hierarchy levels occurred.

During the first nine months of 2009, securities transferred into Level 3 from Level 2 exceeded securities transferred out by $8.2 billion. These primarily related to non-agency residential and commercial mortgage-backed securities where management determined that the volume and level of market activity for these assets had significantly decreased. Other Level 3 assets include commercial mortgage loans held for sale, certain equity securities, auction rate securities, corporate debt securities, certain private-issuer asset-backed securities, private equity investments, certain derivative instruments, residential mortgage servicing rights and other assets.

Interest income earned from trading securities totaled $32 million for the first nine months of 2010 and $43 million for the first nine months of 2009. For the third quarter of 2010 and 2009, interest income related to trading securities totaled $7 million and $18 million, respectively. These amounts are included in other interest income on the Consolidated Income Statement.

Nonrecurring Fair Value Changes

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 represent the carrying value of loans for which adjustments are primarily based on the appraised value of collateral or the net book value of the collateral from the borrower's most recent financial statements if no appraisal is available. If the net book value is utilized, loss given default (LGD) collateral recovery rates are employed, by collateral type, in calculating disposition costs to arrive at an adjusted fair value. If an appraisal is outdated due to changed project or market conditions, values based on the LGD recovery rates are used pending receipt of an updated appraisal. The amounts below for loans held for sale represent the carrying value of loans for which adjustments are primarily based on the appraised value of collateral, which often results in significant management assumptions and input with respect to the determination of fair value, or based on an observable market price. 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 mortgage servicing rights reflect an impairment of four strata at September 30, 2010 while no strata were impaired at December 31, 2009 and one stratum was impaired at September 30, 2009. 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.

Fair Value Measurements – Nonrecurring (a)

	Fair Value		Gains (Losses) Three months ended		Gains (Losses) Nine months ended	
In millions	**September 30 2010**	December 31 2009	**September 30 2010**	September 30 2009	**September 30 2010**	September 30 2009
Assets						
Nonaccrual loans	**$ 853**	$ 939	**$ (2)**	$ (201)	**$ (6)**	$ (342)
Loans held for sale	**191**	168	**(1)**	1	**(44)**	3
Equity investments (b)	**21**	154	**(3)**	(4)	**(3)**	(55)
Commercial mortgage servicing rights (c)	**616**		**(81)**		**(99)**	
Other intangible assets	**1**	1				
Foreclosed and other assets	**211**	108	**(38)**	(17)	**(75)**	(41)
Long-lived assets held for sale	**24**	30	**(4)**		**(20)**	1
Total assets	**$ 1,917**	$ 1,400	**$ (129)**	$ (221)	**$ (247)**	$ (434)

(a) All Level 3 except $5 million in loans held for sale which were Level 2 at December 31, 2009.
(b) Includes LIHTC and other equity investments.
(c) Four strata at fair value at September 30, 2010 and no strata at fair value at December 31, 2009. During the first nine months of 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.

Fair Value Option

Refer to the Fair Value Measurement section of this Note 8 regarding the fair value of commercial mortgage loans held for sale, residential mortgage loans held for sale, customer resale agreements, and BlackRock Series C Preferred Stock.

Commercial Mortgage Loans Held for Sale

Interest income on these loans is recorded as earned and reported on the Consolidated Income Statement in other interest 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 both the third quarter and first nine months of 2010 and the third quarter and first nine months of 2009 were not material.

Residential Mortgage Loans Held for Sale

Interest income on these loans is recorded as earned and reported on the Consolidated Income Statement in other interest income. Throughout 2010 and 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 the third quarter and first nine months of 2010 and the third quarter and first nine months of 2009 were not material.

Customer Resale Agreements

Interest income on structured resale agreements is reported on the Consolidated Income Statement in other interest income. Changes in fair value due to instrument-specific credit risk for both the third quarter and first nine months of 2010 and the third quarter and first nine months of 2009 were not material.

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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)

In millions	Gains (Losses) Three months ended September 30 2010	September 30 2009	Gains (Losses) Nine months ended September 30 2010	September 30 2009
Assets				
Customer resale agreements	**$ 6**	$ 7	**$ 14**	$ (18)
Commercial mortgage loans held for sale	**11**	30	**33**	(48)
Residential mortgage loans held for sale	**80**	126	**220**	374
Residential mortgage loans – portfolio	**(1)**	1	**2**	(3)
BlackRock Series C Preferred Stock	**56**	87	**(128)**	243

(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 follow.

Fair Value Option – Fair Value and Principal Balances

In millions	Fair Value	Aggregate Unpaid Principal Balance	Difference
September 30, 2010			
Customer resale agreements	**$ 921**	**$ 845**	**$ 76**
Residential mortgage loans held for sale			
Performing loans	**1,744**	**1,728**	**16**
Loans 90 days or more past due	**31**	**40**	**(9)**
Nonaccrual loans	**2**	**4**	**(2)**
Total	**1,777**	**1,772**	**5**
Commercial mortgage loans held for sale (a)			
Performing loans	**989**	**1,129**	**(140)**
Nonaccrual loans	**39**	**61**	**(22)**
Total	**1,028**	**1,190**	**(162)**
Residential mortgage loans – portfolio			
Performing loans	**31**	**35**	**(4)**
Loans 90 days or more past due	**44**	**45**	**(1)**
Nonaccrual loans	**15**	**28**	**(13)**
Total	**$ 90**	**$ 108**	**$ (18)**
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)

(a) There were no loans 90 days or more past due within this category at September 30, 2010 or December 31, 2009.

ADDITIONAL FAIR VALUE INFORMATION RELATED TO FINANCIAL INSTRUMENTS

	September 30, 2010		December 31, 2009	
In millions	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and short-term assets	**$ 7,361**	**$ 7,361**	$ 12,248	$ 12,248
Trading securities	**955**	**955**	2,124	2,124
Investment securities	**63,461**	**63,783**	56,027	56,319
Loans held for sale	**3,275**	**3,276**	2,539	2,597
Net loans (excludes leases)	**138,489**	**142,116**	146,270	145,014
Other assets	**4,599**	**4,599**	4,883	4,883
Mortgage and other loan servicing rights	**1,404**	**1,404**	2,253	2,352
Financial derivatives				
Designated as hedging instruments under GAAP	**1,831**	**1,831**	739	739
Not designated as hedging instruments under GAAP	**6,025**	**6,025**	3,177	3,177
Liabilities				
Demand, savings and money market deposits	**135,295**	**135,295**	132,645	132,645
Time deposits	**43,888**	**44,450**	54,277	54,534
Borrowed funds	**40,149**	**41,659**	39,621	39,977
Financial derivatives				
Designated as hedging instruments under GAAP	**66**	**66**	95	95
Not designated as hedging instruments under GAAP	**6,167**	**6,167**	3,744	3,744
Unfunded loan commitments and letters of credit	**179**	**179**	290	290

The aggregate fair values in the table above do not represent the total market value of PNC's assets and liabilities 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.

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 our 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 (comprised of available for sale and held to maturity securities) and trading portfolios. We use prices obtained from pricing services, dealer quotes or recent trades to determine the fair value of securities. For 57% of our positions, we use prices obtained from pricing services provided by the Barclay's Capital Index and Interactive Data Corp. (IDC). For 13% 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. Non-accrual loans are valued at their estimated recovery value. Also refer to the Fair Value Measurement and Fair Value Option sections 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 impaired 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. 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 $2.4 billion at September 30, 2010 and $2.6 billion as of December 31, 2009, 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.

The key valuation assumptions for commercial and residential mortgage loan servicing assets at September 30, 2010 and December 31, 2009 are included in Note 9 Goodwill and Other Intangible Assets.

CUSTOMER RESALE AGREEMENTS

Refer to the Fair Value Measurement section of this Note 8 regarding the fair value of customer resale agreements.

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.

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NOTE 9 GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill by business segment during the first nine months of 2010 follow:

Changes in Goodwill by Business Segment (a)

In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Black-Rock	Residential Mortgage Banking	Other	Total
January 1, 2010	$5,369	$ 2,756	$ 68	$ 26	$ 43	$ 1,243	$ 9,505
Sale of GIS						(1,232)	(1,232)
Acquisition-related	(59)	(23)	(5)			(11)	(98)
BlackRock				(9)			(9)
September 30, 2010	**$5,310**	**$ 2,733**	**$ 63**	**$ 17**	**$ 43**	**$ —**	**$ 8,166**

(a) The Distressed Assets Portfolio business segment does not have any goodwill allocated to it.

Changes in goodwill and other intangible assets during the first nine months of 2010 follow:

Summary of Changes in Goodwill and Other Intangible Assets

In millions	Goodwill	Customer-Related	Servicing Rights
January 1, 2010	$ 9,505	$ 1,145	$ 2,259
Additions/adjustments:			
Sale of GIS	(1,232)	(49)	
Acquisition-related	(98)		
Mortgage and other loan servicing rights			(485)
BlackRock	(9)		
Sale of servicing rights			(192)
Impairment charge			(99)
Amortization		(152)	(75)
September 30, 2010	**$ 8,166**	**$ 944**	**$ 1,408**

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.

See Note 2 Divestiture regarding our July 1, 2010 sale of GIS.

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

In millions	**September 30 2010**	December 31 2009
Customer-related and other intangibles		
Gross carrying amount	**$ 1,547**	$ 1,742
Accumulated amortization	**(603)**	(597)
Net carrying amount	**$ 944**	$ 1,145
Mortgage and other loan servicing rights		
Gross carrying amount	**$ 2,024**	$ 2,729
Valuation allowance	**(99)**	
Accumulated amortization	**(517)**	(470)
Net carrying amount	**$ 1,408**	$ 2,259
Total	**$ 2,352**	$ 3,404

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 and other intangibles, the estimated remaining useful lives range from 2 years to 10 years, with a weighted-average remaining useful life of 9 years.

Amortization expense on existing intangible assets, net of impairment reversal (charge) follows:

Amortization Expense on Existing Intangible Assets (a)

In millions	
Nine months ended September 30, 2010	**$126**
Nine months ended September 30, 2009	226
Remainder of 2010	64
2011	249
2012	210
2013	209
2014	191
2015	177

(a) Net of impairment reversal (charge).

Changes in commercial mortgage servicing rights follow:

Commercial Mortgage Servicing Rights

In millions	2010	2009
January 1	**$ 921**	$864
Additions (a)	**59**	84
Acquisition adjustment		(7)
Sale of servicing rights	**(192)**	
Impairment (charge) reversal	**(99)**	35
Amortization expense	**(73)**	(79)
September 30	**$ 616**	$897

(a) From loans sold with servicing retained and purchases of servicing rights from third parties.

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 the residential mortgage servicing rights follow:

Residential Mortgage Servicing Rights

In millions	2010	2009
January 1	**$ 1,332**	$ 1,008
Additions:		
From loans sold with servicing retained	**61**	232
Changes in fair value due to:		
Time and payoffs (a)	**(133)**	(218)
Purchase accounting adjustments		17
Other (b)	**(472)**	243
September 30	**$ 788**	$ 1,282
Unpaid principal balance of loans serviced for others at September 30	**$131,594**	$159,075

(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.

The fair value of residential and commercial MSRs and significant inputs to the valuation model as of September 30, 2010 are shown in the tables below. The expected and actual rates of mortgage loan prepayments are significant factors driving the fair value. Management uses internal proprietary models to estimate future loan prepayments. These models use 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. Consistent with the pricing of capital market instruments, management utilizes market implied forward interest rates to estimate the future direction of mortgage and discount rates. Changes in the shape and slope of the forward curve in future periods may result in volatility in the fair value estimate.

A sensitivity analysis of the hypothetical effect on the fair value of MSRs to adverse changes in key assumptions is presented below. These sensitivities do not include the impact of the related hedging activities. 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.

The following tables set forth the fair value of commercial and residential MSRs and the sensitivity analysis of the hypothetical effect on the fair value of MSRs to immediate adverse changes of 10% and 20% in those assumptions:

Commercial Mortgage Loan Servicing Assets – Key Valuation Assumptions

Dollars in millions	Sept. 30, 2010	Dec. 31, 2009
Fair value	**$ 616**	$1,020
Weighted-average life (years)	**7.0**	7.8
Weighted-average constant prepayment rate	**8%-21%**	6%-19%
Decline in fair value from 10% adverse change	**$ 8.2**	$ 9.7
Decline in fair value from 20% adverse change	**$ 15.8**	$ 18.8
Spread over forward interest rate swap rates	**6%-8%**	7%-9%
Decline in fair value from 10% adverse change	**$ 13.5**	$ 24.6
Decline in fair value from 20% adverse change	**$ 27.0**	$ 49.3

Residential Mortgage Loan Servicing Assets – Key Valuation Assumptions

Dollars in millions	Sept. 30, 2010	Dec. 31, 2009
Fair value	**$ 788**	$1,332
Weighted-average life (years)	**2.5**	4.5
Weighted-average constant prepayment rate	**21.47%**	19.92%
Decline in fair value from 10% adverse change	**$ 35**	$ 56
Decline in fair value from 20% adverse change	**$ 66**	$ 109
Spread over forward interest rate swap rates	**12.23%**	12.16%
Decline in fair value from 10% adverse change	**$ 30**	$ 55
Decline in fair value from 20% adverse change	**$ 58**	$ 106

Revenue from mortgage and other loan servicing comprised of contractually specified servicing fees, late fees, and ancillary fees follows:

Revenue from Mortgage and Other Loan Servicing

In millions	2010	2009
Nine months ended September 30	**$526**	$631
Three months ended September 30	**170**	205

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 CAPITAL SECURITIES OF SUBSIDIARY TRUSTS AND PERPETUAL TRUST SECURITIES

CAPITAL SECURITIES OF SUBSIDIARY TRUSTS

Our capital securities of subsidiary trusts are described in Note 14 Capital Securities of Subsidiary Trusts in our 2009 Form 10-K. 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. The financial statements of the Trusts are not included in PNC's consolidated financial statements in accordance with GAAP.

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 in our 2009 Form 10-K.

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 in our 2009 Form 10-K.

In September 2010, we redeemed all of the underlying capital securities of Sterling Financial Statutory Trust II, Yardville Capital Trusts II and IV, and James Monroe Statutory Trust II. The capital securities redeemed totaled $71 million.

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

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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 $1.3 billion at September 30, 2010.

Our 2009 Form 10-K includes additional information regarding the Trust I and Trust II Securities, including descriptions of replacement capital and dividend restriction covenants. The Trust III Securities include dividend restriction covenants similar to those described for Trust II Securities.

NOTE 11 CERTAIN EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

PENSION AND POSTRETIREMENT PLANS

As described in Note 15 Employee Benefit Plans in our 2009 Form 10-K, 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.

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 and 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. The Company reserves the right to terminate or make plan changes at any time. Effective January 1, 2010, various benefit plans were amended to provide one plan design for all eligible employees.

The July 1, 2010 sale of GIS affected GIS participants in the pension and postretirement plans. At closing, all GIS participants were vested in their benefits under the pension plan and their active participation in such plan was terminated. However, certain GIS employees will continue to accrue service towards earning their retiree medical benefit. These changes will not have a significant impact on any of the plans.

The components of our net periodic pension and post-retirement benefit cost for the third quarter and first nine months of 2010 and 2009 were as follows:

Net Periodic Pension and Postretirement Benefits Costs

Three months ended September 30 In millions	Qualified Pension Plan 2010	Qualified Pension Plan 2009	Nonqualified Retirement Plans 2010	Nonqualified Retirement Plans 2009	Postretirement Benefits 2010	Postretirement Benefits 2009
Net periodic cost consists of:						
Service cost	**$ 25**	$ 22	**$ 1**	$ 1	**$ 1**	$ 1
Interest cost	**51**	52	**3**	4	**5**	5
Expected return on plan assets	**(71)**	(65)				
Amortization of prior service cost	**(2)**	(1)				(1)
Amortization of actuarial losses	**8**	21	**1**			
Net periodic cost (benefit)	**$ 11**	$ 29	**$ 5**	$ 5	**$ 6**	$ 5

Nine months ended September 30 In millions	Qualified Pension Plan 2010	Qualified Pension Plan 2009	Nonqualified Retirement Plans 2010	Nonqualified Retirement Plans 2009	Postretirement Benefits 2010	Postretirement Benefits 2009
Net periodic cost consists of:						
Service cost	**$ 77**	$ 67	**$ 2**	$ 2	**$ 4**	$ 3
Interest cost	**152**	155	**10**	11	**15**	15
Expected return on plan assets	**(214)**	(195)				
Amortization of prior service cost	**(6)**	(1)			**(2)**	(3)
Amortization of actuarial losses	**25**	62	**3**	1		
Net periodic cost (benefit)	**$ 34**	$ 88	**$ 15**	$ 14	**$ 17**	$ 15

STOCK-BASED COMPENSATION PLANS

As more fully described in Note 16 Stock-Based Compensation Plans in our 2009 Form 10-K, 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 September 30, 2010, no stock appreciation rights were outstanding.

Total compensation expense recognized related to all share-based payment arrangements during the first nine months of 2010 and 2009 was $70 million and $63 million, respectively.

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.

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.

Stock Option Expense – Option Pricing Models Assumptions

Weighted-average for the nine months ended September 30	2010	2009
Risk-free interest rate	**2.9%**	1.9%
Dividend yield	**0.7**	3.6
Volatility	**32.7**	27.2
Expected life	**6.0 yrs.**	5.6 yrs.
Grant-date fair value	**$ 19.59**	$ 5.61

Stock Option Information

	PNC		PNC Options Converted From National City Options		Total	
In thousands, except weighted-average data	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at December 31, 2009	18,496	$ 56.10	1,522	$637.64	20,018	$100.32
Granted	2,720	56.84			2,720	56.84
Exercised	(286)	46.23			(286)	46.23
Cancelled	(988)	56.37	(287)	482.08	(1,275)	152.07
Outstanding at September 30, 2010	**19,942**	**$ 56.33**	**1,235**	**$673.73**	**21,177**	**$ 92.35**
Exercisable at September 30, 2010	**12,255**	**$ 62.38**	**1,235**	**$673.73**	**13,490**	**$118.37**

During the first nine months of 2010 we issued 282,000 shares from treasury stock in connection with stock option exercise activity. As with past exercise activity, we currently intend to utilize treasury stock primarily for any future stock option exercises.

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 Compensation 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 generally ranging from 12 months to 60 months. We recognize compensation expense for such awards ratably over the corresponding vesting and/or performance periods for each type of program.

Summary of Nonvested Incentive/Performance Unit and Restricted Stock/Unit Shares Activity

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
Dec. 31, 2009	285	$ 66.45	2,213	$ 53.45
Granted	189	53.78	668	54.86
Vested/Released	(128)	74.96	(537)	69.14
Forfeited	(3)	53.78	(53)	48.97
Sept. 30, 2010	**343**	**$ 56.43**	**2,291**	**$ 50.29**

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 September 30, 2010, there was $51 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.

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LIABILITY AWARDS

Beginning in 2008, we granted cash-payable restricted share units to certain members of management. 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 September 30, 2010, there were 484,003 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. We eliminated the granting of any future salary payable in stock units beginning March 2010. As of September 30, 2010, there were 280,174 of these units outstanding, with a current market value of $15 million.

Summary of Nonvested, Cash-Payable Restricted Share Unit Activity

In thousands	Nonvested Cash-Payable Restricted Unit Shares	Aggregate Intrinsic Value
Outstanding at December 31, 2009	1,001	
Granted	316	
Vested and Released	(181)	
Forfeited	(24)	
Outstanding at September 30, 2010	**1,112**	**$57,728**

NOTE 12 FINANCIAL DERIVATIVES

We use derivative financial instruments (derivatives) primarily to help manage exposure to 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. We also enter into derivatives with customers to facilitate their risk management activities.

Derivatives represent contracts between parties that usually require little or no initial net investment and result in one party delivering cash or another type of asset to the other party based on a notional amount and an underlying as specified in the contract. Derivative transactions are often measured in terms of notional amount, but this amount is generally not exchanged and it is not recorded on the balance sheet. The notional amount is the basis to which the underlying is applied to determine required payments under the derivative contract. The underlying is a referenced interest rate, commonly LIBOR, security price, credit spread or other index. Certain contracts and commitments, such as residential and commercial real estate loan commitments associated with loans to be sold, also qualify as derivative instruments.

All derivatives are carried on our Consolidated Balance Sheet at fair value. Derivative balances are presented on a net basis taking into consideration the effects of legally enforceable master netting agreements. Cash collateral exchanged with counterparties is also netted against the applicable derivative fair values.

Further discussion on how derivatives are accounted for is included in Note 1 Accounting Policies in our 2009 Form 10-K.

Derivatives Designated in Hedge Relationships

Certain derivatives used to manage interest rate risk as part of our asset and liability risk management activities are designated as accounting hedges under GAAP. Derivatives hedging the risks associated with changes in the fair value of assets or liabilities are considered fair value hedges, while derivatives hedging the variability of expected future cash flows are considered cash flow hedges. Designating derivatives as accounting hedges allows for gains and losses on those derivatives, to the extent effective, to be recognized in the income statement in the same period the hedged items affect earnings.

Cash Flow Hedges

We enter into receive-fixed, pay-variable interest rate swaps 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 market interest rate changes. For these cash flow hedges, any changes in the fair value of the derivatives that are effective in offsetting changes in the forecasted interest cash flows are recorded in accumulated other comprehensive income and are reclassified to interest income in conjunction with the recognition of interest receipts on the loans. In the 12 months that follow September 30, 2010, we expect to reclassify from the amount currently reported in accumulated other comprehensive income net derivative gains of $331 million pretax, or $215 million after-tax, in association with interest receipts on the hedged loans. This amount could differ from amounts actually recognized due to changes in interest rates, hedge dedesignations, and the addition of other hedges subsequent to September 30, 2010. The maximum length of time over which forecasted loan cash flows are hedged is 10 years. We use statistical regression analysis to assess the effectiveness of these hedge relationships at both the inception of the hedge relationship and on an ongoing basis.

We also periodically enter into forward purchase and sale contracts to hedge the variability of the consideration that will be paid or received related to the purchase or sale of debt securities classified as available for sale. The forecasted purchase or sale is consummated upon gross settlement of the forward contract itself. As a result, hedge ineffectiveness, if any, is typically minimal. Gains and losses on these forward contracts are recorded in accumulated other comprehensive income and are recognized in earnings when the hedged cash flows affect earnings. In the 12 months that follow September 30, 2010, we expect to reclassify from the amount currently reported in accumulated other comprehensive loss, net derivative gains of $76 million pretax, or $50 million after-tax, as adjustments of yield on securities available for sale. The maximum length of time we are hedging forecasted purchases is three months. There were no amounts in accumulated other comprehensive income related to the forecasted sale of securities at September 30, 2010.

There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness related to either cash flow hedge strategy.

During the first nine months of 2010 and 2009, there were no gains or losses from cash flow hedge derivatives reclassified to earnings because it became probable that the original forecasted transaction would not occur.

Fair Value Hedges

We enter into receive-fixed, pay-variable interest rate swaps to hedge changes in the fair value of outstanding fixed-rate debt and borrowings caused by fluctuations in market interest rates. The specific products hedged include bank notes, Federal Home Loan Bank borrowings, and senior and subordinated debt. We also enter into pay-fixed, receive- variable interest rate swaps to hedge changes in the fair value of fixed rate investment securities caused by fluctuations in market interest rates. The specific products hedged include US Treasury and government agency securities. For these hedge relationships, we use statistical regression analysis to assess hedge effectiveness at both the inception of the hedge relationship and on an ongoing basis. There were no components of derivative gains or losses excluded from the assessment of hedge effectiveness.

Further detail regarding the notional amounts, fair values and gains and losses recognized related to derivatives used in fair value and cash flow hedge strategies is presented in the tables that follow.

The ineffective portion of the change in value of our fair value and cash flow hedge derivatives resulted in net losses of $8 million for the first nine months of 2010 compared with net losses of $29 million for the first nine months of 2009.

Derivatives Not Designated in Hedge Relationships

We also enter into derivatives which are not designated as accounting hedges under GAAP.

The majority of these derivatives are used to manage risk related to residential and commercial mortgage banking activities and are considered economic hedges. Although these derivatives are used to hedge risk, they are not designated as accounting hedges because the contracts they are hedging are typically also carried at fair value on the balance sheet, resulting in symmetrical accounting treatment for both the hedging instrument and the hedged item.

Our residential mortgage banking activities consist of originating, selling and servicing mortgage loans. Residential mortgage loans that will be sold in the secondary market, and the related loan commitments, which are considered derivatives, are accounted for at fair value. Changes in the fair value of the loans and commitments due to interest rate risk are hedged with forward loan sale contracts and Treasury and Eurodollar futures and options. Gains and losses on the loans and commitments held for sale and the derivatives used to economically hedge them are included in residential mortgage noninterest income on the Consolidated Income Statement.

We typically retain the servicing rights related to residential mortgage loans that we sell. Residential mortgage servicing rights are accounted for at fair value with changes in fair value influenced primarily by changes in interest rates. Derivatives used to hedge the fair value of residential mortgage servicing rights include interest rate futures, swaps and options, including caps, floors, and swaptions, and forward contracts to purchase mortgage-backed securities. Gains and losses on residential mortgage servicing rights and the related derivatives used for hedging are included in residential mortgage noninterest income.

Commercial mortgage loans are also sold into the secondary market as part of our commercial mortgage banking activities and are accounted for at fair value. Commitments related to loans that will be sold are considered derivatives and are also accounted for at fair value. Derivatives used to economically hedge these loans and commitments from changes in fair value due to interest rate risk and credit risk include forward loan sale contracts, interest rate swaps, and credit default swaps. Gains and losses on the commitments, loans and derivatives are included in other noninterest income.

The residential and commercial loan commitments associated with loans to be sold which are accounted for as derivatives are valued 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 also takes into account the fair value of the embedded servicing right.

We offer derivatives to our customers in connection with their risk management needs. These derivatives primarily consist of interest rate swaps, interest rate caps, floors, swaptions, and foreign exchange and equity contracts. We primarily manage our market risk exposure from customer transactions by entering into offsetting derivative transactions with third-party dealers. Gains and losses on customer-related derivatives are included in other noninterest income.

The derivatives portfolio also includes derivatives used for other risk management activities. These derivatives are entered into based on stated risk management objectives.

This segment of the portfolio includes credit default swaps (CDS) used to mitigate the risk of economic loss on a portion of our loan exposure. 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. The fair values of these derivatives typically are based on related credit spreads. Gains and losses on the derivatives entered into for other risk management are included in other noninterest income.

Included in the customer, mortgage banking risk management, and other risk management portfolios are written interest-rate caps and floors entered into with customers and for risk management purposes. We receive an upfront premium from the counterparty and are obligated to make payments to the counterparty if the underlying market interest rate rises above or falls below a certain level designated in the contract. At September 30, 2010, the fair value of the written caps and floors liability on our Consolidated Balance Sheet was $10 million compared with $15 million at December 31, 2009. Our ultimate obligation under written options is based on future market conditions and is only quantifiable at settlement.

Further detail regarding the derivatives not designated in hedging relationships is presented in the tables that follow.

Derivative Counterparty Credit Risk
By entering into derivative contracts we are exposed to credit risk. We seek to minimize credit risk through internal 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 generally have established agreements with our major derivative dealer counterparties that provide for exchanges of marketable securities or cash to collateralize either party's positions. At September 30, 2010, we held cash, US government securities and mortgage-backed securities totaling $1.3 billion under these agreements. We pledged cash of $888 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.

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.

We periodically 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 agreements if a customer defaults on its obligation to perform under certain derivative swap contracts. Risk participation agreements are included in the derivatives table that follows. Our exposure related to risk participations where we sold protection is discussed in the Credit Derivatives section below.

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 September 30, 2010 was $1.0 billion for which PNC had posted collateral of $874 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 September 30, 2010, would be an additional $159 million.

Derivatives Total Notional or Contractual Amounts and Estimated Net Fair Values

In millions	Asset Derivatives September 30, 2010 Notional/ Contract Amount	Asset Derivatives September 30, 2010 Fair Value (a)	Asset Derivatives December 31, 2009 Notional/ Contract Amount	Asset Derivatives December 31, 2009 Fair Value (a)	Liability Derivatives September 30, 2010 Notional/ Contract Amount	Liability Derivatives September 30, 2010 Fair Value (b)	Liability Derivatives December 31, 2009 Notional/ Contract Amount	Liability Derivatives December 31, 2009 Fair Value (b)
Derivatives designated as hedging instruments under GAAP								
Interest rate contracts:								
Cash flow hedges	$ 18,642	$ 559	$ 6,394	$ 32			$ 7,011	$ 95
Fair value hedges	11,203	1,272	13,048	707	$ 1,815	$ 66		
Total derivatives designated as hedging instruments	$ 29,845	$1,831	$ 19,442	$ 739	$ 1,815	$ 66	$ 7,011	$ 95
Derivatives not designated as hedging instruments under GAAP								
Derivatives used for residential mortgage banking activities:								
Residential mortgage servicing								
Interest rate contracts	$138,402	$2,179	$ 88,593	$ 651	$ 84,823	$1,869	$ 42,874	$ 766
Loan sales								
Interest rate contracts	12,993	86	4,251	39	6,438	32	1,977	14
Subtotal	$151,395	$2,265	$ 92,844	$ 690	$ 91,261	$1,901	$ 44,851	$ 780
Derivatives used for commercial mortgage banking activities:								
Interest rate contracts	$ 2,127	$ 96	$ 2,128	$ 67	$ 2,568	$ 159	$ 1,553	$ 74
Credit contracts:								
Credit default swaps	185	11	410	59			50	7
Subtotal	$ 2,312	$ 107	$ 2,538	$ 126	$ 2,568	$ 159	$ 1,603	$ 81
Derivatives used for customer- related activities:								
Interest rate contracts	$ 48,855	$3,482	$ 51,270	$2,193	$ 49,842	$3,601	$ 49,659	$2,237
Foreign exchange contracts	4,541	134	4,168	122	4,077	124	3,834	108
Equity contracts	231	20	195	16	147	20	156	16
Credit contracts:								
Risk participation agreements	1,329	4	1,091	3	1,593	3	1,728	2
Subtotal	$ 54,956	$3,640	$ 56,724	$2,334	$ 55,659	$3,748	$ 55,377	$2,363
Derivatives used for other risk management activities:								
Interest rate contracts	$ 812	$ 3	$ 3,222	$ 13	$ 433	$ 2	$ 2,360	$ 19
Foreign exchange contracts			39	1	34	2	2	
Credit contracts:								
Credit default swaps	406	10	516	13	258	1	612	15
Other contracts (c)					209	354	211	486
Subtotal	$ 1,218	$ 13	$ 3,777	$ 27	$ 934	$ 359	$ 3,185	$ 520
Total derivatives not designated as hedging instruments	$209,881	$6,025	$155,883	$3,177	$150,422	$6,167	$105,016	$3,744
Total Gross Derivatives	$239,726	$7,856	$175,325	$3,916	$152,237	$6,233	$112,027	$3,839
Less: Legally enforceable master netting agreements		4,363		1,600		4,363		1,600
Less: Cash collateral		1,047		269		848		506
Total Net Derivatives		$2,446		$2,047		$1,022		$1,733

(a) Included in Other Assets on our Consolidated Balance Sheet.
(b) Included in Other Liabilities on our Consolidated Balance Sheet.
(c) Includes PNC's obligation to fund a portion of certain BlackRock LTIP programs.

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Gains (losses) on derivative instruments and related hedged items follow:

Derivatives Designated in GAAP Hedge Relationships – Fair Value Hedges

Nine months ended In millions	Hedged Items	Location	September 30, 2010 Gain (Loss) on Derivatives Recognized in Income Amount	September 30, 2010 Gain (Loss) on Related Hedged Items Recognized in Income Amount	September 30, 2009 Gain (Loss) on Derivatives Recognized in Income Amount	September 30, 2009 Gain (Loss) on Related Hedged Items Recognized in Income Amount
Interest rate contracts	US Treasury Securities	Investment securities (interest income)	**$ (73)**	**$ 69**		
Interest rate contracts	US Agency Securities	Investment securities (interest income)	**(2)**	**2**		
Interest rate contracts	Federal Home Loan Bank borrowings	Borrowed funds (interest expense)	**(65)**	**63**	$ (81)	$ 83
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	**395**	**(409)**	(311)	275
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	**359**	**(347)**	27	(22)
Total			**$ 614**	**$ (622)**	$ (365)	$ 336

Three months ended In millions	Hedged Items	Location	September 30, 2010 Gain (Loss) on Derivatives Recognized in Income Amount	September 30, 2010 Gain (Loss) on Related Hedged Items Recognized in Income Amount	September 30, 2009 Gain (Loss) on Derivatives Recognized in Income Amount	September 30, 2009 Gain (Loss) on Related Hedged Items Recognized in Income Amount
Interest rate contracts	US Treasury Securities	Investment securities (interest income)	**$ (46)**	**$ 43**		
Interest rate contracts	US Agency Securities	Investment securities (interest income)	**(2)**	**2**		
Interest rate contracts	Federal Home Loan Bank borrowings	Borrowed funds (interest expense)	**(17)**	**16**	$ (27)	$ 27
Interest rate contracts	Subordinated debt	Borrowed funds (interest expense)	**135**	**(137)**	61	(89)
Interest rate contracts	Bank notes and senior debt	Borrowed funds (interest expense)	**145**	**(149)**	52	(50)
Total			**$ 215**	**$ (225)**	$ 86	$ (112)

Derivatives Designated in GAAP Hedge Relationships – Cash Flow Hedges

Nine months ended In millions		Gain (Loss) on Derivatives Recognized in OCI (Effective Portion)	Gain Reclassified from Accumulated OCI into Income (Effective Portion) Location	Gain Reclassified from Accumulated OCI into Income (Effective Portion) Amount	Gain Recognized in Income on Derivatives (Ineffective Portion) Location	Gain Recognized in Income on Derivatives (Ineffective Portion) Amount
September 30, 2010	**Interest rate contracts**	**$ 1,066**	**Interest income**	**$ 259**	**Interest income**	**$ 0**
			Noninterest income	**33**		
September 30, 2009	Interest rate contracts	$ 28	Interest income	$ 232	Interest income	$ 0

Three months ended In millions			Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Location	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Amount	Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) Location	Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion) Amount
September 30, 2010	**Interest rate contracts**	**$341**	**Interest income**	**$ 84**	**Interest income**	**$ (2)**
			Noninterest income	**8**		
September 30, 2009	Interest rate contracts	$236	Interest income	$ 87	Interest income	$ 0

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Derivatives Not Designated as Hedging Instruments under GAAP

In millions	Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Derivatives used for residential mortgage banking activities:				
Residential mortgage servicing				
Interest rate contracts	**$ 231**	$ 226	**$ 652**	$ 95
Loan sales				
Interest rate contracts	**(15)**	(63)	**(92)**	(56)
Gains (losses) included in residential mortgage noninterest income	**$ 216**	$ 163	**$ 560**	$ 39
Derivatives used for commercial mortgage banking activities:				
Interest rate contracts	**$ (17)**	$ (22)	**$ (88)**	$ 61
Credit contracts	**(9)**	(27)	**(18)**	(26)
Gains (losses) from commercial mortgage banking activities (a)	**$ (26)**	$ (49)	**$ (106)**	$ 35
Derivatives used for customer-related activities:				
Interest rate contracts	**$ (12)**	$ (19)	**$ (39)**	$ (1)
Foreign exchange contracts	**22**	27	**28**	66
Equity contracts	**(1)**	4		2
Credit contracts			**(2)**	
Gains (losses) from customer-related activities (a)	**$ 9**	$ 12	**$ (13)**	$ 67
Derivatives used for other risk management activities:				
Interest rate contracts	**$ (2)**	$ 1	**$ (16)**	$ 19
Foreign exchange contracts	**(5)**	(4)	**(3)**	(10)
Credit contracts	**1**	(9)	**5**	(23)
Other contracts (b)	**(56)**	(87)	**128**	(145)
Gains (losses) from other risk management activities (a)	**$ (62)**	$ (99)	**$ 114**	$ (159)
Total gains (losses) from derivatives not designated as hedging instruments	**$ 137**	$ 27	**$ 555**	$ (18)

(a) Included in other noninterest income.
(b) Relates to BlackRock LTIP.

CREDIT DERIVATIVES

The credit derivative underlying is based on the credit risk of a specific entity, entities, or an index. As discussed above, we enter into credit derivatives, specifically credit default swaps and risk participation agreements, as part of our commercial mortgage banking hedging activities and for customer and other risk management purposes. Further detail regarding credit default swaps and risk participations sold follows:

Credit Default Swaps

Dollars in millions	September 30, 2010 Notional Amount	Estimated Net Fair Value	Weighted-Average Remaining Maturity In Years	December 31, 2009 Notional Amount	Estimated Net Fair Value	Weighted-Average Remaining Maturity In Years
Credit Default Swaps – Sold						
Single name	**$ 45**	**$ 3**	**3.08**	$ 85	$ (4)	3.18
Index traded	**257**	**1**	**1.88**	457		6.12
Total	**$ 302**	**$ 4**	**2.06**	$ 542	$ (4)	5.66
Credit Default Swaps – Purchased						
Single name	**$ 362**	**$ 5**	**2.59**	$ 586	$ 1	3.69
Index traded	**185**	**11**	**39.05**	460	53	35.89
Total	**$ 547**	**$ 16**	**14.92**	$1,046	$ 54	17.85
Total	**$ 849**	**$ 20**	**10.35**	$1,588	$ 50	13.69

The notional amount of these credit default swaps by credit rating as of September 30, 2010 and December 31, 2009 follows:

Credit Ratings of Credit Default Swaps

Dollars in millions	September 30, 2010	December 31, 2009
Credit Default Swaps – Sold		
Investment grade (a)	**$ 281**	$ 496
Subinvestment grade (b)	**21**	46
Total	**$ 302**	$ 542
Credit Default Swaps – Purchased		
Investment grade (a)	**$ 405**	$ 894
Subinvestment grade (b)	**142**	152
Total	**$ 547**	$ 1,046
Total	**$ 849**	$ 1,588

(a) Investment grade with a rating of BBB-/Baa3 or above based on published rating agency information.
(b) Subinvestment grade with a rating below BBB-/Baa3 based on published rating agency information.

The referenced/underlying assets for these credit default swaps as of September 30, 2010 and December 31, 2009 follow:

Referenced/Underlying Assets of Credit Default Swaps

	Corporate Debt	Commercial mortgage-backed securities	Loans
September 30, 2010	**69%**	**22%**	**9%**
December 31, 2009	66%	29%	5%

We enter into credit default swaps under which we buy loss protection from or sell loss protection to a counterparty for the occurrence of a credit event related to a referenced entity or index. The maximum amount we would be required to pay under the credit default swaps in which we sold protection, assuming all referenced underlyings experience a credit event at a total loss, without recoveries, was $302 million at September 30, 2010 compared with $542 million at December 31, 2009.

Risk Participation Agreements

We have entered into risk participation agreements sold with terms ranging from less than one year to 21 years. We will be required to make payments under these agreements if a customer defaults on its obligation to perform under certain derivative swap contracts with third parties.

Risk Participation Agreements Sold

Dollars in millions	Notional Amount	Estimated Net Fair Value	Weighted-Average Remaining Maturity In Years
September 30, 2010	**$1,593**	**$ (3)**	**1.60**
December 31, 2009	$1,728	$ (2)	2.03

Based on our internal risk rating process of the underlying swap counterparties, the percentages of the exposure amount of risk participation agreements sold by internal credit rating as of September 30, 2010 and December 31, 2009 follow:

Internal Credit Ratings of Risk Participation Agreements Sold

	September 30, 2010	December 31, 2009
Pass (a)	**95%**	96%
Below pass (b)	**5%**	4%

(a) Indicates the expected risk of default is currently low.
(b) Indicates a higher degree of risk of default.

Assuming all underlying swap counterparties defaulted at September 30, 2010, the exposure from these agreements would be $66 million based on the fair value of the underlying swaps compared with $78 million at December 31, 2009.

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NOTE 13 EARNINGS PER SHARE

Basic and Diluted Earnings per Common Share

In millions, except per share data	Three months ended September 30 2010	2009	Nine months ended September 30 2010	2009
Basic				
Net income from continuing operations	**$ 775**	$ 540	**$2,204**	$1,255
Less:				
Net income (loss) attributable to noncontrolling interests	**2**	(20)	**(12)**	(7)
Dividends distributed to common shareholders	**53**	46	**151**	382
Dividends distributed to preferred shareholders	**4**	99	**122**	269
Dividends distributed to nonvested restricted shares				1
Preferred stock discount accretion and redemptions	**3**	13	**254**	42
Undistributed net income from continuing operations	**$ 713**	$ 402	**$1,689**	$ 568
Undistributed net income from discontinued operations	**328**	19	**373**	41
Undistributed net income	**$1,041**	$ 421	**$2,062**	$ 609
Percentage of undistributed income allocated to common shares	**99.6%**	99.7%	**99.6%**	99.7%
Undistributed income from continuing operations allocated to common shares	**$ 709**	$ 400	**$1,681**	$ 566
Plus: common dividends	**53**	46	**151**	382
Net income from continuing operations attributable to basic common shares	**$ 762**	$ 446	**$1,832**	$ 948
Net income from discontinued operations attributable to common shares	**328**	19	**373**	41
Net income attributable to basic common shares	**$1,090**	$ 465	**$2,205**	$ 989
Basic weighted-average common shares outstanding	**523**	460	**515**	451
Basic earnings per common share from continuing operations	**$ 1.45**	$ .97	**$ 3.56**	$ 2.10
Basic earnings per common share from discontinued operations	**.63**	.04	**.72**	.09
Basic earnings per common share	**$ 2.08**	$1.01	**$ 4.28**	$ 2.19
Diluted				
Net income from continuing operations attributable to basic common shares	**$ 762**	$ 446	**$1,832**	$ 948
Less: BlackRock common stock equivalents	**3**	5	**11**	9
Net income from continuing operations attributable to diluted common shares	**$ 759**	$ 441	**$1,821**	$ 939
Net income from discontinued operations attributable to common shares	**328**	19	**373**	41
Net income attributable to diluted common shares	**$1,087**	$ 460	**$2,194**	$ 980
Basic weighted-average common shares outstanding	**523**	460	**515**	451
Dilutive potential common shares (a) (b)	**3**	1	**3**	1
Diluted weighted-average common shares outstanding	**526**	461	**518**	452
Diluted earnings per common share from continuing operations	**$ 1.45**	$ .96	**$ 3.52**	$ 2.08
Diluted earnings per common share from discontinued operations	**.62**	.04	**.72**	.09
Diluted earnings per common share	**$ 2.07**	$1.00	**$ 4.24**	$ 2.17
(a)Excludes stock options considered to be anti-dilutive	**13**	15	**11**	16
(b)Excludes warrants considered to be anti-dilutive	**22**	22	**22**	22

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NOTE 14 TOTAL EQUITY AND OTHER COMPREHENSIVE INCOME

Activity in total equity for the first nine months of 2010 follows. The par value of our preferred stock outstanding at September 30, 2010 totaled $.1 million and is excluded from the table.

Rollforward of Total Equity

		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 December 31, 2009	462	$ 2,354	$ 7,974	$ 8,945	$ 13,144	$ (1,962)	$ (513)	$ 2,625	$32,567
Cumulative effect of adopting ASU 2009-17, *Consolidations*					(92)	(13)			(105)
Balance at January 1, 2010	462	$ 2,354	$ 7,974	$ 8,945	$ 13,052	$ (1,975)	$ (513)	$ 2,625	$32,462
Net income					2,589			(12)	2,577
Other comprehensive income (loss), net of tax									
Other-than-temporary impairment losses on debt securities						185			185
Net unrealized securities gains						1,318			1,318
Net unrealized gains on cash flow hedge derivatives						488			488
Pension, other postretirement and postemployment benefit plan adjustments						140			140
Other						(10)			(10)
Comprehensive income								(12)	4,698
Cash dividends declared									
Common ($.30 per share)					(151)				(151)
Preferred					(122)				(122)
Redemption of Series N (TARP)									
Preferred Stock			(7,579)						(7,579)
Preferred stock discount accretion and redemptions			251		(254)				(3)
Common stock activity (a)	65	326		3,093					3,419
Treasury stock activity	(1)			(55)			(39)		(94)
Other				25				11	36
Balance at September 30, 2010	**526**	**$ 2,680**	**$ 646**	**$ 12,008**	**$ 15,114**	**$ 146**	**$ (552)**	**$ 2,624**	**$32,666**

(a) Includes 63.9 million common shares issuance, the net proceeds of which were used together with other available funds to redeem the Series N (TARP) Preferred Stock, for a $3.4 billion net increase in total equity.

Comprehensive income for the first nine months of 2009 was $3.4 billion.

Change in Accumulated Other Comprehensive Income (Loss)

Nine months ended September 30, 2010 In millions	Pretax	Tax (Expense) Benefit	After-tax
Change in net unrealized securities losses:			
Decrease in net unrealized losses for securities with OTTI charges	$ 5	$ (2)	$ 3
Less: OTTI losses realized in net income	(281)	99	(182)
Change in net unrealized losses on OTTI securities	286	(101)	185
Increase in net unrealized gains arising during the period for non-OTTI securities	2,463	(913)	1,550
Less: Net gains realized in net income	358	(126)	232
Change in net unrealized gains on non-OTTI securities	2,105	(787)	1,318
Change in net unrealized securities losses	2,391	(888)	1,503
Change in net unrealized gains on cash flow hedge derivatives:			
Increase in net unrealized gains during the period on cash flow hedge derivatives	1,066	(394)	672
Less: Net gains realized in net income	292	(108)	184
Change in net unrealized gains on cash flow hedge derivatives	774	(286)	488
Change in pension, other postretirement and postemployment benefit plan adjustments	222	(82)	140
Change in other, net	(23)	13	(10)
Change in other comprehensive income (loss)	$3,364	$ (1,243)	$2,121

Accumulated Other Comprehensive Income (Loss) Components

	September 30, 2010		December 31, 2009	
In millions	Pretax	After-tax	Pretax	After-tax
Net unrealized securities gains/(losses)	**$ 878**	**$ 545**	$(1,207)	$ (760)
OTTI losses on debt securities	**(1,010)**	**(631)**	(1,296)	(816)
Net unrealized gains on cash flow hedge derivatives	**1,037**	**654**	263	166
Pension, other postretirement and postemployment benefit plan adjustments	**(636)**	**(402)**	(858)	(542)
Other, net	**(50)**	**(20)**	(27)	(10)
Accumulated other comprehensive income (loss)	**$ 219**	**$ 146**	$(3,125)	$(1,962)

Repurchase of Outstanding TARP Preferred Stock and Sale by US Treasury of TARP Warrant

Note 19 Equity in our 2009 Form 10-K describes 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 issuance of 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 in Note 28 Subsequent Events in our 2009 Form 10-K 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 million during the first quarter of 2010. This resulted in a one-time, noncash reduction in net income attributable to common shareholders and related basic and diluted earnings per share.

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.

After exchanging its TARP Warrant for 16,885,192 warrants, each to purchase one share of PNC common stock, the US Treasury sold the warrants in a secondary public offering. The sale closed on May 5, 2010.

NOTE 15 INCOME TAXES

The net operating loss carryforwards and tax credit carryforwards at September 30, 2010 and December 31, 2009 follow:

Net Operating Loss Carryforwards and Tax Credit Carryforwards

In millions	September 30, 2010	December 31, 2009
Net Operating Loss Carryforwards:		
Federal		$ 1,200
State	**$ 1,630**	2,000
Valuation allowance – State	**31**	31
Tax Credit Carryforwards:		
Federal		$ 254
State	**$ 4**	4

The federal net operating loss and tax credit carryforwards from December 31, 2009 were all utilized as of September 30, 2010.

The state net operating loss carryforwards will expire from 2010 to 2031. We have established a valuation allowance of $31 million relating to the state net operating losses at both September 30, 2010 and December 31, 2009.

The state tax credit carryforwards will expire from 2012 to 2031. We have established that no valuation allowance relating to the state tax credits is necessary based upon all available positive and negative evidence including PNC's forecast of future taxable income.

PNC's consolidated federal income tax returns through 2006 have been audited by the IRS and we have resolved all matters through the IRS Appeals Division. The IRS began its examination of PNC's 2007 and 2008 consolidated federal income tax returns during the third quarter of 2010.

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The consolidated federal income tax returns of National City through 2007 have been audited by the IRS. Included in the 2003-2004 examination and the 2005-2007 examination were certain adjustments which are under review by the IRS Appeals Division. We do not anticipate any significant adverse impact to net income. The IRS began its examination of National City's 2008 consolidated federal income tax return during the third quarter of 2010. Also, in July 2010, we received a favorable IRS letter ruling that resolved a prior tax position and resulted in a tax benefit of $89 million.

We had unrecognized tax benefits of $246 million at September 30, 2010 and $227 million at December 31, 2009. At September 30, 2010, the amount of unrecognized tax benefits that if recognized would impact the effective tax rate was $120 million.

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 $16 million within the next twelve months.

NOTE 16 SUMMARIZED FINANCIAL INFORMATION OF BLACKROCK

Summarized Consolidated Financial Information of BlackRock

In millions	Nine months ended September 30	
	2010	2009
Total revenue	**$6,119**	$3,156
Total expenses	**4,061**	2,267
Operating income	**2,058**	889
Non-operating income (expense)	**5**	(24)
Income before income taxes	**2,063**	865
Income tax expense	**662**	225
Net income	**1,401**	640
Less: net income (loss) attributable to non-controlling interests	**(5)**	21
Net income attributable to BlackRock	**$1,406**	$ 619

In millions	Three months ended September 30	
	2010	2009
Total revenue	**$2,092**	$1,140
Total expenses	**1,385**	783
Operating income	**707**	357
Non-operating income	**78**	78
Income before income taxes	**785**	435
Income tax expense	**201**	101
Net income	**584**	334
Less: net income attributable to non-controlling interests	**33**	17
Net income attributable to BlackRock	**$ 551**	$ 317

NOTE 17 LEGAL PROCEEDINGS

The disclosure below updates the description of legal proceedings in Note 24 Legal Proceedings in Part II, Item 8 of our 2009 Annual Report on Form 10-K and in Note 17 Legal Proceedings in Part I, Item 1 of our first and second quarter 2010 Quarterly Reports on Form 10-Q (the "Prior Filings").

In accordance with ASC 450-20-25, we establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a liability is probable and that the amount of loss can be reasonably estimated. Any such accruals are adjusted thereafter if appropriate in light of changed circumstances. We cannot provide any assurance that any amounts already accrued will represent the ultimate loss to us from the legal proceeding in question.

In our experience, legal proceedings are inherently unpredictable, and in many legal proceedings various factors exacerbate this inherent unpredictability, including where the damages sought are unsubstantiated or indeterminate, it is unclear whether a case brought as a class action will be allowed to proceed on that basis (and, if proceeding as a class action, how the class will be defined), discovery is not complete, the proceeding is not yet in its final stages, the matters present legal uncertainties, there are significant facts in dispute, there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants), or there is a wide range of potential results.

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.

ERISA Cases. The settlement reached by the parties in February 2010 remains subject to, among other things, final court approval. The court has scheduled a final settlement approval hearing for November 2010. The amount of the settlement is immaterial and has been accrued.

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Securities and State Law Fiduciary Cases.

- In the lawsuit filed in August 2008 in the Palm Beach County, Florida, Circuit Court against National City and certain officers and directors of National City, the settlement reached by the parties in March 2010 remains subject to, among other things, final court approval. The court has scheduled a final settlement approval hearing for December 2010. The amount of the settlement is immaterial and has been accrued.
- In the lawsuit filed in December 2008 in the United States District Court for the Northern District of Ohio against National City and some of its officers and directors, the settlement reached by the parties in July 2010 remains subject to, among other things, final court approval. The court has scheduled a final settlement approval hearing for November 2010. The amount of the settlement is immaterial and has been accrued.

Mortgage-Related Litigation

In October 2010, the Federal Home Loan Bank of Chicago brought a lawsuit in the Circuit Court of Cook County, Illinois, against numerous financial companies, including The PNC Financial Services Group, Inc., as successor in interest to National City Corporation, and PNC Investments LLC, as successor in interest to National City Investments, Inc. The complaint alleges that the defendants have liability to the Federal Home Loan Bank of Chicago in a variety of capacities (in the case of the National City entities, as underwriters) under Illinois state securities law and common law in connection with the alleged purchase of private-label mortgage-backed securities by the Federal Home Loan Bank of Chicago. According to the complaint, the Federal Home Loan Bank of Chicago purchased approximately $3.3 billion in mortgage-backed securities in total in transactions addressed by the complaint, approximately $345 million of which was allegedly in transactions involving the National City entities. The complaint alleges misrepresentations and omissions in connection with the sales of the mortgage-backed securities in question. The Federal Home Loan Bank seeks rescission, unspecified compensatory damages, interest, attorneys' fees, costs, and any other relief deemed proper by the court.

Adelphia

In September 2010, the parties in the lawsuit being prosecuted by the Adelphia Recovery Trust reached a tentative settlement. The settlement is subject, among other things, to final documentation and court approval. Our share of the settlement is immaterial and has been accrued.

CBNV Mortgage Litigation

In September 2010, the United States Court of Appeals for the Third Circuit vacated the district court's class certification decision and approval of the class settlement in the class action lawsuit in which the plaintiffs and class members have second mortgages that were assigned to Residential Finance Corporation ("RFC") and remanded the case to the district court for further proceedings. The plaintiffs in this litigation allege an illegal home equity lending scheme involving CBNV, another bank and RFC. Plaintiffs allege violations of the Real Estate Settlement Procedures Act ("RESPA"), the Racketeer Influenced and Corrupt Organizations Act, and certain state laws.

In connection with their appeal, the objecting class members asserted that CBNV's annual percentage rate disclosures violated the Truth in Lending Act ("TILA") and the Home Ownership and Equity Protection Act ("HOEPA"), that those claims are very valuable, and that the settling plaintiffs should have asserted those claims. The settling plaintiffs advanced a number of reasons why they did not assert TILA/HOEPA claims. The court of appeals decision focused on the district court's finding that such claims were time-barred and for that reason not viable.

The court of appeals remanded the case to the United States District Court for the Western District of Pennsylvania for consideration of certain aspects of its decision certifying the settlement class and approving the settlement. The court of appeals instructed the district court to consider (a) whether a sub-class should be created for class members whose transactions occurred within one year (the limitations period for RESPA and TILA/HOEPA claims) of the date of filing of the earliest complaint in these actions, (b) whether class counsel is adequate in light of counsel's justifications for not bringing TILA/HOEPA claims, and (c) whether a sub-class of North Carolina borrowers should be created.

In the proceedings in the General Court of Justice, Superior Court Division, for Wake County, North Carolina and the North Carolina Court of Appeals, in September 2010, one of the plaintiffs filed papers seeking permission to proceed with certification proceedings for a class of North Carolina borrowers, noting that the injunction against such class proceedings contained in the order of the Pennsylvania federal district court's order approving the settlement will expire when the decision of the federal court of appeals becomes final.

The remand to the federal district court for consideration of the issues described above increases the unpredictability of our exposure in our CBNV mortgage cases.

Overdraft Litigation

In August 2010, the Judicial Panel on Multidistrict Litigation denied the motion to transfer to the United States District Court for the Southern District of Florida (the "MDL Court") the lawsuit pending against National City Bank in the United States District Court for the District of Columbia. The plaintiffs have filed a motion with the District of Columbia court for preliminary approval of the parties' settlement. A member of the proposed settlement class, who is the named plaintiff in another lawsuit filed in the MDL Court, has filed objections to approval of this settlement. If preliminary approval is granted, the settlement of the lawsuit pending in the District of Columbia would be subject to, among other things, notice to the proposed class and final court approval. The amount of the settlement is immaterial and has been accrued.

Regulatory and Governmental Inquiries
Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in the mortgage lending and servicing industries. PNC has received inquiries from governmental, legislative and regulatory authorities on this topic and is cooperating with these inquiries. These inquiries may lead to administrative, civil or criminal proceedings, possibly resulting in remedies including fines, penalties, restitution, or alterations in our business practices. At this time, as a result of the number and range of authorities conducting the investigations and inquiries, as well as the nature of these types of investigations and inquiries, among other factors, PNC cannot predict the cost to or effect on PNC from potential governmental, legislative or regulatory actions arising out of these investigations and inquiries.

NOTE 18 COMMITMENTS AND GUARANTEES

EQUITY FUNDING AND OTHER COMMITMENTS
Our unfunded commitments at September 30, 2010 included private equity investments of $370 million and other investments of $21 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 and internal credit ratings were as follows:

Net Outstanding Standby Letters of Credit

Dollars in billions	September 30 2010	December 31 2009
Net outstanding standby letters of credit	**$ 9.9**	$ 10.0
Internal credit ratings (as percentage of portfolio):		
Pass (a)	**90%**	86%
Below pass (b)	**10%**	14%

(a) Indicates that expected risk of loss is currently low.
(b) Indicates a higher degree of risk of default.

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 September 30, 2010 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 $12.7 billion at September 30, 2010, of which $6.3 billion support remarketing programs.

As of September 30, 2010, assets of $2.1 billion secured certain specifically identified standby letters of credit. Recourse provisions from third parties of $2.8 billion were also available for this purpose as of September 30, 2010. 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 $233 million at September 30, 2010.

STANDBY BOND PURCHASE AGREEMENTS AND OTHER LIQUIDITY FACILITIES
We enter into standby bond purchase agreements to support municipal bond obligations. At September 30, 2010, the aggregate of our commitments under these facilities was $328 million. We also enter into certain other liquidity facilities to support individual pools of receivables acquired by commercial paper conduits. At September 30, 2010 our total commitments under these facilities were $145 million.

INDEMNIFICATIONS
As further described in our 2009 Form 10-K, 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 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

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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.

In the ordinary course of business, we enter into certain types of agreements that include provisions for indemnifying third parties. We also 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. We also 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 them.

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 September 30, 2010.

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 the first nine months of 2010. 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 sale of GIS, PNC agreed to continue to act for the benefit of GIS as securities lending agent for certain of GIS's clients. In such role, we provide indemnification to those clients against the failure of the borrowers to return the securities. The market value of the securities lent is fully secured on a daily basis; therefore, the exposure to us is limited to temporary shortfalls in the collateral as a result of short-term fluctuations in trading prices of the loaned securities. At September 30, 2010, the total maximum potential exposure as a result of these indemnity obligations was $6.6 billion, although the collateral at the time exceeded that amount. In addition, the purchaser of GIS, The Bank of New York Mellon Corporation, has entered into an agreement to indemnify PNC with respect to such exposure on the terms set forth in such indemnification agreement.

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). Our 2009 Form 10-K has additional information regarding the October 2007 Visa restructuring, our involvement with judgment and loss sharing agreements with Visa and certain other banks, and other 2009 developments in this area.

In May 2010, Visa funded $500 million to their litigation escrow account and reduced the conversion ratio of Visa B to A shares. We consequently recognized our estimated $47 million share of the $500 million as a reduction of our indemnification liability and a reduction of noninterest expense.

In September 2010, Visa announced their intention to fund their litigation escrow account by $800 million. This announcement did not have an impact on our Visa indemnification liability as of September 30, 2010. This funding occurred in October 2010. As a result, we expect to recognize an additional $76 million reduction of the indemnification liability.

Our Visa indemnification liability included on our Consolidated Balance Sheet at September 30, 2010 totaled $146 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 which is considered appropriate at this time in consideration of the Visa announcement. Any ultimate exposure to the specified Visa litigation may be different than this amount.

RECOURSE AGREEMENTS

We are authorized to originate, underwrite, close to fund 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

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share arrangement. At September 30, 2010, the potential exposure to loss was $4.0 billion. Accordingly, we maintain a reserve for such potential losses. At September 30, 2010, the unpaid principal balance outstanding of loans sold as a participant in these programs was $13.4 billion. The reserves for losses under these programs, totaled $30 million as of September 30, 2010 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 require us to make certain representations and warranties to investors for defects that may have occurred during the origination of the sold loans. Key aspects of such representations and warranties cover the loan's compliance with any applicable loan criteria established by the investor, including underwriting standards; delivery of all required loan documents to the investor or its designated party; and the ownership of the loan and validity of the lien securing the loan. As a result of these contractual obligations, investors may request PNC to indemnify them against losses on certain loans or to repurchase loans in which investors believe a breach in an origination representation and warrant has occurred. We respond to these requests within 30 to 60 days. During 2009 and the first nine months of 2010 the frequency of indemnification and repurchase requests increased in relation to prior years. This increase was primarily driven by higher sold loan delinquencies, resulting from deterioration in the overall economic conditions and trends, particularly those impacting the residential housing sector.

We have established reserves pursuant to these recourse agreements based on claims made and our estimate of expected future claims on a loan by loan basis which relate primarily to loans originated in years 2006-2008. Origination and sale of residential mortgages is an ongoing business activity and, accordingly, management continually assesses the need for reserves pursuant to the associated recourse agreements. Because the amount of future claims made could exceed our estimate or the extent of risk could be greater than that which we assumed in establishing our reserve, potential exists for additional loss above our established recourse reserves. Additionally, because the ultimate amount of claims made is based on the behavior of each counterparty to the original loan sale, as well as our ability to negotiate a mutually satisfactory resolution, we are unable to estimate the amount of loss that could occur in excess of our established reserves.

Additionally, prior to the acquisition, National City also sold home equity loans/lines of credit under agreements with similar contractual loan representation and warranties. We have established a reserve of approximately 2% on a portfolio of $6 billion covered by the representation and warranties agreement. These activities were part of a brokered home equity business that PNC is no longer engaged in.

Upon completion of its own investigation as to the validity of the claim, PNC will repurchase or provide indemnification on such loans where appropriate. 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.

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 September 30, 2010, the total liability for estimated losses on such repurchase and indemnification claims, including reserves related to the DUS programs described above, was $290 million, which is reported in Other liabilities on the Consolidated Balance Sheet. An analysis of the changes in this liability during the first nine months of 2010 follows:

Analysis of Estimated Losses on Repurchase and Indemnification Claims

In millions	Residential Mortgage Banking	Distressed Assets Portfolio (a)	Other (b)	Total
January 1, 2010	$ 229	$ 44	$ 73	$ 346
Reserve adjustments, net	103	71	(17)	157
Losses – loan repurchases and settlements	(177)	(12)		(189)
Loan sales			(24)	(24)
September 30, 2010	**$ 155**	**$ 103**	**$ 32**	**$ 290**

(a) Consists of reserves for repurchases and indemnifications for home equity loans/lines of credit sold from 2005 to 2007.
(b) Consists primarily of reserves for DUS and similar programs described above.

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 recognized for probable losses on these policies and the aggregate maximum exposure up to the specified limits for all reinsurance contracts were as follows:

Reinsurance Agreements

In millions except as noted	September 30, 2010
Reserves for probable losses	$ 178
Maximum exposure (billions)	$ 4.3

The comparable amount of reserves for probable losses as of December 31, 2009 was $220 million.

REPURCHASE AND RESALE AGREEMENTS

We enter into repurchase and resale agreements where we transfer investment securities to/from a third party with the agreement to repurchase/resell those investment securities at a future date for a specified price. These transactions are accounted for as collateralized borrowings/financings.

NOTE 19 SEGMENT REPORTING

We have six reportable business segments:

- Retail Banking
- Corporate & Institutional Banking
- Asset Management Group
- Residential Mortgage Banking
- BlackRock
- Distressed Assets Portfolio

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. As a result of its sale, GIS is no longer a reportable business segment.

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 before noncontrolling interests, which itself excludes the earnings and revenue attributable to GIS, including the related after-tax gain on sale in the third quarter of 2010, that are reflected in discontinued 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, such as gains or losses related to BlackRock transactions including LTIP share distributions and obligations, 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, Virginia, Missouri, 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, our multi-seller conduit, 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.

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. These loans are typically underwritten to government agency and/or third party standards, and sold, servicing retained, to primary mortgage market conduits FNMA, FHLMC, Federal Home Loan Banks and third-party investors, or are securitized and issued under the Government National Mortgage Association (GNMA) program. The mortgage servicing operation performs all functions related to servicing mortgage loans – primarily those in first lien position – for various investors and for loans owned by PNC. Certain loans originated through our joint ventures are serviced by a joint venture partner.

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, including iShares®, the global product leader in exchange traded funds. In addition, BlackRock provides market risk management, financial markets advisory and enterprise investment system services globally to a broad base of clients. At September 30, 2010, our share of BlackRock’s earnings was 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.

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Results Of Businesses

Three months ended September 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Distressed Assets Portfolio	Other	Consolidated
2010								
Income Statement								
Net interest income	$ 858	$ 818	$ 67	$ 53		$ 279	$ 140	$ 2,215
Noninterest income	497	237	150	232	$ 128	(35)	174	1,383
Total revenue	1,355	1,055	217	285	128	244	314	3,598
Provision for (recoveries of) credit losses	327	(48)	(12)	21		176	22	486
Depreciation and amortization	47	33	10	1			67	158
Other noninterest expense	991	413	150	118		46	282	2,000
Income (loss) from continuing operations before income taxes	(10)	657	69	145	128	22	(57)	954
Income taxes (benefit)	(3)	230	25	47	29	5	(154)	179
Income (loss) from continuing operations before noncontrolling interests	$ (7)	$ 427	$ 44	$ 98	$ 99	$ 17	$ 97	$ 775
Inter-segment revenue			$ 3	$ 4	$ 6	$ (3)	$ (10)	
Average Assets (a)	$66,594	$ 76,852	$ 6,972	$ 9,164	$ 6,275	$ 16,745	$81,977	$ 264,579
2009								
Income Statement								
Net interest income	$ 865	$ 907	$ 70	$ 83		$ 235	$ 64	$ 2,224
Noninterest income	569	401	155	209	$ 98	19	178	1,629
Total revenue	1,434	1,308	225	292	98	254	242	3,853
Provision for credit losses	313	384	9	4		168	36	914
Depreciation and amortization	66	35	10	1			78	190
Other noninterest expense	974	424	152	140		62	272	2,024
Income (loss) from continuing operations before income taxes	81	465	54	147	98	24	(144)	725
Income taxes (benefit)	31	156	19	56	24	10	(111)	185
Income (loss) from continuing operations before noncontrolling interests	$ 50	$ 309	$ 35	$ 91	$ 74	$ 14	$ (33)	$ 540
Inter-segment revenue	$ (2)	$ 3	$ 5	$ 1	$ 4	$ (4)	$ (7)	
Average Assets (a)	$65,053	$ 81,245	$ 7,260	$ 9,039	$ 4,599	$ 22,317	$84,535	$ 274,048

Nine months ended September 30 In millions	Retail Banking	Corporate & Institutional Banking	Asset Management Group	Residential Mortgage Banking	BlackRock	Distressed Assets Portfolio	Other	Consolidated
2010								
Income Statement								
Net interest income	$ 2,607	$ 2,597	$ 197	$ 206		$ 964	$ 458	$ 7,029
Noninterest income	1,493	904	468	568	$ 326	(37)	522	4,244
Total revenue	4,100	3,501	665	774	326	927	980	11,273
Provision for (recoveries of) credit losses	946	285	11	(3)		745	76	2,060
Depreciation and amortization	169	105	31	3			207	515
Other noninterest expense	2,838	1,207	446	346		169	752	5,758
Income (loss) from continuing operations before income taxes	147	1,904	177	428	326	13	(55)	2,940
Income taxes (benefit)	50	674	65	156	73	5	(287)	736
Income from continuing operations before noncontrolling interests	$ 97	$ 1,230	$ 112	$ 272	$ 253	$ 8	$ 232	$ 2,204
Inter-segment revenue		$ 20	$ 9	$ 9	$ 17	$ (10)	$ (45)	
Average Assets (a)	$67,380	$ 77,764	$ 7,043	$ 8,903	$ 6,275	$ 18,246	$79,744	$ 265,355
2009								
Income Statement								
Net interest income (expense)	$ 2,688	$ 2,802	$ 241	$ 261		$ 861	$ (116)	$ 6,737
Noninterest income	1,653	1,065	460	891	$ 191	71	274	4,605
Total revenue	4,341	3,867	701	1,152	191	932	158	11,342
Provision for credit losses	921	1,320	72	3		457	108	2,881
Depreciation and amortization	201	106	31	4			241	583
Other noninterest expense	2,957	1,250	468	486		197	923	6,281
Income (loss) from continuing operations before income taxes	262	1,191	130	659	191	278	(1,114)	1,597
Income taxes (benefit)	101	416	48	249	40	106	(618)	342
Income (loss) from continuing operations before noncontrolling interests	$ 161	$ 775	$ 82	$ 410	$ 151	$ 172	$ (496)	$ 1,255
Inter-segment revenue	$ (3)	$ 8	$ 14	$ 4	$ 12	$ (13)	$ (22)	
Average Assets (a)	$65,281	$ 86,391	$ 7,367	$ 8,289	$ 4,599	$ 23,627	$83,006	$ 278,560

(a) Period-end balances for BlackRock.

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STATISTICAL INFORMATION (Unaudited)

THE PNC FINANCIAL SERVICES GROUP, INC.

Average Consolidated Balance Sheet And Net Interest Analysis

	Nine months ended September 30					
	2010			2009		
Taxable-equivalent basis Dollars in millions	Average Balances	Interest Income/ Expense	Average Yields/ Rates	Average Balances	Interest Income/ Expense	Average Yields/ Rates
Assets						
Interest-earning assets:						
Investment securities						
Securities available for sale						
Residential mortgage-backed						
Agency	**$ 21,745**	**$ 653**	**4.00%**	$ 21,628	$ 791	4.87%
Non-agency	**9,491**	**424**	**5.96**	12,399	621	6.67
Commercial mortgage-backed	**3,798**	**152**	**5.31**	4,645	196	5.63
Asset-backed	**2,043**	**64**	**4.20**	1,975	118	7.99
US Treasury and government agencies	**7,987**	**173**	**2.88**	3,829	87	3.01
State and municipal	**1,348**	**57**	**5.65**	1,356	55	5.41
Other debt	**2,502**	**55**	**2.92**	1,118	30	3.58
Corporate stocks and other	**458**		**.12**	410	2	.79
Total securities available for sale	**49,372**	**1,578**	**4.26**	47,360	1,900	5.35
Securities held to maturity						
Commercial mortgage-backed	**3,509**	**151**	**5.72**	1,985	93	6.24
Asset-backed	**3,598**	**70**	**2.61**	1,827	66	4.82
Other	**63**	**5**	**11.57**	41	2	6.20
Total securities held to maturity	**7,170**	**226**	**4.21**	3,853	161	5.56
Total investment securities	**56,542**	**1,804**	**4.25**	51,213	2,061	5.36
Loans						
Commercial	**54,431**	**2,138**	**5.18**	63,054	2,433	5.09
Commercial real estate	**21,068**	**801**	**5.01**	25,173	1,013	5.31
Equipment lease financing	**6,243**	**242**	**5.17**	6,213	221	4.74
Consumer	**55,107**	**2,174**	**5.27**	52,185	2,066	5.29
Residential mortgage	**18,237**	**998**	**7.30**	21,529	1,054	6.53
Total loans	**155,086**	**6,353**	**5.44**	168,154	6,787	5.36
Loans held for sale	**2,716**	**208**	**10.22**	4,322	196	6.05
Federal funds sold and resale agreements	**1,821**	**28**	**2.04**	1,921	32	2.23
Other	**8,906**	**144**	**2.15**	15,400	120	1.03
Total interest-earning assets/interest income	**225,071**	**8,537**	**5.04**	241,010	9,196	5.07
Noninterest-earning assets:						
Allowance for loan and lease losses	**(5,180)**			(4,248)		
Cash and due from banks	**3,587**			3,645		
Other	**41,877**			38,153		
Total assets	**$265,355**			$278,560		
Liabilities and Equity						
Interest-bearing liabilities:						
Interest-bearing deposits						
Money market	**$ 58,206**	**206**	**.47**	$ 54,999	457	1.11
Demand	**24,903**	**27**	**.14**	23,225	54	.31
Savings	**6,932**	**10**	**.19**	6,534	11	.22
Retail certificates of deposit	**44,190**	**492**	**1.49**	56,249	825	1.96
Other time	**885**	**19**	**2.84**	6,228	53	1.13
Time deposits in foreign offices	**2,781**	**4**	**.22**	3,510	7	.25
Total interest-bearing deposits	**137,897**	**758**	**.73**	150,745	1,407	1.25
Borrowed funds						
Federal funds purchased and repurchase agreements	**4,227**	**10**	**.32**	4,571	13	.38
Federal Home Loan Bank borrowings	**8,612**	**56**	**.86**	15,288	179	1.55
Bank notes and senior debt	**12,694**	**225**	**2.33**	13,202	352	3.52
Subordinated debt	**9,700**	**367**	**5.04**	10,297	460	5.96
Other	**5,604**	**36**	**.86**	2,310	29	1.66
Total borrowed funds	**40,837**	**694**	**2.25**	45,668	1,033	3.00
Total interest-bearing liabilities/interest expense	**178,734**	**1,452**	**1.08**	196,413	2,440	1.65
Noninterest-bearing liabilities and equity:						
Noninterest-bearing deposits	**44,092**			40,436		
Allowance for unfunded loan commitments and letters of credit	**255**			330		
Accrued expenses and other liabilities	**11,186**			11,782		
Equity	**31,088**			29,599		
Total liabilities and equity	**$265,355**			$278,560		
Interest rate spread			**3.96**			3.42
Impact of noninterest-bearing sources			**.22**			.30
Net interest income/margin		**$ 7,085**	**4.18%**		$ 6,756	3.72%

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.

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Average Consolidated Balance Sheet And Net Interest Analysis (Continued)

Third Quarter 2010 Average Balances	Third Quarter 2010 Interest Income/ Expense	Third Quarter 2010 Average Yields/ Rates	Second Quarter 2010 Average Balances	Second Quarter 2010 Interest Income/ Expense	Second Quarter 2010 Average Yields/ Rates	Third Quarter 2009 Average Balances	Third Quarter 2009 Interest Income/ Expense	Third Quarter 2009 Average Yields/ Rates
$22,916	$ 229	4.00%	$ 20,382	$ 196	3.83%	$ 20,838	$ 248	4.75%
8,917	134	6.04	9,358	140	5.97	11,553	191	6.60
3,100	42	5.34	2,962	39	5.29	5,052	68	5.40
2,436	21	3.51	1,695	21	4.96	1,911	47	10.04
7,758	52	2.67	8,708	61	2.81	6,026	47	3.06
1,323	17	5.19	1,356	19	5.50	1,367	18	5.16
3,092	21	2.64	2,526	18	2.94	1,647	14	3.40
472		.12	446		.13	388		.41
50,014	516	4.13	47,433	494	4.16	48,782	633	5.19
4,130	60	5.81	4,264	60	5.62	1,987	30	6.02
3,435	21	2.45	3,697	24	2.61	2,197	25	4.63
9		7.87	21		9.29	102	2	6.21
7,574	81	4.29	7,982	84	4.23	4,286	57	5.31
57,588	597	4.15	55,415	578	4.17	53,068	690	5.20
53,502	713	5.21	54,349	729	5.30	58,457	771	5.17
19,847	223	4.40	20,963	269	5.08	24,491	311	4.96
6,514	86	5.27	6,080	77	5.13	6,045	65	4.27
55,036	708	5.11	54,939	736	5.37	52,066	656	5.00
16,766	281	6.70	18,576	359	7.73	20,847	297	5.70
151,665	2,011	5.24	154,907	2,170	5.58	161,906	2,100	5.12
3,021	55	7.22	2,646	87	13.15	3,696	69	7.34
1,602	9	2.26	2,193	10	1.73	2,417	10	1.74
9,801	51	2.04	9,419	46	1.93	14,607	35	.95
223,677	2,723	4.82	224,580	2,891	5.13	235,694	2,904	4.88
(5,290)			(5,113)			(4,264)		
3,436			3,595			3,547		
42,756			41,304			39,071		
$264,579			$264,366			$274,048		
$58,016	62	.42	$ 58,679	68	.46	$ 56,662	111	.77
25,078	7	.11	24,953	9	.14	23,874	14	.24
7,092	3	.18	7,075	4	.19	6,652	3	.18
41,724	155	1.47	43,745	156	1.44	53,468	245	1.81
740	5	2.54	881	6	2.90	2,841	11	1.63
2,650	1	.23	2,661	1	.21	3,356	3	.27
135,300	233	.68	137,994	244	.71	146,853	387	1.04
4,179	3	.29	4,159	3	.29	4,422	3	.33
7,680	20	1.04	8,575	19	.83	12,996	34	1.03
12,799	92	2.81	12,666	49	1.53	12,542	99	3.09
9,569	127	5.27	9,764	110	4.54	10,214	134	5.24
4,886	11	.89	6,005	14	.92	2,806	9	1.25
39,113	253	2.56	41,169	195	1.88	42,980	279	2.57
174,413	486	1.10	179,163	439	.98	189,833	666	1.39
45,306			44,308			41,816		
218			251			319		
12,687			10,446			11,489		
31,955			30,198			30,591		
$264,579			$264,366			$274,048		
		3.72			4.15			3.49
		.24			.20			.27
	$ 2,237	3.96%		$ 2,452	4.35%		$ 2,238	3.76%

Loan fees for the nine months ended September 30, 2010 and September 30, 2009 were $117 million and $118 million, respectively. Loan fees for the three months ended September 30, 2010, June 30, 2010, and September 30, 2009 were $29 million, $43 million, and $40 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 nine months ended September 30, 2010 and September 30, 2009 were $59 million and $47 million, respectively. The taxable-equivalent adjustments to interest income for the three months ended September 30, 2010, June 30, 2010, and September 30, 2009 were $22 million, $19 million, and $16 million, respectively.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information set forth in Note 17 Legal Proceedings in the Notes To Consolidated Financial Statements under Part I, Item 1 of this Report, which is incorporated by reference in response to this item.

ITEM 1A. RISK FACTORS

The following risk factor is added to the risk factors previously disclosed in PNC's 2009 Form 10-K and its Form 10-Q for the quarter ended June 30, 2010, in response to Part II, Item 1A. In general, these risk factors, including the risk factor added below, may present the risk of a material impact on our results of operations or financial condition, in addition to other possible consequences described therein. These risk factors are also discussed further in other parts of our Form 10-K and this Report.

PNC faces increased risk arising out of its mortgage lending and servicing businesses.

Numerous federal and state governmental, legislative and regulatory authorities are investigating practices in the mortgage lending and servicing industries. PNC has received inquiries from governmental, legislative and regulatory authorities on this topic and is cooperating with these inquiries. These inquiries may lead to administrative, civil or criminal proceedings, possibly resulting in remedies including fines, penalties, restitution, or alterations in our business practices.

In addition to governmental or regulatory investigations, PNC, like other companies with residential mortgage origination and servicing operations, faces the risk of class actions, other litigation and claims from the owners of, investors in or purchasers of mortgages originated or serviced by PNC (or securities backed by such mortgages); homeowners involved in foreclosure proceedings; downstream purchasers of homes sold after foreclosure; title insurers; and other potential claimants. At this time PNC cannot predict the cost to or effect upon PNC from governmental, legislative or regulatory actions or private litigation or claims arising out of residential mortgage lending and servicing practices, although such actions, litigation and claims could, individually or in the aggregate, result in significant expense.

PNC commenced a review of its residential mortgage servicing procedures related to foreclosures after learning of the industry-wide servicing issues in late September 2010. After a review of the legal requirements in all fifty states and the District of Columbia, and of its own procedures, practices, information systems, and documentation, PNC has developed enhanced procedures designed to ensure that the documentation accompanying the foreclosures it pursues complies with all relevant law. The review, correction and refiling of foreclosure documentation in the various states could continue for a number of months, depending upon federal, state, local and private judicial and regulatory actions.

PNC expects that its mortgage servicing-related costs will increase. These incremental costs include, but are not limited to, the costs associated with commitment of additional resources to review and enhance PNC's procedures and to replace foreclosure documentation, as well as associated noninterest expenses for higher servicing and legal costs.

The issues described above may affect the value of our ownership interests, direct or indirect, in property subject to foreclosure. In addition, possible delays in the schedule for processing foreclosures also may result in an increase in nonperforming loans, additional servicing costs and possible demands for contractual fees or penalties under servicing agreements. There is also an increase in the risk of repurchase requests arising out of either the foreclosure process or origination issues. Reputational damage arising out of this industry-wide inquiry could also have an adverse effect upon our existing mortgage business and could reduce future business opportunities.

One or more of the foregoing could adversely affect PNC's operations and financial condition.

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

(c) Details of our repurchases of PNC common stock during the third quarter of 2010 are included in the following table:

In thousands, except per share data

2010 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)
July 1 – July 31	162	$59.08		24,710
Aug 1 – Aug 31	145	$55.21		24,710
Sep 1 – Sep 30	127	$53.47		24,710
Total	434	$56.14		

(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 third quarter of 2010.

(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.

In addition to the repurchases of PNC common stock during the third quarter of 2010 included in the table above, PNC called its $1.80 Cumulative Convertible Preferred Stock – Series A for redemption in accordance with the terms of that stock effective September 10, 2010 and redeemed 1,777 outstanding shares of that stock at the redemption price of $40.00 per share.

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ITEM 6. EXHIBITS

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

EXHIBIT INDEX

10.75	2010 forms of employee performance units agreements
12.1	Computation of Ratio of Earnings to Fixed Charges
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chairman and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	Interactive Data File (XBRL)

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, 100 F Street, N.E., Washington, DC 20549 at prescribed rates. The Exhibits are also available as part of this Form 10-Q on or through PNC's corporate website at www.pnc.com/secfilings. Shareholders and bondholders may also receive copies of Exhibits, without charge, by contacting Shareholder Relations at 800-843-2206 or via e-mail at investor.relations@pnc.com. The interactive data file (XBRL) exhibit is only available electronically.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on November 9, 2010 on its behalf by the undersigned thereunto duly authorized.

The PNC Financial Services Group, Inc.

/s/ Richard J. Johnson

Richard J. Johnson
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CORPORATE INFORMATION

THE PNC FINANCIAL SERVICES GROUP, INC.

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

STOCK LISTING The common stock of the PNC Financial Services Group, Inc. is listed on the New York Stock Exchange 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, Quarterly Earnings, SEC Filings, Financial Information, Financial Press Releases and Message from the Chairman 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 sections below 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 hereof.

FINANCIAL 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. You can obtain copies of these and other filings, including exhibits, electronically at the SEC's internet website at www.sec.gov or on or through PNC's corporate internet website at www.pnc.com/secfilings. Copies may also be obtained 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 email at investor.relations@pnc.com for copies of exhibits. The interactive data file (XBRL) exhibit is only available electronically.

CORPORATE GOVERNANCE AT PNC Information about our Board of Directors and its committees and corporate governance at PNC is available on PNC's corporate website at www.pnc.com/corporategovernance. Shareholders who would like to request printed copies of PNC's Code of Business Conduct and Ethics or our Corporate Governance Guidelines or the charters of our Board's Audit, Nominating and Governance, Personnel and Compensation, or Risk Committees (all of which are posted on the PNC corporate website) may do so by sending their requests to George P. Long, III, Chief Governance Counsel and Corporate Secretary, at corporate headquarters at the above address. Copies will be provided without charge to shareholders.

INQUIRIES For financial services call 888-PNC-2265.

Individual shareholders should contact Shareholder Services at 800-982-7652.

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

News media representatives and others seeking general information should contact Fred Solomon, Vice President, Corporate Communications, at 412-762-4550 or via email at corporate.communications@pnc.com.

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

	High	Low	Close	Cash Dividends Declared
2010 Quarter				
First	**$61.80**	**$50.46**	**$59.70**	**$ .10**
Second	**70.45**	**56.30**	**56.50**	**.10**
Third	**62.99**	**49.43**	**51.91**	**.10**
Total				**$ .30**
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

DIVIDEND POLICY 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).

Dividend Reinvestment and Stock Purchase Plan

The PNC Financial Services Group, Inc. Dividend Reinvestment and Stock Purchase Plan enables holders of our common and preferred stock to conveniently purchase additional shares of common stock. You can obtain a prospectus and enrollment form by contacting Shareholder Services at 800-982-7652.

Registrar and Stock Transfer Agent

Computershare Trust Company, N.A.
250 Royall Street
Canton, MA 02021
800-982-7652

Exhibit 10.75

2010 FORMS OF EMPLOYEE PERFORMANCE UNITS AGREEMENTS

2010 Incentive Performance Units
Overall Performance Period: April 1, 2010 - December 31, 2012 ($2\frac{3}{4}$ Years)
Performance Criteria: PNC Performance and Rankings relative to Peers with respect to Earnings per Share Growth and Return on Average Common Equity (not including goodwill) Performance
100% Vests on Final Award

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

* * *

2010-2012 INCENTIVE PERFORMANCE UNITS AGREEMENT

* * *

GRANTEE:	< name >
GRANT DATE:	February 24, 2010
TARGET SHARE UNITS:	< whole number > Share Units

1. Definitions.

Certain terms used in this 2010-2012 Incentive Performance Units Agreement (“Agreement”) are defined in Section 15 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., “Corporation” means PNC and its Consolidated Subsidiaries, and “Plan” means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

2. 2010 Incentive Performance Units.

Pursuant to the Plan and subject to the terms and conditions of the Agreement, PNC grants to the grantee named above (“Grantee”) a Share-denominated incentive award opportunity of Performance Units (the “Performance Units” or the “2010 Incentive Performance Units”) with the number of target Share Units set forth above (“Target Share Units”). Performance Units are subject to acceptance by Grantee in accordance with Section 18.

The Performance Units are subject to the corporate performance conditions, employment conditions, and other terms and conditions of this Agreement and to the Plan, and to final award determination in accordance with Section 5 or Section 6, as applicable.

In general, the Performance Units are an opportunity for Grantee to receive, at the end of the applicable overall performance period, an award of Shares and, if applicable, cash Share-equivalents, based on the degree to which specified corporate performance criteria have been achieved by PNC, the applicable basic potential payout calculation schedule established by the Committee (defined in Section 15.13) for the Performance Units, and Grantee's level of satisfaction (or deemed satisfaction) of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (*e.g.*, in the case of a qualifying retirement or death), and provided that the other conditions of the Agreement are met. Further limitations or adjustments may apply if there is an early termination or limitation of the overall performance measurement period. Awards are determined by the Committee in the absence of a Change of Control (as defined herein) and are subject to the Committee's negative discretion.

Any Final Award (as defined in Section 15.23) authorized pursuant to the Agreement will be expressed as a number of awarded Share Units and paid in accordance with Section 7. Generally, an award will be paid in shares of PNC common stock ("Shares") up to the same number of Shares as the number set forth above as the number of Target Share Units (which is also the maximum number of Shares, subject to capital adjustments, if any, pursuant to Section 9, that may be paid with respect to the Performance Units hereunder). To the extent, if any, that the total Final Award amount exceeds the Target Share Units number set forth above, any remainder will generally be paid in cash in an amount equal to the number of remaining awarded Share Units multiplied by the per share price of PNC common stock on the award date (sometimes referred to in the Agreement as payment in "cash Share-equivalents").

The Agreement also provides a formula for calculation of the Final Award in the event of a Change of Control of PNC and for the form and timing of payment of any such award.

3. Corporate Performance Conditions; Calculation of Applicable Annual Potential Payout Percentages; Adjusted Target Share Units

3.1 Corporate Performance Conditions. The Performance Units are subject to the corporate performance conditions set forth in this Section 3.

Final Award determination by the Committee pursuant to Section 5 requires the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, as defined in Section 15.24 and Section 15.7, respectively. Final Award calculation pursuant to Section 6 of the Agreement, if applicable, requires the calculation of the Change of Control Payout Percentage and the calculated final award as set forth in that section of the Agreement.

Those calculations, in turn, take into account PNC's performance and ranking relative to its Peers with respect to two performance measures or metrics (the Performance Criteria), as measured annually and expressed as the Annual Potential Payout Percentages for the applicable covered annual performance measurement periods (which may be full or partial year periods as required by the Agreement) in the applicable overall Performance Period.

This Section 3 sets forth the performance metrics (EPS growth and ROCE performance) and how they are measured, the applicable covered performance periods, and the basic annual potential payout calculation schedule established for the Performance Units by the Committee, as well as the establishment of the Peer Group by the Committee and the manner in which PNC and its Peers will be ranked for the applicable covered performance periods based on each of the two performance metrics (EPS growth and ROCE performance), each unless and until amended prospectively by the Committee.

3.2 Performance Criteria and Performance Period. The corporate performance standards established by the Committee as the Performance Criteria for the Performance Units are PNC's performance and ranking relative to its Peers with respect to two performance metrics — EPS growth and ROCE performance — measured as set forth in Section 3.3 below. This performance is measured annually for each applicable covered annual performance period, which may consist of a full calendar year or a shorter partial-year period as required by the Agreement, in the overall Performance Period.

The overall Performance Period is the period commencing April 1, 2010 through and including the applicable performance measurement date specified in Section 5.1 or Section 6.1 of the Agreement as applicable. Generally the overall Performance Period will cover a 2 3/4 year period, but it may be terminated early or limited in specified circumstances.

In the standard non-exceptional circumstances as specified in Section 5.1(a), the applicable performance measurement date will be December 31, 2012 and the overall Performance Period will be the 2 3/4 year period commencing April 1, 2010 through and including December 31, 2012, consisting of the following three covered annual performance measurement periods: (1) the partial year period commencing April 1, 2010 through and including December 31, 2010; (2) the full year period commencing January 1, 2011 through and including December 31, 2011; and (3) the full year period commencing January 1, 2012 through and including December 31, 2012.

If the overall Performance Period is terminated early or limited pursuant to the terms of the Agreement, the applicable overall Performance Period will be the period commencing April 1, 2010 through and including the performance measurement date as specified in the Agreement as applicable in such circumstances. The final covered annual performance measurement period in such overall Performance Period will be the one ending on the performance measurement date specified in the Agreement as applicable in such circumstances. Thus the number of applicable covered annual performance measurement periods will be one, two or three, as the case may be.

3.3 Peer Group; Rankings; and Performance Metrics.

(a) Peer Group. The Peer Group, as defined in Section 15.29, is determined by the Committee and may be reset by the Committee annually but no later than the 90th day of that year. Performance measurements for a given covered performance period will be made with respect to the Peers in the Peer Group as they exist on the last day of that covered period taking into account Peer name changes and the elimination from the Peer Group of any members that have been eliminated since the beginning of the year due, for example, to consolidations, mergers or other material corporate reorganizations.

Unless and until reset prospectively by the Committee, the Peer Group will consist of the following members: PNC; BB&T Corporation; Bank of America Corporation; Capital One Financial, Inc.; Comerica Inc.; Fifth Third Bancorp; JPMorgan Chase; KeyCorp; M&T Bank; Regions Financial Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Co.

(b) Rankings. The performance of PNC and each of the other Peers, as such Peer Group exists as of the last day of a given covered period, is measured for the given covered performance period with respect to each of the two performance metrics — EPS growth and ROCE performance — as set forth in Section 3.3(c) below. This performance is measured annually for each applicable covered annual performance period (which may consist of a full calendar year or a shorter partial-year period as required by the Agreement) in the applicable overall Performance Period.

After measuring EPS growth and ROCE performance for PNC and its Peers for the covered performance period with respect to a given year, PNC and its Peers will be ranked for that covered period based on their respective EPS growth performances and on their respective ROCE performances, in each case as adjusted as set forth in the following paragraph.

Rankings Adjustments. When ranking PNC's and the other Peers' EPS growth and ROCE performance for a given covered performance period, a Peer that had positive adjusted earnings (as set forth in Section 3.3(c) below) for that covered year or partial year period will be ranked above any Peer that had a loss (i.e., negative adjusted earnings) for that covered year or partial year period or, for purposes of the EPS growth metric, that had a loss either for that covered period or for the comparable period of the comparison year.

(c) Performance Metrics. The Committee has determined that the metrics for measuring performance for each applicable covered annual performance measurement period in the overall Performance Period, whether the given covered period consists of a full calendar year or a shorter partial-year period as required by the Agreement, will be EPS growth and ROCE performance measured as set forth herein unless and until amended prospectively by the Committee.

"EPS growth" with respect to a given year means the growth or decline, as the case may be, in EPS achieved by PNC or other Peer for the given covered period of that year as compared to EPS for the comparable period of the prior calendar year, expressed as a percentage (with a positive percentage for growth over the comparable prior year period EPS and a negative percentage for decline from the comparable prior year period EPS, as the case may be) rounded to the nearest one-hundredth (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%). "EPS" for this purpose means the publicly-reported diluted earnings per share of PNC or other Peer for the given covered period or period of comparison, as the case may be, in each case as adjusted, on an after-tax basis, as described below, rounded to the nearest cent (with $0.005 being rounded upward to $0.01).

"ROCE performance" with respect to a given year means the ROCE achieved by PNC or other Peer for the given covered period of that year and may be a positive or negative return, as the case may be. "ROCE" for this purpose means the publicly-reported return on average common shareholders' equity of PNC or other Peer for the given covered period of the year, as adjusted, on an after-tax basis, as described below, expressed as a percentage rounded to the nearest one-hundredth (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

EPS and ROCE Adjustments. For purposes of measuring EPS growth and ROCE performance for PNC and the other Peers for the 2010 Incentive Performance Units calculations, publicly-reported performance results will be adjusted, on an after-tax basis, for the impact of any of the following where such impact occurs during the covered period of a given year in the applicable overall Performance Period or, where applicable for purposes of the EPS growth metric, during the prior year comparison period for a given year:

- extraordinary items (as such term is used under GAAP);
- items resulting from a change in tax law;
- discontinued operations (such as PNC Global Investment Servicing in PNC's case, including gain on sale);
- acquisition costs and merger integration costs;
- any costs or expense arising from specified Visa litigation (including Visa-litigation-related expenses/charges recorded for obligations to Visa with respect to the costs of specified litigation or the gains/reversal of expense recognized in connection with such obligations) and any other gains recognized on the redemption or sale of Visa shares as applicable;
- acceleration of the accretion of any remaining issuance discount in connection with the redemption of TARP preferred stock;
- and, in PNC's case, the net impact on PNC of significant gains or losses related to BlackRock transactions, such as adjusting 2009 comparison period results for purposes of the 2010 covered performance period EPS growth comparison to exclude the 4th quarter 2009 gain related to BlackRock's acquisition of Barclays Global Investors.

In the case of the EPS growth metric, there will be an additional adjustment for the impact of any stock splits (whether in the form of a stock split or a stock dividend). In the case of the ROCE performance metric, there will be an additional adjustment for the impact of any goodwill.

All of these adjustments will be made, with respect to both PNC and the other Peers, on the basis of, and only where such amounts can be reasonably determined from, publicly-disclosed financial information. After-tax adjustments for PNC and the other Peers will be calculated using the same methodology for making such adjustments on an after-tax basis.

The Committee may also take into account other adjustments applied on a consistent basis to the EPS or ROCE of each member of the Peer Group but only if the effect of such adjustment or adjustments would be to reduce the calculated potential award payout amounts in making its final award payout determinations.

3.4 Annual Potential Payout Calculation Schedule; Calculation of Applicable Annual Potential Payout Percentages The Committee also establishes the applicable Annual Potential Payout Calculation Schedule (as defined in Section 15.2) for the Performance Units. Unless and until amended prospectively by the Committee, the Schedule established by the Committee at the time it authorized the Performance Units that accompanies the Agreement shall be applied in order to determine the Annual Potential Payout Percentage (as defined in Section 15.3) for each of the applicable covered annual performance measurement periods in the applicable overall Performance Period.

For each applicable covered annual performance period (which may consist of a full calendar year or a shorter partial-year period as required by the Agreement), PNC will measure EPS growth and ROCE performance for the covered period with respect to that year for PNC and for each other member of the applicable Peer Group as of the end of the covered period and will calculate the relative rankings of PNC and the other Peers with respect to each performance metric for the covered period with respect to that given year, all as set forth in Section 3.3.

Once PNC and other Peer EPS growth and ROCE performance and rankings have been measured and calculated for a given covered annual performance measurement period in accordance with Section 3.3, the applicable Schedule (as defined in Section 15.2) will be applied (1) to generate a payout percentage for each metric for that given year based on such relative covered period performance, and then (2) to generate the final Annual Potential Payout Percentage for that given year giving equal weight to each performance metric. Such results will be presented to the Committee.

As described in Section 3.1 above, the Annual Potential Payout Percentages for the applicable covered performance periods in the applicable overall Performance Period are taken into account as part of the Final Award determination process by the Committee as set forth in Section 5 or the Final Award calculation pursuant to Section 6 of the Agreement, as applicable.

3.5 Adjusted Target Share Units. Generally, the maximum size of any Final Award that Grantee may receive pursuant to the Agreement will be expressed as a specified number of Share Units and will be a percentage of the dividend-adjusted Target Share Units. The applicable percentage is calculated in accordance with Section 5 or Section 6, as the case may be, and takes into account the degree to which corporate performance criteria have been achieved and service requirements have been met. In most cases, there are further limitations set forth in those Sections on the maximum size of an award that may be made to a former employee, if any. Dividend-adjusted Target Share Units reflect adjustments for phantom dividends on target share units converted to additional target share units. The calculation of dividend-adjusted target share units is described below.

As used in the Agreement, "Adjusted Target Share Units" means the number of Share Units equal to the Target Share Units (i.e., the number of Share Units specified on page 1 of the Agreement as the Target Share Units, subject to capital adjustments pursuant to Section 9 if any) as adjusted for the addition of all Dividend Adjustment Share Units accrued through the date specified by the applicable Section of the Agreement. Generally, dividend adjustments are calculated through December 31, 2012 unless an earlier date is specified in Section 5.1 or Section 6.1 of the Agreement as applicable (*e.g.*, in the case of a qualifying Retirement or a Change of Control prior to December 31, 2012).

"Dividend Adjustment Share Units" are calculated as follows. For each PNC common stock cash dividend payment date that occurs during the period beginning on April 1, 2010 through and including December 31, 2012 (or, if earlier and if so required by the Agreement, through the date so specified by the Agreement), there will be added as of that dividend payment date to the number of Adjusted Target Share Units a number of Share Units (including fractional Share Units computed to six decimal places) equal to (i) the amount of the cash dividends that would have been paid on that dividend payment date on the target number of share units, as adjusted for all previous additions to such target number pursuant to this paragraph up to that date, had each such Share Unit been an issued and outstanding share of PNC common stock on the record date for such dividend, divided by (ii) the Fair Market Value of a share of PNC common stock on that dividend payment date. The addition of Dividend Adjustment Share Units is subject to any applicable Plan limits. Cumulatively, these additional Share Units are referred to as the "Dividend Adjustment Share Units," and the Target Share Units as adjusted for the addition of all accrued Dividend Adjustment Share Units are referred to as the "Adjusted Target Share Units."

4. Grantee Service Requirements and Limitation of Potential Award; Early Termination of Performance Units.

4.1 Eligibility for an Award; Employment Conditions and Early Termination of Performance Units. The Performance Units are subject to the employment conditions set forth in this Section 4.

Grantee will not be eligible to receive a Final Award unless the Performance Units remain outstanding on the Committee-determined Award Date (as defined in Section 15.5) or as of the end of the day immediately preceding the day on which a Change of Control occurs, if earlier.

The Performance Units will automatically terminate on Grantee's Termination Date (as defined in Section 15.46) unless an exception is available as set forth in Section 4.2, Section 4.3, Section 4.4 or Section 4.5. Where one or more of the conditions to an exception are post-employment conditions, the Performance Units will terminate upon the failure of any of those conditions.

In the event that Grantee's employment is terminated by the Corporation for Cause (as defined in Section 15.8), the Performance Units will automatically terminate on Grantee's Termination Date whether or not the termination might otherwise have qualified for an exception as a Retirement or a Disability termination pursuant to Section 4.3 or Section 4.4.

In the limited circumstances where the Performance Units remain outstanding notwithstanding Grantee's termination of employment with the Corporation, Grantee will be eligible for consideration for an award, subject to limitation as set forth in the applicable section of the Agreement. Said award, if any, will be determined and payable at the same time as the awards of those 2010 Incentive Performance Units grantees who remain Corporation employees, except that in the case of death, the determination and payment of said award, if any, shall be accelerated if so indicated in accordance with the applicable provisions of Section 5 or Section 6, as applicable, and Section 7.

Any award that the Committee may determine to make after Grantee's death will be paid to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10.

Notwithstanding anything in Section 4 or Section 5 to the contrary, if a Change of Control (as defined in Section 15.10) occurs prior to the time the Committee makes a Final Award determination pursuant to Section 5.2 (that is, prior to the Committee-determined Award Date), an award will be determined in accordance with Section 6.

4.2 Death While an Employee. If Grantee dies while an employee of the Corporation and prior to the Committee-determined Award Date, the Performance Units will remain outstanding and Grantee will be eligible for consideration for a prorated award calculated in accordance with Section 5.1(b), with an applicable performance measurement date (as defined in Section 5.1) of the earlier of the last day of the calendar year in which the death occurred and December 31, 2012, and with adjustments to Adjusted Target Share Units calculated through that December 31st, and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period (as defined in Section 15.11) or a Change of Control has occurred.

In the event that a Change of Control occurs after the time Grantee died but prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize any award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(b) and payable in accordance with Section 7.

4.3 Qualifying Retirement. If Grantee Retires (as defined in Section 15.38) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Performance Units will remain outstanding post-employment; provided, however, that PNC may terminate the Performance Units at any time prior to the Award Date, other than during a Change of Control Coverage Period or after the occurrence of a Change of Control, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 15.18). If Grantee is Disabled (as defined in Section 15.19) at the time of Retirement and Section 4.4 is also applicable to Grantee, that subsection will govern rather than this Section 4.3.

Provided that the Performance Units have not been terminated prior to the award date for Detrimental Conduct and are still outstanding at that time, Grantee will be eligible for Committee consideration of a prorated award at the time that awards are considered for those 2010 Incentive Performance Units grantees who remain Corporation employees, calculated in accordance with Section 5.1(c) with a performance measurement date of the last day of the last full quarter completed on or prior to Grantee's Retirement date, but in no event later than December 31, 2012, and with adjustments to Adjusted Target Share Units calculated through that same performance measurement date, and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period or a Change of Control has occurred.

If Grantee dies after a qualifying Retirement but before the time set forth above for consideration of an award and provided that the Performance Units have not been terminated for Detrimental Conduct and are still outstanding at the time of Grantee's death, the Committee may consider an award for Grantee and make an award determination with respect to Grantee (either to award a specified amount or not to authorize any award). Any such award determination will be made and such award, if any, will be calculated in accordance with Section 5.1(c) as described above but will be paid in accordance with Section 7 during the calendar year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2012, or in 2013 if the death occurs in 2013 but prior to the Award Date.

In the event that a Change of Control occurs prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize an award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(c) and payable in accordance with Section 7.

4.4 Qualifying Disability Termination. If Grantee's employment with the Corporation is terminated by reason of Disability (as defined in Section 15.19) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Performance Units will remain outstanding post-employment; provided, however, that PNC may terminate the Performance Units at any time prior to the Award Date, other than during a Change of Control Coverage Period or after the occurrence of a Change of Control, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 15.18).

Provided that the Performance Units are still outstanding at that time, Grantee will be eligible for Committee consideration of a full award at the time that awards are considered for those 2010 Incentive Performance Units grantees who remain Corporation employees, calculated in accordance with Section 5.1(d) and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period or a Change of Control has occurred. Although Grantee will be eligible for consideration for a full award (Standard Payout Calculation) at the scheduled time, it is anticipated that the Committee will take into account the timing and circumstances of the Disability when deciding whether and the extent to which to exercise its negative discretion.

If Grantee dies after a qualifying Disability termination but before the time set forth above for consideration of an award and provided that the Performance Units have not been terminated for Detrimental Conduct and are still outstanding at the time of Grantee's death, the Committee may consider an award for Grantee and make an award determination with respect to Grantee (either to award a specified amount or not to authorize any award). Any such award determination will be made and such award, if any, will be paid in accordance with Section 7 during the calendar year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2012, or in 2013 if the death occurs in 2013 but prior to the Award Date; provided, however, that the maximum award that may be approved in these circumstances is the award that could have been authorized had Grantee died while an employee of the Corporation.

In the event that a Change of Control occurs prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize an award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(d) and payable in accordance with Section 7.

4.5 Qualifying Termination in Anticipation of a Change of Control. If Grantee's employment with the Corporation is terminated by the Corporation prior to the Award Date and such termination is an Anticipatory Termination as defined in Section 15.4, then (i) the Performance Units will remain outstanding notwithstanding Grantee's termination of employment with the Corporation, (ii) the Performance Units will not be subject to termination for Detrimental Conduct, and (iii) Grantee will be eligible for consideration for an award pursuant to Section 5.2, calculated in accordance with Section 5.1(e), or will receive an award pursuant to Section 6, calculated as specified in Section 6.1(e), as applicable. Any such award will be payable in accordance with Section 7.

If Grantee dies while eligible to receive an award pursuant to this Section 4.5 but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change of Control occurs, Grantee will be eligible for Committee consideration of an award of up to the greater of the award Grantee could have received had he or she died while an employee of the Corporation or an award determined as set forth in Section 5.1(e). If Grantee dies while eligible to receive an award pursuant to this Section 4.5 but a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, Grantee will be deemed to receive an award in accordance with Section 6.1(e).

5. Certification of Performance Results; Calculation of Maximum Potential Payout Amount; and Final Award Determination

5.1 Certification of Level of Achievement of Corporate Performance with respect to Performance Criteria; Calculation of Final Potential Payout Percentage and Calculated Maximum Potential Payout Amount. As soon as practicable after December 31, 2012, or after the earlier relevant date if the applicable performance measurement date and potential award date are earlier under the circumstances, PNC will present information to the Committee concerning the following: (1) the levels of EPS growth and ROCE performance achieved by PNC and the other members of the applicable Peer Group and the relative rankings of PNC and the other Peers with respect to such performance metrics for each of the applicable covered annual performance periods for which performance is being measured under the circumstances; (2) the Annual Potential Payout Percentages for such covered performance periods generated in accordance with the Schedule, giving equal weight to each performance metric; and (3) the Final Potential Payout Percentage applicable under the circumstances, calculated as set forth in Section 15.24.

Subsections (a), (b), (c), (d) and (e) below set forth additional criteria for the certifications and calculations to be made pursuant to this Section 5.1 under varying circumstances.

The last day of the applicable performance measurement period is sometimes referred to as the "performance measurement date." The time when the certification, calculation and Final Award determination process will take place is sometimes referred to as the "scheduled award-determination period," and the date when a Final Award, if any, is determined and made by the Committee is sometimes referred to as the "Committee-determined Award Date" (as set forth in Section 15.5).

Notwithstanding anything in this Section 5 to the contrary, if a Change of Control has occurred, Section 6 will apply.

(a) Non-Exceptional Circumstances – Standard Payout Calculation. Provided that Grantee remains an employee of the Corporation and the Performance Units remain outstanding such that Grantee remains eligible for consideration for an award, and that a Change of Control has not occurred, the overall Performance Period will run from April 1, 2010 through December 31, 2012 and the process of certification of the levels of achievement of corporate performance with respect to the Performance Criteria, the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, and the determination of the Final Award, if any, will occur in early 2013.

Under the circumstances set forth in this subsection (a) above ("non-exceptional circumstances"), PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on December 31, 2012, and will consist of the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and the full calendar year covered annual performance periods from January 1, 2011 through December 31, 2011 and from January 1, 2012 through December 31, 2012;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the partial year covered annual performance period for 2010 and the full calendar year covered annual performance periods for 2011 and 2012, calculated as set forth in Section 15.24, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to the applicable Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through December 31, 2012; and

(v) the scheduled award-determination period will occur in early 2013.

(b) Death While an Employee. In the event that Grantee dies while an employee of the Corporation and prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 and the Performance Units remain outstanding pursuant to Section 4.2, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the earlier of the last day of the calendar year in which the death occurred and December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the December 31st that is the applicable performance measurement date, and will consist of the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and, if the applicable performance measurement date is later than December 31, 2010, the one or two full calendar year covered annual performance periods for 2011 or for 2011 and 2012, as the case may be, in that period;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered annual performance periods, as the case may be, in the applicable overall Performance Period specified above, calculated as set forth in Section 15.24, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to (x) the applicable Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through the December 31st that is the applicable performance measurement date, then (y) prorated (as defined in Section 15.36) based on the number of full quarters in the applicable overall Performance Period specified above, including through December 31st of the year of death if prior to 2013; and

(v) the scheduled award-determination period will occur during the year immediately following the year in which Grantee died (i.e., early in 2011, 2012, or 2013, as the case may be) unless Grantee dies after December 31, 2012 but prior to the award date, in which case the scheduled award-determination period will occur in 2013.

(c) Qualifying Retirement. In the event that Grantee Retires prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying Retirement termination set forth in Section 4.3 and the Performance Units have not been terminated by PNC prior to the award date pursuant to Section 4.3 for Detrimental Conduct and remain outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to Grantee's Retirement date or, if the Retirement date is a quarter-end date, that quarter-end date, but in no event later than December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the quarter-end date that is the applicable performance measurement date, and will consist of one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in that period;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered periods, as the case may be, in the applicable overall Performance Period specified above, calculated as set forth in Section 15.24;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to (x) the applicable Final Potential Payout Percentage of the Adjusted Target Share Units, with adjustments calculated through the quarter-end date that is the applicable performance measurement date, then (y) prorated (as defined in Section 15.36) based on the number of full quarters in the applicable overall Performance Period (i.e., in the period from April 1, 2010 through the quarter-end date that is the applicable performance measurement date specified above); and

(v) the scheduled award-determination period will occur in early 2013 as provided in Section 7.1, unless Grantee dies after Retirement but before the beginning of 2012, in which case the scheduled award-determination period will occur in early 2012 (if the death occurred in 2011) or early 2011 (if the death occurred in 2010), as the case may be.

In the event that Grantee is Disabled at the time of Retirement and Section 4.4 is also applicable to Grantee, then Section 5.1(d) will govern rather than this Section 5.1(c).

(d) Qualifying Disability. Except as set forth in the following paragraph, in the event that Grantee becomes Disabled prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying Disability termination set forth in Section 4.4 and the Performance Units have not been terminated by PNC prior to the award date pursuant to Section 4.4 for Detrimental Conduct and remain outstanding, PNC will present information to the Committee for purposes of this Section 5.1 for consideration of an award on the same basis as that set forth in Section 5.1(a) for a continuing employee of the Corporation, together with such information as the Committee may request concerning the timing and circumstances of the Disability. The scheduled award-determination period will occur in early 2013 as provided in Section 7.1.

If Grantee dies after a qualifying Disability termination but prior to the regularly scheduled award date and the Performance Units are still outstanding at the time of Grantee’s death, Grantee will be eligible for Committee consideration of an award at the time and up to the maximum amount of the award Grantee could have received had he or she died while an employee of the Corporation.

(e) Qualifying Termination in Anticipation of a Change of Control. In the event that Grantee's employment with the Corporation is terminated by the Corporation prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying termination in anticipation of a Change of Control set forth in Section 4.5 and the Performance Units remain outstanding, but a Change of Control has not yet occurred, then:

(1) If a Change of Control transaction is pending at the regularly scheduled award date, the Performance Units will remain outstanding and Grantee will be eligible to receive an award pursuant to Section 5.2 on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree and the Committee will have no discretion to reduce the size of such award; and

(2) If there is no Change of Control transaction pending at the regularly scheduled award date, the Performance Units will remain outstanding and the Committee will have discretion to authorize an award, pursuant to Section 5.2, to Grantee up to a maximum permitted award calculated on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree, but the Committee will also have discretion to reduce the award as set forth in Section 5.2(b).

If Grantee dies after an Anticipatory Termination but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change of Control occurs, Grantee will be eligible for Committee consideration of an award of up to the greater of the award Grantee could have received had he or she died while an employee of the Corporation and an award determined as set forth above in this Section 5.1(e).

If Grantee dies after an Anticipatory Termination but a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, Grantee will be deemed to receive an award in accordance with Section 6.1(e).

5.2 Final Award Determination by Committee.

(a) The Committee will have the authority to award to Grantee ("award") as a Final Award such amount, denominated as a specified number of Share Units, as may be determined by the Committee, subject to the limitations set forth in the following paragraph, provided, that, the Performance Units are still outstanding, that Grantee is either still an employee of the Corporation or qualifies for an exception to the employment condition pursuant to Section 4.2, 4.3, 4.4 or 4.5, and that the Final Potential Payout Percentage is greater than zero.

The Final Award may not exceed the applicable Calculated Maximum Potential Payout Amount, as determined in accordance with the applicable subsection of Section 5.1, and is subject to the exercise of negative discretion by the Committee pursuant to Section 5.2(b), if applicable. The Committee will not have authority to exercise negative discretion if a Change of Control Coverage Period has commenced and has not yet ended or if a Change of Control has occurred. If there has been a Change of Control, the Committee's authority is subject to Section 6.

The date on which the Committee makes its determination as to whether or not it will authorize an award and, if so, the size of a Final Award, if any, it authorizes within the Calculated Maximum Potential Payout Amount determined pursuant to the Agreement is sometimes referred to in the Agreement as the "Committee-determined Award Date" (as set forth in Section 15.5).

Payment of the Final Award, if any, will be made in accordance with Section 7. If Grantee dies after a Final Award is determined but before payment is made, payment of the Final Award will be made to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10.

(b) Except during a Change of Control Coverage Period or after the occurrence of a Change of Control, the Committee may exercise negative discretion with respect to the Performance Units and may determine, in light of such Corporation or individual performance or other factors as the Committee may deem appropriate, that notwithstanding the levels of EPS growth and/or ROCE performance and rankings achieved by PNC relative to the performance of the other members of the Peer Group, the Committee will not award Grantee the full Calculated Maximum Potential Payout Amount that the Committee is authorized to award pursuant to Section 5.2(a), or any of such amount.

If the Committee so determines to exercise its negative discretion pursuant to this Section 5.2(b), the Final Award, if any, will be reduced accordingly; provided, however, that the Committee will not have authority to exercise negative discretion if a Change of Control Coverage Period has commenced and has not yet ended or if a Change of Control has occurred.

(c) If a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, the Final Award will be determined in accordance with Section 6 rather than being determined by the Committee pursuant to Section 5.2 and will not be subject to the Committee's negative discretion.

6. Change of Control Prior to a Committee-Determined Award Date.

6.1 Final Award Calculation.

Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change of Control at any time prior to a Committee-determined Award Date pursuant to Section 5.2, (i) the overall Performance Period, if not already ended, will be limited and will end on the last day of the last full quarter completed prior to the day the Change of Control occurs, or, if the Change of Control occurs on a quarter-end date, on the day the Change of Control occurs, but in no event later than December 31, 2012, (ii) if Dividend Adjustment Share Units were otherwise still accruing at the time, no further Dividend Adjustment Share Units will accrue and be added to the number of Adjusted Target Share Units after the last day of the overall Performance Period as so limited, and (iii) Grantee will be deemed to have been awarded a Final Award in an amount determined as set forth in this Section 6, payable to Grantee or Grantee's legal representative at the time and in the manner set forth in Section 7, provided that the Performance Units are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs and have not already terminated or been terminated in accordance with the terms of Section 4.

If this Section 6 is applicable and a Final Award is deemed to be awarded pursuant to Section 6, the day the Change of Control occurs will be considered the Award Date for purposes of the Agreement. This date is sometimes referred to in the Agreement as the "Change-of-Control-determined Award Date" (as set forth in Section 15.5).

(a) Standard Change of Control Payout Calculation. Provided that Grantee is an employee of the Corporation and the Performance Units are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be determined as follows:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to the day the Change of Control occurs, or, if the Change of Control occurs on a quarter-end date, the day the Change of Control occurs, but in no event later than December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the quarter-end date that is the applicable performance measurement date, and will consist of one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in that period;

(iii) the scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control; and

(iv) a Final Award will be calculated in two parts (Part A and Part B), and the Final Award amount will be the sum of the amounts calculated for the Part A Award and the Part B Award as set forth below; provided, however, that the Part B Award is not applicable in the limited circumstance where the Change of Control occurs on or after December 31, 2012 and the Part A Award is not prorated.

Part A Award: The Part A Award amount will be the number of Share Units equal to:

(1) the "Change of Control Payout Percentage" (calculated as set forth below) of the Adjusted Target Share Units, with adjustments calculated through the quarter-end date that is the applicable performance measurement date specified above, then,

(2) prorated (as defined in Section 15.36) based on the number of full quarters in the applicable overall Performance Period (i.e., in the period from April 1, 2010 through the quarter-end date that is the applicable performance measurement

date specified above) unless the Change of Control occurs on or after December 31, 2012. If the Change of Control occurs on or after December 31, 2012 (and therefore the applicable overall Performance Period covers a full 2 3/4 year period), proration will not apply.

The “Change of Control Payout Percentage” will be (a) or (b) below, as applicable, (but in no event greater than 200%):

(a) If the Change of Control occurs prior to December 31, 2012, such that the applicable overall Performance Period is less than 2 3/4 years, the Change of Control Payout Percentage will be the higher of (1) 100% and (2) the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in the overall Performance Period specified above in subsection (ii) of this Section 6.1(a), calculated in the same manner as the weighted average calculation set forth in Section 15.24 for an award determination made pursuant to Section 5 for such covered periods; and

(b) If the Change of Control occurs on or after December 31, 2012, the Change of Control Payout Percentage will be the weighted average of the Annual Potential Payout Percentages for all three covered annual performance measurement periods in the applicable overall Performance Period (i.e., for the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and for the two full calendar year covered annual performance periods for 2011 and 2012), calculated in the same manner as the weighted average calculation set forth in Section 15.24 for an award determination made pursuant to Section 5 for such partial and full year covered periods.

Part B Award: The Part B Award amount will be the number of Share Units equal to:

(1) 100% of the Adjusted Target Share Units, with adjustments calculated through the quarter-end date that is the applicable performance measurement date specified above, multiplied by

(2) the fraction equal to 1.00 minus the fraction used for the proration by quarters in the calculation of the Part A Award above.

If the calculation of the Part A Award above does not include a proration factor, the Part B Award will not be applicable.

Grantee’s Final Award determined pursuant to this Section 6.1(a) will be paid to Grantee’s legal representative, as determined in good faith by the Committee, in accordance with Section 10 if Grantee dies after the Change of Control occurs but before this Final Award is paid.

(b) Death While an Employee. If Grantee died while an employee of the Corporation and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1.

In the event that Grantee died while an employee of the Corporation and qualified for consideration for an award pursuant to Section 4.2 but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change of Control occurs such that Grantee remains eligible for an award, then the scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control, and the amount of Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10) will be determined on the following basis, as applicable.

(1) If Grantee died in the calendar year prior to the year in which the Change of Control occurs but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change of Control occurs, Grantee's Final Award will be in the amount of the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(b) but with no Committee discretion to reduce the amount of the award.

(2) If Grantee died prior to but in the same calendar year as the Change of Control, Grantee's Final Award will be in the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee not died but had been an employee of the Corporation as of the end of day immediately preceding the day the Change of Control occurred.

(c) Qualifying Retirement. In the event that Grantee Retired prior to the day the Change of Control occurs but Grantee has met the conditions for a qualifying Retirement termination set forth in Section 4.3 and the Performance Units have not been terminated by PNC prior to the Change of Control pursuant to Section 4.3 for Detrimental Conduct and are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the lesser of:

(1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(c) but with no Committee discretion to reduce the amount of the award; and

(2) the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee not Retired but had been an employee of the Corporation as of the end of the day immediately preceding the day the Change of Control occurred.

The scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control.

If Grantee died while a qualified Retiree and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1.

If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award determined pursuant to this Section 6.1(c) will be paid to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10.

(d) Qualifying Disability. In the event that Grantee became Disabled and Grantee's employment with the Corporation terminated prior to the day the Change of Control occurs but Grantee has met the conditions for a qualifying Disability termination set forth in Section 4.4 and the Performance Units have not been terminated by PNC prior to the Change of Control pursuant to Section 4.4 for Detrimental Conduct and are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee still been an employee of the Corporation as of the end of the day immediately preceding the day the Change of Control occurred. The scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control.

If Grantee died while qualified to receive an award and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10) will be an award determined in accordance with Section 6.1(b) as if Grantee had died while an employee of the Corporation and prior to the Change of Control.

(e) Qualifying Termination in Anticipation of a Change of Control. In the event that Grantee's employment with the Corporation was terminated by the Corporation prior to the Award Date and such termination was an Anticipatory Termination as defined in Section 15.4 and the Performance Units are still outstanding at the time the Change of Control occurs and Grantee remains eligible for an award pursuant to Section 4.5, Grantee will receive a Final Award on the following basis, as applicable.

(1) If the Change of Control occurs within three (3) months of Grantee's Termination Date, Grantee will receive a Final Award on the same basis as a continuing employee of the Corporation as set forth in Section 6.1(a).

(2) If the Change of Control occurs more than three (3) months after Grantee's Termination Date, Grantee will receive a Final Award on the same basis as a qualifying Retiree as set forth in Section 6.1(c).

If Grantee died while qualified to receive an award pursuant to Section 4.5 and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 10) will be in the same amount as the Final Award that would have been paid to Grantee pursuant to this Section 6.1(e) had Grantee still been alive on the Change-of-Control-determined Award Date.

6.2 No Committee Discretion. The Committee may not exercise any negative discretion pursuant to Section 5.2(b) or otherwise exercise discretion pursuant to the Agreement in any way that would serve to reduce an award deemed to be made to Grantee pursuant to this Section 6.

7. Payment of Final Award; Termination of Any Unawarded Performance Units

7.1 Payment of Final Award Determined by the Committee. Any Final Award determined by the Committee pursuant to Section 5.2 will be settled by delivery of whole Shares and, if applicable, cash Share-equivalents that together equal the number of Share Units specified in the Final Award (sometimes referred to in the Agreement as "awarded Share Units") or as otherwise provided pursuant to Section 9 if applicable. Payment will be subject to applicable withholding taxes as set forth in Section 11.

(a) Form of Payment. Except as set forth below or as otherwise provided pursuant to Section 9 if applicable, any Final Award determined by the Committee pursuant to Section 5.2 will be settled first by delivery of a number of whole Shares equal to the number of awarded Share Units. This number of shares may not, however, exceed the number specified in the Agreement as the Target Share Units number. The Target Share Units number, which does not include any additions for Dividend Adjustment Share Units, is the maximum number of Shares, subject to capital adjustments, if any, pursuant to Section 9, that may be paid with respect to the Performance Units under the Agreement.

To the extent, if any, that the total number of awarded Share Units exceeds that maximum number of Shares, then any such excess number of awarded Share Units will be settled in cash (sometimes referred to in the Agreement as payment in "cash Share-equivalents"). This cash payment amount will be equal to the number of such remaining awarded Share Units multiplied by the Fair Market Value (as defined in Section 15.22) of a share of PNC common stock on the Committee-determined Award Date or as otherwise provided pursuant to Section 9 if applicable.

In the event that a Final Award determined by the Committee is a prorated award and is made to Grantee as a qualifying Retiree or in the event of Grantee's death, then the form of payment of any such Final Award will be determined as follows unless otherwise provided pursuant to Section 9 if applicable. The Final Award will be settled by delivery of whole Shares up to a number of Shares equal to the product of the proration factor used in calculating the award and the number specified in the Agreement as the Target Share Units number, rounded down to the nearest whole number, and any remainder will be settled in cash as cash Share-equivalents.

(b) Timing. Determination of eligibility for an award, calculation of the maximum permitted award amount, and a decision by the Committee on whether or not to authorize an award and, if so, the size of such Final Award (the "scheduled award-determination process") and then payment of any such Final Award will all generally occur in the first quarter of 2013 or as soon thereafter as practicable after the final Peer data necessary for the Committee to make its award determination is available.

In general, it is expected that the Award Date will occur in 2013 and no later than the end of the second quarter of that year, and that payment of a Final Award, if any, will be made as soon as practicable after the Award Date. Except as otherwise provided below, in no event will payment be made earlier than January 1, 2013 or later than December 31, 2013, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

In the event of Grantee's death prior to the Award Date where Grantee has satisfied all of the conditions of Section 4.2, 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award-determination process will occur at the same time and in the same manner as set forth above for grantees of 2010 Incentive Performance Units who remain employees of the Corporation, provided that if the death occurs prior to 2012, the scheduled award-determination process will occur in the calendar year immediately following Grantee's death, and (b) payment of a Final Award, if any, will be made during the calendar year immediately following the year in which Grantee died if the death occurs on or prior to December 31, 2012, or in 2013 if Grantee dies in 2013, provided, that, in no event will payment occur later than December 31st of the calendar year so specified as the year for payment, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

Otherwise, in the event that Grantee is no longer employed by the Corporation but has satisfied all of the conditions of Section 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award-determination process will occur at the same time and in the same manner as set forth above for grantees of 2010 Incentive Performance Units who remain employees of the Corporation, generally in 2013 during the first quarter of that year, and (b) once the Committee has made its award determination, payment of a Final Award, if any, will be made as soon as practicable after the Committee-determined Award Date, provided, that, in no event will payment be made earlier than January 1, 2013 or later than December 31, 2013, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

(c) Dividend Record Dates. In the event that one or more record dates for dividends on PNC common stock occur after December 31, 2012 (or, in the event of Grantee's death prior to 2012, after the end of the applicable overall Performance Period) but before the date the Final Award, if any, is paid pursuant to this Section 7.1, PNC will make a cash payment to Grantee in an amount equivalent to the amount of the dividends Grantee would have received had the full number of Share Units specified in the Final Award, if any, been that number of shares of PNC common stock and had such shares been issued and outstanding on January 1, 2013 (or, in the event of Grantee's death prior to 2012, on the January 1st immediately following the last day of the applicable overall Performance Period) and had remained outstanding on the record date or dates for such dividends. Any such payment will be made at the same time as payment of the Final Award, if any.

(d) Disputes. If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth above in this Section 7.1, and will settle any remaining portion as soon as practicable after such dispute is finally resolved but in any event within the time period permitted under Section 409A of the Internal Revenue Code.

7.2 Delivery of Final Award Determined by Section 6. If a Final Award is deemed to be made pursuant to Section 6 rather than determined by the Committee pursuant to Section 5.2, the Final Award is fully vested as of the date of the Change of Control. The number of Share Units in the Final Award will be calculated as of the date of the Change of Control once the final data necessary for the award determination is available, and the Final Award will be paid at the time and in the form set forth below.

(a) Timing. Payment of the Final Award will be made by PNC at the time set forth in subsection (a)(1) of this Section 7.2 unless payment at such time would be a noncompliant payment under Section 409A of the Internal Revenue Code, and otherwise, at the time set forth in subsection (a)(2) of this Section 7.2, in either case as further described below.

(1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code, payment of the Final Award will be made as soon as practicable after the date the Change of Control occurs

and the amount of the Final Award is determinable and determined in accordance with Section 6, but in no event later than December 31st of the calendar year in which the Change of Control occurs or, if later, by the 15th day of the third calendar month following the date on which the Change of Control occurs, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

(2) If, under the circumstances, payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code, then payment will be made as soon as practicable after January 1, 2013, but in no event later than December 31, 2013.

(b) Form of Payment.

(1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code and payment of the Final Award is made at the time specified in Section 7.2(a)(1), then the Final Award will be in an amount equal to the base amount described below in subsection (2)(A) of Section 7.2(b).

Payment of this amount will be made entirely in cash if so provided in the circumstances pursuant to Section 9.2. Otherwise, payment of this amount will be made in the form of shares of PNC common stock (valued as provided in Section 15.22 or Section 9, as applicable, as of the date of the Change of Control) up to the Target Share Units number of shares and any remaining value will be paid in the form of cash; provided, that, if the award is made as a prorated award to a qualifying Retiree or in the event of Grantee's death, the maximum number of such shares that may be delivered in payment of such award will be the number that is the product of the proration factor used in calculating the award and the Target Share Units number, and any remaining value will be paid in the form of cash.

If applicable, in the event that one or more record dates for dividends on PNC common stock occur on or after the date of the Change of Control but before the date the Final Award is paid pursuant to Section 7.2(a)(1), PNC will also make a cash payment to Grantee in an amount equivalent to the amount of the dividends Grantee would have received had the full number of Share Units specified in the Final Award been that number of shares of PNC common stock and had such shares been issued and outstanding on the date of the Change of Control and had remained outstanding on the record date or dates for such dividends. Any such payment will be made at the same time as payment of the Final Award, and will be applicable only in the event that the Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code and payment of the Final Award is made at the time specified in Section 7.2(a)(1).

(2) If, under the circumstances, payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code and payment of the

Final Award is made at the time specified in Section 7.2(a)(2), then the Final Award will be paid entirely in cash and will be in an amount equal to the base amount described below in subsection (A) of this Section 7.2(b)(2) plus the phantom investment amount described below in subsection (B) of this Section 7.2(b)(2).

(A) The base amount will be an amount equal to the number of Share Units specified in the Final Award multiplied by the Fair Market Value (as defined in Section 15.22) of a share of PNC common stock on the date of the Change of Control or by the per share value provided pursuant to Section 9 as applicable.

(B) The phantom investment amount will be either (i) or (ii), whichever is larger: (i) interest on the base amount described in Section 7.2(b)(2)(A) from the date of the Change of Control through the payment date at the short-term, mid-term or long-term Federal rate under Internal Revenue Code Section 1274(b)(2)(B), as applicable depending on the term until payment, compounded semi-annually; or (ii) a phantom investment amount with respect to said base amount that reflects, if positive, the performance of the PNC stock or other consideration received by a PNC common shareholder in the Change of Control transaction, with dividends reinvested in such stock, from the date of the Change of Control through the payment date. PNC may, at its option, provide other phantom investment alternatives in addition to those referenced in the preceding sentence and may permit Grantee to make a phantom investment election from among such alternatives under and in accordance with procedures established by PNC, but any such alternatives must provide for at least the two phantom investments set forth in Section 7.2(b)(2)(B)(i) and (ii) at a minimum. The phantom investment amount will be applicable only in the event that payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code and thus payment is made at the time specified in Section 7.2(a)(2) rather than at the time specified in Section 7.2(a)(1).

(c) Disputes. If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth in the applicable subsection of Section 7.2(a), and will settle any remaining portion as soon as practicable after such dispute is finally resolved but in any event within the time period permitted under Section 409A of the Internal Revenue Code.

7.3 Final Award Fully Vested. The Final Award, if any, will be fully vested at the Committee-determined Award Date or as of the date of the Change of Control, as applicable. Any Shares issued pursuant to this Section 7 will be fully vested at the time of issuance, and PNC will issue any such Shares and deliver any cash payable pursuant to this Section 7 to, or at the proper direction of, Grantee or Grantee's legal representative, as determined in good faith by the Committee, at the time specified in the applicable subsection of Section 7.1 or Section 7.2, whichever is applicable.

No fractional shares will be issued. If a Final Award is payable in Shares and includes a fractional interest, such fractional interest will be liquidated on the basis of the then current Fair Market Value of PNC common stock and paid to Grantee or Grantee's legal representative in cash at the time the Shares are issued pursuant to this Section 7.

In the event that Grantee is deceased, payment will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

7.4 Termination of Any Unawarded Performance Units. Once an award determination has been made by the Committee pursuant to Section 5.2 or a Final Award is deemed to have been made by virtue of the application of Section 6, the Share-denominated incentive award opportunity represented by the Performance Units will terminate as to any portion of the Performance Units not so awarded.

Termination of all or a portion of the Performance Units pursuant to this Section 7.4, or pursuant to Section 4, if applicable, will in no way affect Grantee's covenants or the other provisions of Sections 16 and 17.

8. No Rights as Shareholder until Final Award and Issuance of Shares.

Grantee will have no rights as a shareholder by virtue of the Performance Units unless and until a Final Award, if any, is made and Shares are issued and delivered in settlement of all or a portion of such Final Award, if any.

9. Capital Adjustments.

9.1 Except as otherwise provided in Section 9.2, if applicable, if corporate transactions such as stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC ("Corporate Transactions") occur prior to the time a Final Award, if any, is paid, the Committee shall make those adjustments, if any, in the number, class or kind of the Target Share Units that it deems appropriate in its discretion to reflect Corporate Transactions such that the rights of Grantee are neither enlarged nor diminished as a result of such Corporate Transactions, including without limitation (a) measuring the value per Share Unit of any share-denominated award authorized for payment to Grantee by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transactions, and (b) authorizing payment of the entire Final Award, if any, in cash at the time otherwise specified in Section 7.

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 Grantee.

9.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of the Target Share Units will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, (b) the value per Share Unit to be used in calculating the base amount described in Section 7.2(b) of any award that is deemed to be awarded to Grantee in accordance with Section 6 will be measured by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction or Transactions if applicable, and (c) if the effect of the Corporate Transaction or Transactions on a PNC common shareholder is to convert that shareholder's holdings into consideration that does not consist solely (other than as to a minimal amount) of shares of PNC common stock, then the value of an award to Grantee pursuant to Section 6 will be payable solely in cash at the time otherwise specified in Section 7.

10. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Performance Units may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time any Final Award authorized by this Agreement is to be paid, such payment shall be made to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any 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.

11. Withholding Taxes; Payment Upon Inclusion Under Section 409A.

Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection therewith from any Final Award then payable to Grantee. 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 a Final Award is payable in the form of Shares and cash, the Corporation will withhold first from the cash portion of the award unless the Committee determines otherwise. If the amount so withheld is not sufficient or if there is no such cash portion, the Corporation will retain whole shares of PNC common stock from the portion of the Final Award payable in the form of Shares, until such withholdings in the aggregate are sufficient to satisfy such minimum required withholding obligations. For purposes of this Section 11, shares of PNC common stock retained to satisfy applicable withholding tax requirements will be valued at their Fair Market Value on the date the tax withholding obligation arises.

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. PNC will not retain Shares for this purpose. If Grantee's W-4 obligation does not exceed the required minimum withholding in connection with the Final Award, no additional withholding may be made.

It is the intention of the parties that the Performance Units and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement. In the event that, notwithstanding such intention, the arrangement fails to meet the requirements of Section 409A and the regulations promulgated thereunder, then PNC may at that time permit the acceleration of the time for payment to Grantee under the Agreement notwithstanding any of the other provisions of the Agreement, but any such accelerated payment may not exceed the amount required to be included in Grantee's income as a result of the failure to comply with the requirements of Section 409A and the regulations promulgated thereunder. For purposes of this provision, an amount will be deemed to have been included in Grantee's income if the amount is timely reported on Form W-2 or Form 1099-MISC as appropriate.

12. Employment.

Neither the granting of the Performance Units nor the calculation, determination and payment of any Final Award hereunder nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary to employ Grantee for any period or in any way alter Grantee's status as an employee at will.

13. Subject to the Plan and the Committee.

In all respects the Performance Units 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 Performance Units and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

14. Headings; Entire Agreement.

Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

The Agreement constitutes the entire agreement between Grantee and PNC 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.

15. Certain Definitions.

Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

15.1 "Adjusted Target Share Units" has the meaning set forth in Section 3.5.

15.2 "Annual Potential Payout Calculation Schedule" or "Schedule" means the Schedule established by the Committee with respect to the Performance Units as set forth in Section 3.4 setting forth the method by which the Annual Potential Payout Percentage will be calculated for a given covered annual performance period as specified by the Agreement.

15.3 "Annual Potential Payout Percentage."

The Annual Potential Payout Percentage for a given year is the percentage determined with respect to that given year in accordance with the Annual Potential Payout Calculation Schedule on the basis of PNC's relative covered period EPS growth and ROCE performance rankings and PNC's covered period EPS growth and ROCE performance relative to Peer performance for the covered annual performance period applicable to that given year, giving equal weight to each performance metric. The Annual Potential Payout Percentage is rounded to the nearest one-hundredth percent.

The covered annual performance period for 2010 will consist of the partial year period beginning on April 1, 2010 and ending on December 31, 2010, or on such earlier quarter-end performance measurement date as may be specified by the Agreement if applicable. The covered annual performance period for any other given year of the overall Performance Period will consist of the full or partial year period beginning on January 1 of the given year and ending on December 31 of that year, or on such earlier quarter-end performance measurement date as may be specified by the Agreement if applicable.

15.4 "Anticipatory Termination."

If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause (as Cause is defined in Section 15.8(a)), 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."

15.5 "Award Date" means: (1) the date on which the Committee makes its determination as to whether or not it will authorize an award, and if so, as to the size of the Final Award, if any, it authorizes pursuant to Section 5.2 within the permitted Calculated Maximum Potential Payout Amount determined in accordance with the

Agreement (sometimes referred to as the "Committee-determined Award Date"); or (2) if a Change of Control has occurred and Grantee is deemed to have been awarded a Final Award pursuant to Section 6, the Award Date will be the date the Change of Control occurs (sometimes referred to as the "Change-of-Control-determined Award Date").

15.6 "Board" means the Board of Directors of PNC.

15.7 "Calculated Maximum Potential Payout Amount" means the maximum size of the award, denominated as a specified number of Share Units, that the Committee may award to Grantee based on the degree to which the specified corporate Performance Criteria have been achieved by PNC and the applicable Annual Potential Payout Calculation Schedule established by the Committee and on Grantee's level of satisfaction, or deemed satisfaction, of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (e.g., in the case of a qualifying Retirement).

15.8 "Cause."

(a) "Cause" on or after the occurrence of a Change of Control or for purposes of the definition of an Anticipatory Termination

If a termination of Grantee's employment with the Corporation occurs on or within three (3) years after the occurrence of a Change of Control, then "Cause" means:

(i) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee's duties; or

(ii) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (i) and (ii), 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 (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Grantee is given an opportunity, together with counsel, to be heard before the Board.

"Cause" shall also have the meaning set forth in this Section 15.8(a) for purposes of the definition of Anticipatory Termination in Section 15.4.

(b) "Cause" other than as provided in subsection (a)

Except as otherwise provided in Section 15.8(a), "Cause" means:

(i) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(ii) a material breach by Grantee of (1) any code of conduct of PNC or any code of conduct of a subsidiary of PNC that is applicable to Grantee or (2) other written policy of PNC or other written policy of a subsidiary of PNC that is applicable to Grantee, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or any of its subsidiaries or any client or customer of PNC or any of its subsidiaries;

(iv) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any 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 the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

15.9 "CEO" means the chief executive officer of PNC.

15.10 "Change 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 15.10(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 15.10(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.

15.11 "Change of Control Coverage Period" means a period commencing on the occurrence of a Change of Control Triggering Event and ending upon the earlier to occur of (a) the date of a Change of Control Failure and (b) the date of a Change of Control.

After the termination of any Change of Control Coverage Period, another Change of Control Coverage Period will commence upon the occurrence of another Change of Control Triggering Event.

For purposes of this Agreement, "Change of Control Triggering Event" shall mean the occurrence of either of the following: (i) the Board or PNC's shareholders approve a transaction described in subsection (c) of the definition of Change of Control contained in Section 15.10; or (ii) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

For purposes of this Agreement, "Change of Control Failure" shall mean: (x) with respect to a Change of Control Triggering Event described in clause (i) of the definition above, PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or (y) with respect to a Change of Control Triggering Event described in clause (ii) of the definition above, the proxy contest fails to replace or remove a majority of the members of the Board.

15.12 "Change of Control Payout Percentage" has the meaning set forth in Section 6.1(a)(iv).

15.13 "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.

15.14 "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 15.18(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

15.15 "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.

15.16 "Corporation" means PNC and its Consolidated Subsidiaries.

15.17 "Covered annual performance period" or "covered annual performance measurement period" or "covered performance period" or "covered period" with respect to a given year means the full year or portion of the year specified in the Agreement as the period for which corporate performance is to be measured for purposes of determining an Annual Potential Payout Percentage for that given year. The covered annual performance period with respect to a given year may be the full calendar year, the portion of the calendar year from January 1 through the quarter-end date specified by the Agreement, or, in the case of 2010, the portion of the calendar year from April 1 through December 31 of that year or through an earlier quarter-end date as specified by the Agreement.

15.18 "Detrimental Conduct" means:

(a) Grantee has engaged, without the prior written consent of PNC (with consent to be given at PNC's sole discretion), in any Competitive Activity in the continental United States at any time during the period commencing on Grantee's Termination Date and extending through (and including) the first (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 the Committee or its delegate (if Grantee was an “executive officer” of PNC as defined in SEC Regulation S-K when he or she ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer) 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.

15.19 “Disabled” or “Disability” means, except as may otherwise be required by Section 409A, 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.

15.20 “Dividend Adjustment Share Units” has the meaning set forth in Section 3.5.

15.21 “EPS” and “EPS growth” have the meanings set forth in Section 3.3(c).

15.22 “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.

15.23 “Final Award” means the amount, if any, (a) awarded to Grantee by the Committee in accordance with Section 5.2, or (b) deemed to be awarded to Grantee pursuant to Section 6. The Final Award will be denominated as a specified number of awarded Share Units and will be payable in accordance with Section 7.

15.24 “Final Potential Payout Percentage.”

Section 5 Final Award Determination: Where a Final Award determination is made pursuant to the applicable subsections of Section 5, the term ‘Final Potential Payout Percentage” will be the percentage that is the weighted average (but in no event greater than 200%) of the Annual Potential Payout Percentages for all of the covered annual performance measurement periods in the applicable overall Performance Period, including those covered periods consisting of a partial year and those, if any, consisting of a full year (but in no event more than three covered periods in all).

Such weighted average will be calculated as follows:

(1) the sum of one, two or three amounts, as the case may be, for the one, two or three covered periods, as applicable, in the overall Performance Period specified in the Agreement, where the amount for a given covered period is calculated by the applicable subsection below:

(i) for the 2010 covered annual performance period, the amount will be the product of (a) the Annual Potential Payout Percentage for the 2010 covered period and (b) the number of full completed quarters, if any, in such covered period;

(ii) for any other applicable partial year covered annual performance period in the overall Performance Period, if any, the amount will be the product of (a) the Annual Potential Payout Percentage for that partial year covered period and (b) the number of full completed quarters, if any, in such covered period;

(iii) for any applicable full year covered annual performance period in the overall Performance Period, if any, the amount will be the product of (a) the Annual Potential Payout Percentage for such full year covered period and (b) four (for the four full completed quarters in any such covered period);

divided by

(2) the total number of quarters in the applicable overall Performance Period.

If all of the Annual Potential Payout Percentages are 0%, then the Final Potential Payout Percentage will be 0%.

Section 6 Final Award Calculation: Where a Final Award is deemed to be awarded pursuant to Section 6 by reason of the occurrence of a Change of Control, the Final Award payout calculation will be as set forth in the applicable subsection of Section 6.

15.25 "GAAP" or "generally accepted accounting principles" means accounting principles generally accepted in the United States of America.

15.26 "Grant Date" means the Grant Date set forth on page 1 of the Agreement, and is the date as of which the Performance Units are authorized to be granted by the Committee in accordance with the Plan.

15.27 "Grantee" means the person to whom the Performance Units are granted and is identified as Grantee on page 1 of the Agreement.

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

15.29 "Peer Group" means the group of financial institutions, including PNC, designated by the Committee as PNC's Peer Group as applicable in accordance with Section 3.3. A member of the Peer Group, including PNC, is sometimes referred to as a "Peer".

15.30 "Performance Criteria" means the corporate performance standards established by the Committee as the performance criteria for the Performance Units as set forth in Section 3.

15.31 "Performance measurement date" has the meaning set forth in Section 5.1 or Section 6.1, as applicable, and refers to the last day of the applicable overall performance measurement period.

15.32 "Performance Period" has the meaning set forth in Section 3.2 and refers to the period during which corporate performance will be measured against the performance standards established by the Committee in accordance with the Agreement.

15.33 "Performance Units" or "2010 Incentive Performance Units" means the Share-denominated incentive award opportunity performance units granted to Grantee in accordance with Article 10.3 of the Plan and evidenced by the Agreement.

15.34 "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

15.35 "PNC" means The PNC Financial Services Group, Inc.

15.36 "Prorate" or "Prorated" means multiplying by a fraction, sometimes referred to as the "proration factor," not to exceed 1 and determined as follows.

Where the Agreement specifies "prorating" or "prorating by quarters," the proration factor is the fraction equal to (a) the number of full quarters in the applicable overall Performance Period, (b) divided by eleven, which is the number of quarters in the full 2-3/4 year period from April 1, 2010 through December 31, 2012.

15.37 "Retiree." Grantee is sometimes referred to as a "Retiree" if Grantee Retires, as defined in Section 15.38.

15.38 "Retires" or "Retirement." Grantee "Retires" if his employment with the Corporation terminates 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 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. If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement."

15.39 "ROCE" and "ROCE performance" have the meanings set forth in Section 3.3(c).

15.40 "Schedule" is defined in Section 15.2.

15.41 "SEC" means the United States Securities and Exchange Commission.

15.42 "Section 409A" means Section 409A of the Internal Revenue Code.

15.43 "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.

15.44 "Share" means a share of PNC common stock.

15.45 "Target Share Units" means the number of Share Units specified on page 1 of the Agreement as Target Share Units, subject to capital adjustments pursuant to Section 9 if any.

15.46 "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.

16. Grantee Covenants.

16.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 16 and 17 by virtue of receiving the Performance Units (regardless of whether a Final Award is ultimately determined and paid or of the size of such Final Award, if any); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

16.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 16.2 while employed by the Corporation and for a period of 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 16.2 shall 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.

16.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

16.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any 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 16.4 shall be performed by Grantee without further compensation and will continue beyond Grantee's Termination Date.

17. Enforcement Provisions.

Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

17.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

17.2 Equitable Remedies. A breach of the provisions of any of Sections 16.2, 16.3 or 16.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

17.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 16.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

17.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

17.5 Severability. The restrictions and obligations imposed by Sections 16.2, 16.3, 16.4, 17.1 and 17.7 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

17.6 Reform. In the event any of Sections 16.2, 16.3 and 16.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

17.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 16.2, 16.3 and 16.4.

17.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

17.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Performance Units and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

18. Acceptance of Performance Units; PNC Right to Cancel; Effectiveness of Agreement.

If Grantee does not accept the Performance Units 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 Performance Units 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 Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

SCHEDULE

* * *

ANNUAL POTENTIAL PAYOUT CALCULATION SCHEDULE
FOR
2010 INCENTIVE PERFORMANCE UNITS

* * *

Final Award determination pursuant to Section 5 of the 2010-2012 Incentive Performance Units Agreement (the "Agreement") requires the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, each as defined in the Agreement. Final Award calculation pursuant to Section 6 of the Agreement, if applicable, requires the calculation of the Change of Control Payout Percentage and the calculated final award as set forth in that section of the Agreement.

Those calculations, in turn, take into account PNC's performance and ranking relative to its Peers with respect to two performance measures or metrics (the Performance Criteria), as measured annually and expressed as the Annual Potential Payout Percentages for the applicable covered annual performance measurement periods (which may be full or partial year periods as required by the Agreement) in the applicable overall Performance Period.

Unless and until amended prospectively by the Committee, this Schedule will be applied in order to determine an Annual Potential Payout Percentage for each of the applicable covered annual performance measurement periods in the applicable overall Performance Period.

Section 3 of the Agreement sets forth the performance metrics (EPS growth and ROCE performance) and how they are measured, the applicable covered performance periods, the establishment of the applicable Peer Group, and the manner in which PNC and its Peers will be ranked for the applicable covered performance periods based on each of the two performance metrics (EPS growth and ROCE performance).

Once PNC and other Peer EPS growth and ROCE performance and rankings have been measured and calculated for a given covered annual performance measurement period in accordance with Section 3.3 of the Agreement, this Schedule uses the table that follows and interpolation to generate a payout percentage for each metric for that given year based on such relative covered period performance.

Once payout percentages for each of relative covered period EPS growth and relative covered period ROCE performance are calculated using the table and interpolation, they are averaged, giving equal weight to each performance metric, to generate the final Annual Potential Payout Percentage for that given year, rounded to the nearest one-hundredth percent (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

If the payout percentage with respect to either covered period EPS growth or covered period ROCE performance for a given year is 0% but is a positive number with respect to the other performance metric, the Annual Potential Payout Percentage for that given year will be the percentage that is one-half (1/2) of that positive number. If the payout percentages with respect to covered period EPS growth and covered period ROCE performance for that given year are both 0%, the Annual Potential Payout Percentage for that given year will be 0%. In no event will an Annual Potential Payout Percentage be greater than 200% or less than 0%.

The table used for this Schedule, as established by the Committee at the time it authorized the 2010 Incentive Performance Units, follows.

Performance Measures		
	Peer Group Position with respect to Covered Period EPS Growth and ROCE Performance	Payout Percentage *
Maximum	#1	200%
	#2	183%
	#3	167%
	#4	150%
	#5	133%
	#6	117%
Median	#7	100%
	#8	80%
	#9	60%
	#10	40%
Minimum	#11	0%
	#12	0%
	#13	0%

* Consistent with the design of this compensation program and approach taken in prior years, this Schedule interpolates results to arrive at final potential payout percentages for EPS growth and ROCE performance, respectively. In other words, the final payout percentage with respect to a given year for each performance metric will depend both on PNC's relative covered period ranking and on PNC's covered period performance relative to the performance of the Peers ranked immediately above and below PNC for the covered period of that year, as illustrated below.

The calculated payout percentage for a performance metric with respect to a given year depends both on PNC's relative covered period ranking achieved with respect to that performance metric and on PNC's performance for that metric for the covered period of that year relative to the comparable performance of the Peers ranking immediately above and below PNC (other than where PNC ranks #1 or ranks near the bottom at #11, #12 or #13). This calculated percentage is rounded to the nearest one-hundredth percent (*e.g.*, 0.00%, with 0.005% being rounded upward to 0.01%).

For example, if PNC achieves a #2 covered period ranking, the payout percentage for this rank would be between 175% (which is the mid-point between 167% and 183% in the table) and 191.50% (which is the mid-point between 183% and 200% in the table). The final calculated percentage depends on how PNC's EPS growth or ROCE performance, as the case may be, for the covered period compares to the covered period EPS growth or ROCE performance, as applicable, of the Peers ranking immediately above and below PNC, in this case the performance of the Peers ranking #1 and #3.

At the other end of the scale, if for example PNC achieves a #10 covered period ranking (the lowest ranking that would generate a payout potential above zero) for a performance metric, the payout percentage for this rank would be between 20% and 50% and the final calculated percentage would be determined based on the comparison of PNC's covered period performance for that performance metric to that of the Peers ranking #9 and #11.

<u>Committee Negative Discretion</u>. Once the annual potential payout percentage for PNC's relative performance with respect to the Performance Criteria for the given full year or partial-year covered annual performance period has been determined using the table above and interpolation, the Committee may decide, in its discretion, to reduce that percentage (as long as such decision is not made during a Change of Control Coverage Period, as defined in the Agreement, or after the occurrence of a Change of Control) but may not increase it.

2010 Performance Units
Overall Performance Period: April 1, 2010 - December 31, 2012 (2 3/4 Years)
Performance Criteria: Levels of Financial Return from Investing Activities
Achieved by PNC's A&L Unit Relative to Benchmark Index
100% Vests on Final Award

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

* * *

2010 PERFORMANCE UNITS AGREEMENT

* * *

GRANTEE:	< name >
GRANT DATE:	February 24, 2010
TARGET SHARE UNITS:	[______] Share Units

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1. Definitions.

Certain terms used in this 2010 Performance Units Agreement ("Agreement") are defined in Section 14 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., "Corporation" means PNC and its Consolidated Subsidiaries, and "Plan" means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan.

2. 2010 Performance Units.

Pursuant to the Plan and subject to the terms and conditions of the Agreement, PNC grants to the grantee named above ("Grantee") a Share-denominated incentive award opportunity of Performance Units (the "Performance Units" or the "2010 Performance Units") with the number of target Share Units set forth above ("Target Share Units"). Performance Units are subject to acceptance by Grantee in accordance with Section 17.

The Performance Units are subject to the corporate performance conditions, employment conditions, and other terms and conditions of this Agreement and to the Plan, and to final award determination in accordance with Section 5 or Section 6, as applicable. Payment of any Final Award (as defined in Section 14.22) authorized pursuant to the Agreement will be made in cash generally in an amount equal to the number of Share Units specified in the Final Award multiplied by the per share price of PNC common stock on the award date (sometimes referred to in the Agreement as payment in "cash Share-equivalents").

In general, the Performance Units are an opportunity for Grantee to receive, at the end of the applicable overall performance period, an award based on the degree to which specified corporate performance criteria for PNC's Asset & Liability Unit ("A&L Unit") have been achieved, the applicable basic potential payout calculation schedule established by the Committee (defined in Section 14.14) for the Performance Units, and Grantee's level of satisfaction (or deemed satisfaction) of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (*e.g.*, in the case of a qualifying retirement or death), and provided that the other conditions of the Agreement are met. Further limitations or adjustments may apply if there is an early termination or limitation of the overall performance measurement period. Awards are determined by the Committee in the absence of a Change of Control (as defined herein) and are subject to the Committee's negative discretion.

Any Final Award (as defined in Section 14.22) for the Performance Units authorized pursuant to this Agreement will be expressed as a number of awarded Share Units and will be paid in cash in accordance with Section 7, generally in cash Share-equivalents. The Performance Units must still be outstanding at the time a Final Award determination is made for Grantee to be eligible to receive an award, and any Final Award and payment thereof is subject to the terms and conditions set forth in the Agreement and to the Plan.

The Agreement also provides a formula for calculation of the Final Award in the event of a Change of Control of PNC and for the form and timing of payment of any such award.

3. Corporate Performance Conditions; Calculation of Applicable Annual Potential Payout Percentages

3.1 Corporate Performance Conditions. The Performance Units are subject to the corporate performance conditions set forth in this Section 3.

Final Award determination by the Committee pursuant to Section 5 requires the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, as defined in Section 14.23 and Section 14.8, respectively. Final Award calculation pursuant to Section 6 of the Agreement, if applicable, requires the calculation of the Change of Control Payout Percentage and the calculated final award as set forth in that section of the Agreement.

Those calculations, in turn, take into account the levels of investment performance achieved by the A&L Unit with respect to the Performance Criteria, as measured annually and expressed as the Annual Potential Payout Percentages for the applicable covered annual performance measurement periods (which may be full or partial year periods as required by the Agreement) in the applicable overall Performance Period.

This Section 3 sets forth the Performance Criteria, applicable covered performance periods and Benchmark Performance Index for such periods, measurement of the specified A&L Unit investment performance with respect to the Performance Criteria, and the basic annual potential payout calculation schedule established for the Performance Units by the Committee, each unless and until amended prospectively by the Committee.

3.2 Performance Criteria and Performance Period. The corporate performance standards established by the Committee as the Performance Criteria for the Performance Units are the levels of financial return from investing activities achieved by the A&L Unit relative to the applicable Benchmark Performance Index measured as set forth in this Section 3, all unless and until amended prospectively by the Committee. This A&L Unit investment performance is measured annually for each applicable covered annual performance period, which may consist of a full calendar year or a shorter partial-year period as required by the Agreement, in the overall Performance Period.

The overall Performance Period is the period commencing April 1, 2010 through and including the applicable performance measurement date specified in Section 5.1 or Section 6.1 of the Agreement as applicable. Generally the overall Performance Period will cover a 2 3/4 year period, but it may be terminated early or limited in specified circumstances.

In the standard non-exceptional circumstances as specified in Section 5.1(a), the applicable performance measurement date will be December 31, 2012 and the overall Performance Period will be the 2 3/4 year period commencing April 1, 2010 through and including December 31, 2012, consisting of the following three covered annual performance measurement periods: (1) the partial year period commencing April 1, 2010 through and including December 31, 2010; (2) the full year period commencing January 1, 2011 through and including December 31, 2011; and (3) the full year period commencing January 1, 2012 through and including December 31, 2012.

If the overall Performance Period is terminated early or limited pursuant to the terms of the Agreement, the applicable overall Performance Period will be the period commencing April 1, 2010 through and including the performance measurement date as specified in the Agreement as applicable in such circumstances. The final covered annual performance measurement period in such overall Performance Period will be the one ending on the performance measurement date specified in the Agreement as applicable in such circumstances. Thus the number of applicable covered annual performance measurement periods will be one, two or three, as the case may be.

3.3 Benchmark Performance Index; Measured A&L Unit Investment Performance. The Committee has determined that the applicable Benchmark Performance Index for each applicable covered annual performance measurement period in the overall Performance Period, whether the given covered period consists of a full calendar year or a shorter partial-year period as required by the Agreement, will be the benchmark performance index that PNC uses internally to evaluate the investment performance of the A&L Unit as in effect as of March 30 of that given year, so that, to the extent applicable:

(1) performance for the covered annual performance period consisting of the partial year period from April 1, 2010 through December 31, 2010 (or through an earlier quarter-end date of that calendar year if so specified by the Agreement) will be compared to PNC's internal performance benchmark index for the A&L Unit in effect on March 30, 2010;

(2) performance for the covered annual performance period consisting of the full calendar year period from January 1, 2011 through December 31, 2011 (or the portion of that calendar year from January 1, 2011 through an earlier quarter-end date of that calendar year if so specified by the Agreement) will be compared to PNC's internal performance benchmark index for the A&L Unit in effect on March 30, 2011; and

(3) performance for the covered annual performance period consisting of the full calendar year period from January 1, 2012 through December 31, 2012 (or the portion of that calendar year from January 1, 2012 through an earlier quarter-end date of that calendar year if so specified by the Agreement) will be compared to PNC's internal performance benchmark index for the A&L Unit in effect on March 30, 2012.

The A&L Unit investment performance as measured for a given year with respect to the Performance Criteria will be expressed as the number of basis points by which the level of financial return from investing activities achieved by the A&L Unit for the applicable covered measurement period with respect to that year exceeds or falls short of the Benchmark Performance Index applicable to that covered period, with zero basis points indicating performance at the benchmark index level.

3.4 Annual Potential Payout Calculation Schedule; Calculation of Applicable Annual Potential Payout Percentages The Committee also establishes the applicable Annual Potential Payout Calculation Schedule (as defined in Section 14.2) for the Performance Units. Unless and until amended prospectively by the Committee, the Schedule established by the Committee at the time it authorized the Performance Units that accompanies the Agreement shall be applied in order to determine the Annual Potential Payout Percentage (as defined in Section 14.3) for each of the applicable covered annual performance measurement periods in the applicable overall Performance Period.

For each applicable covered annual performance period (which may consist of a full calendar year or a shorter partial-year period as required by the Agreement), PNC will determine the measured A&L Unit investment performance for the covered period with respect to that year based on the level of financial return from investing activities achieved by the A&L Unit for that covered period and the comparison in basis points of such performance to the applicable Benchmark Performance Index, all as set forth in this

Section 3. Once this measured performance has been calculated and expressed in basis points, the applicable Schedule (as defined in Section 14.2) will be applied to generate the Annual Potential Payout Percentage (as defined in Section 14.3) achieved by the A&L Unit for that given year. Such results will be presented to the Committee.

As described in Section 3.1 above, the Annual Potential Payout Percentages for the applicable covered performance periods in the applicable overall Performance Period are taken into account as part of the Final Award determination process by the Committee as set forth in Section 5 or the Final Award calculation pursuant to Section 6 of the Agreement, as applicable.

4. Grantee Service Requirements and Limitation of Potential Award; Early Termination of Performance Units

4.1 Eligibility for an Award; Employment Conditions and Early Termination of Performance Units The Performance Units are subject to the employment conditions set forth in this Section 4.

Grantee will not be eligible to receive a Final Award unless the Performance Units remain outstanding on the Committee-determined Award Date (as defined in Section 14.5) or as of the end of the day immediately preceding the day on which a Change of Control occurs, if earlier.

The Performance Units will automatically terminate on Grantee’s Termination Date (as defined in Section 14.43) unless an exception is available as set forth in Section 4.2, Section 4.3, Section 4.4 or Section 4.5. Where one or more of the conditions to an exception are post-employment conditions, the Performance Units will terminate upon the failure of any of those conditions.

In the event that Grantee’s employment is terminated by the Corporation for Cause (as defined in Section 14.9), the Performance Units will automatically terminate on Grantee’s Termination Date whether or not the termination might otherwise have qualified for an exception as a Retirement or a Disability termination pursuant to Section 4.3 or Section 4.4.

In the limited circumstances where the Performance Units remain outstanding notwithstanding Grantee’s termination of employment with the Corporation, Grantee will be eligible for consideration for an award, subject to limitation as set forth in the applicable section of the Agreement. Said award, if any, will be determined and payable at the same time that such an award would have been determined and payable had Grantee remained a Corporation employee, except that in the case of death, the determination and payment of said award, if any, shall be accelerated if so indicated in accordance with the applicable provisions of Section 5 or Section 6, as applicable, and Section 7.

Any award that the Committee may determine to make after Grantee's death will be paid to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9.

Notwithstanding anything in Section 4 or Section 5 to the contrary, if a Change of Control (as defined in Section 14.11) occurs prior to the time the Committee makes a Final Award determination pursuant to Section 5.2 (that is, prior to the Committee-determined Award Date), an award will be determined in accordance with Section 6.

4.2 Death While an Employee. If Grantee dies while an employee of the Corporation and prior to the Committee-determined Award Date, the Performance Units will remain outstanding and Grantee will be eligible for consideration for a prorated award calculated in accordance with Section 5.1(b), with an applicable performance measurement date (as defined in Section 5.1) of the earlier of the last day of the calendar year in which the death occurred and December 31, 2012, and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period (as defined in Section 14.12) or a Change of Control has occurred.

In the event that a Change of Control occurs after the time Grantee died but prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize any award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(b) and payable in accordance with Section 7.

4.3 Qualifying Retirement. If Grantee Retires (as defined in Section 14.36) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Performance Units will remain outstanding post-employment; provided, however, that PNC may terminate the Performance Units at any time prior to the Award Date, other than during a Change of Control Coverage Period or after the occurrence of a Change of Control, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 14.19). If Grantee is Disabled (as defined in Section 14.20) at the time of Retirement and Section 4.4 is also applicable to Grantee, that subsection will govern rather than this Section 4.3.

Provided that the Performance Units have not been terminated prior to the award date for Detrimental Conduct and are still outstanding at that time, Grantee will be eligible for Committee consideration of a prorated award at the time that such an award, if any, would have been considered had Grantee remained a Corporation employee, calculated in accordance with Section 5.1(c) with a performance measurement date of the last day of the last full quarter completed on or prior to Grantee's Retirement date, but in no event later than December 31, 2012, and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period or a Change of Control has occurred.

If Grantee dies after a qualifying Retirement but before the time set forth above for consideration of an award and provided that the Performance Units have not been terminated for Detrimental Conduct and are still outstanding at the time of Grantee's death, the Committee may consider an award for Grantee and make an award determination with respect to Grantee (either to award a specified amount or not to authorize any award). Any such award determination will be made and such award, if any, will be calculated in accordance with Section 5.1(c) as described above but will be paid in accordance with Section 7 during the calendar year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2012, or in 2013 if the death occurs in 2013 but prior to the Award Date.

In the event that a Change of Control occurs prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize an award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(c) and payable in accordance with Section 7.

4.4 Qualifying Disability Termination. If Grantee's employment with the Corporation is terminated by reason of Disability (as defined in Section 14.20) prior to the Committee-determined Award Date and the termination of employment is not also a termination by the Corporation for Cause, the Performance Units will remain outstanding post-employment; provided, however, that PNC may terminate the Performance Units at any time prior to the Award Date, other than during a Change of Control Coverage Period or after the occurrence of a Change of Control, upon determination that Grantee has engaged in Detrimental Conduct (as defined in Section 14.19).

Provided that the Performance Units are still outstanding at that time, Grantee will be eligible for Committee consideration of a full award at the time that such an award, if any, would have been considered had Grantee remained a Corporation employee, calculated in accordance with Section 5.1(d) and payable in accordance with Section 7.

Any such award will be subject to Committee determination pursuant to Section 5.2, and may be reduced or eliminated by the Committee in the exercise of its negative discretion unless such determination occurs during a Change of Control Coverage Period or a Change of Control has occurred. Although Grantee will be eligible for consideration for a full award (Standard Payout Calculation) at the scheduled time, it is anticipated that the Committee will take into account the timing and circumstances of the Disability when deciding whether and the extent to which to exercise its negative discretion.

If Grantee dies after a qualifying Disability termination but before the time set forth above for consideration of an award and provided that the Performance Units have not been terminated for Detrimental Conduct and are still outstanding at the time of Grantee's death, the Committee may consider an award for Grantee and make an award determination with respect to Grantee (either to award a specified amount or not to authorize any award). Any such award determination will be made and such award, if any, will be paid in accordance with Section 7 during the calendar year immediately following the year in which Grantee's death occurs, if the death occurs on or prior to December 31, 2012, or in 2013 if the death occurs in 2013 but prior to the Award Date; provided, however, that the maximum award that may be approved in these circumstances is the award that could have been authorized had Grantee died while an employee of the Corporation.

In the event that a Change of Control occurs prior to the time the Committee makes an award determination with respect to Grantee (either to award a specified amount or not to authorize an award), an award will be deemed to be made pursuant to Section 6, calculated as specified in Section 6.1(d) and payable in accordance with Section 7.

4.5 Qualifying Termination in Anticipation of a Change of Control. If Grantee's employment with the Corporation is terminated by the Corporation prior to the Award Date and such termination is an Anticipatory Termination as defined in Section 14.4, then (i) the Performance Units will remain outstanding notwithstanding Grantee's termination of employment with the Corporation, (ii) the Performance Units will not be subject to termination for Detrimental Conduct, and (iii) Grantee will be eligible for consideration for an award pursuant to Section 5.2, calculated in accordance with Section 5.1(e), or will receive an award pursuant to Section 6, calculated as specified in Section 6.1(e), as applicable. Any such award will be payable in accordance with Section 7.

If Grantee dies while eligible to receive an award pursuant to this Section 4.5 but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change of Control occurs, Grantee will be eligible for Committee consideration of an award of up to the greater of the award Grantee could have received had he died while an employee of the Corporation or an award determined as set forth in Section 5.1(e). If Grantee dies while eligible to receive an award pursuant to this Section 4.5 but a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, Grantee will be deemed to receive an award in accordance with Section 6.1(e).

5. Certification of Performance Results; Calculation of Maximum Potential Payout Amount; and Final Award Determination

5.1 Certification of Level of Achievement of A&L Unit Performance with respect to Performance Criteria; Calculation of Final Potential Payout Percentage and Calculated Maximum Potential Payout Amount. As soon as practicable after December 31, 2012, or after the earlier relevant date if the applicable performance measurement date and potential award date are earlier under the circumstances, PNC will present information to the Committee concerning the following: (1) the levels of financial return from investing activities achieved by the A&L Unit for each of the applicable covered annual performance periods for which A&L Unit performance is being measured under the circumstances, and the comparison, in basis points, of such performance to applicable Benchmark Performance Index; (2) the Annual Potential Payout Percentages for such covered performance periods generated in accordance with the Schedule on the basis of the investment performance achieved by the A&L Unit with respect to the Performance Criteria for such covered periods; and (3) the Final Potential Payout Percentage applicable under the circumstances, calculated as set forth in Section 14.23.

Subsections (a), (b), (c), (d) and (e) below set forth additional criteria for the certifications and calculations to be made pursuant to this Section 5.1 under varying circumstances. The last day of the applicable performance measurement period is sometimes referred to as the "performance measurement date." The time when the certification, calculation and Final Award determination process will take place is sometimes referred to as the "scheduled award-determination period," and the date when a Final Award, if any, is determined and made by the Committee is sometimes referred to as the "Committee-determined Award Date" (as set forth in Section 14.5).

Notwithstanding anything in this Section 5 to the contrary, if a Change of Control has occurred, Section 6 will apply.

(a) Non-Exceptional Circumstances – Standard Payout Calculation. Provided that Grantee remains an employee of the Corporation and the Performance Units remain outstanding such that Grantee remains eligible for consideration for an award, and that a Change of Control has not occurred, the overall Performance Period will run from April 1, 2010 through December 31, 2012 and the process of certification of the levels of achievement of A&L Unit performance with respect to the Performance Criteria, the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, and the determination of the Final Award, if any, will occur in early 2013.

Under the circumstances set forth in this subsection (a) above ("non-exceptional circumstances"), PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on December 31, 2012, and will consist of the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and the full calendar year covered annual performance periods from January 1, 2011 through December 31, 2011 and from January 1, 2012 through December 31, 2012;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the partial year covered annual performance period for 2010 and the full calendar year covered annual performance periods for 2011 and 2012, calculated as set forth in Section 14.23, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to the applicable Final Potential Payout Percentage of the Target Share Units; and

(v) the scheduled award determination period will occur in early 2013.

(b) Death While an Employee. In the event that Grantee dies while an employee of the Corporation and prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 and the Performance Units remain outstanding pursuant to Section 4.2, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the earlier of the last day of the calendar year in which the death occurred and December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the December 31st that is the applicable performance measurement date, and will consist of the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and, if the applicable performance measurement date is later than December 31, 2010, the one or two full calendar year covered annual performance periods for 2011 or for 2011 and 2012, as the case may be, in that period;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered annual performance periods, as the case may be, in the applicable overall Performance Period specified above, calculated as set forth in Section 14.23, but in no event greater than 200%;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to (x) the applicable Final Potential Payout Percentage of the Target Share Units, then (y) prorated (as defined in Section 14.34) based on the number of full quarters in the applicable overall Performance Period specified above, including through December 31st of the year of death if prior to 2013; and

(v) the scheduled award-determination period will occur during the year immediately following the year in which Grantee died (i.e., early in 2011, 2012, or 2013, as the case may be) unless Grantee dies after December 31, 2012 but prior to the award date, in which case the scheduled award-determination period will occur in 2013.

(c) Qualifying Retirement. In the event that Grantee Retires prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying Retirement termination set forth in Section 4.3 and the Performance Units have not been terminated by PNC prior to the award date pursuant to Section 4.3 for Detrimental Conduct and remain outstanding, PNC will present information to the Committee for purposes of this Section 5.1 on the following basis:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to Grantee's Retirement date or, if the Retirement date is a quarter-end date, that quarter-end date, but in no event later than December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the quarter-end date that is the applicable performance measurement date, and will consist of one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in that period;

(iii) the applicable Final Potential Payout Percentage will be the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered periods, as the case may be, in the applicable overall Performance Period specified above, calculated as set forth in Section 14.23;

(iv) the applicable Calculated Maximum Potential Payout Amount will be the number of Share Units equal to (x) the applicable Final Potential Payout Percentage of the Target Share Units, then (y) prorated (as defined in Section 14.34) based on the number of full quarters in the applicable overall Performance Period (i.e., in the period from April 1, 2010 through the quarter-end date that is the applicable performance measurement date specified above); and

(v) the scheduled award determination period will occur in early 2013 as provided in Section 7.1, unless Grantee dies after Retirement but before the beginning of 2012, in which case the scheduled award-determination period will occur in early 2012 (if the death occurred in 2011) or early 2011 (if the death occurred in 2010), as the case may be.

In the event that Grantee is Disabled at the time of Retirement and Section 4.4 is also applicable to Grantee, then Section 5.1(d) will govern rather than this Section 5.1(c).

(d) Qualifying Disability. Except as set forth in the following paragraph, in the event that Grantee becomes Disabled prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying Disability termination set forth in Section 4.4 and the Performance Units have not been terminated by PNC prior to the award date pursuant to Section 4.4 for Detrimental Conduct and remain outstanding, PNC will present information to the Committee for purposes of this Section 5.1 for consideration of an award on the same basis as that set forth in Section 5.1(a) for a continuing employee of the Corporation, together with such information as the Committee may request concerning the timing and circumstances of the Disability. The scheduled award-determination period will occur in early 2013 as provided in Section 7.1.

If Grantee dies after a qualifying Disability termination but prior to the regularly scheduled award date and the Performance Units are still outstanding at the time of Grantee's death, Grantee will be eligible for Committee consideration of an award at the time and up to the maximum amount of the award Grantee could have received had he died while an employee of the Corporation.

(e) Qualifying Termination in Anticipation of a Change of Control. In the event that Grantee's employment with the Corporation is terminated by the Corporation prior to the regularly scheduled award date for non-exceptional circumstances in early 2013 but Grantee has met the conditions for a qualifying termination in anticipation of a Change of Control set forth in Section 4.5 and the Performance Units remain outstanding, but a Change of Control has not yet occurred, then:

(1) If a Change of Control transaction is pending at the regularly scheduled award date, the Performance Units will remain outstanding and Grantee will be eligible to receive an award pursuant to Section 5.2 on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree and the Committee will have no discretion to reduce the size of such award; and

(2) If there is no Change of Control transaction pending at the regularly scheduled award date, the Performance Units will remain outstanding and the Committee will have discretion to authorize an award, pursuant to Section 5.2, to Grantee up to a maximum permitted award calculated on the same basis as that set forth in Section 5.1(c) for a qualifying Retiree, but the Committee will also have discretion to reduce the award as set forth in Section 5.2(b).

If Grantee dies after an Anticipatory Termination but prior to the time the Committee makes an award determination pursuant to Section 5.2 or a Change of Control occurs, Grantee will be eligible for Committee consideration of an award of up to the greater of the award Grantee could have received had he died while an employee of the Corporation and an award determined as set forth above in this Section 5.1(e).

If Grantee dies after an Anticipatory Termination but a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, Grantee will be deemed to receive an award in accordance with Section 6.1(e).

5.2 Final Award Determination by Committee.

(a) The Committee will have the authority to award to Grantee ("award") as a Final Award such amount, denominated as a specified number of Share Units, as may be determined by the Committee, subject to the limitations set forth in the following paragraph, provided, that, the Performance Units are still outstanding, that Grantee is either still an employee of the Corporation or qualifies for an exception to the employment condition pursuant to Section 4.2, 4.3, 4.4 or 4.5, and that the Final Potential Payout Percentage is greater than zero.

The Final Award may not exceed the applicable Calculated Maximum Potential Payout Amount, as determined in accordance with the applicable subsection of Section 5.1, and is subject to the exercise of negative discretion by the Committee pursuant to Section 5.2(b), if applicable. The Committee will not have authority to exercise negative discretion if a Change of Control Coverage Period has commenced and has not yet ended or if a Change of Control has occurred. If there has been a Change of Control, the Committee's authority is subject to Section 6.

The date on which the Committee makes its determination as to whether or not it will authorize an award and, if so, the size of a Final Award, if any, it authorizes within the Calculated Maximum Potential Payout Amount determined pursuant to the Agreement is sometimes referred to in the Agreement as the "Committee-determined Award Date" (as set forth in Section 14.5).

Payment of the Final Award, if any, will be made in cash in accordance with Section 7. If Grantee dies after a Final Award is determined but before payment is made, payment of the Final Award will be made to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9.

(b) Except during a Change of Control Coverage Period or after the occurrence of a Change of Control, the Committee may exercise negative discretion with respect to the Performance Units and may determine, in light of such Corporation or individual performance or other factors as the Committee may deem appropriate, that notwithstanding the levels of financial return from investing activities achieved by the A&L Unit relative to benchmark, the Committee will not award Grantee the full Calculated Maximum Potential Payout Amount that the Committee is authorized to award pursuant to Section 5.2(a), or any of such amount.

It is anticipated that the Committee will take into account such factors as absolute A&L Unit financial performance, absolute trading results, cumulative performance relative to the benchmark, adherence to risk parameters, and Grantee's contributions to the success of other PNC businesses when deciding whether and the extent to which to exercise its negative discretion.

If the Committee so determines to exercise its negative discretion pursuant to this Section 5.2(b), the Final Award, if any, will be reduced accordingly; provided, however, that the Committee will not have authority to exercise negative discretion if a Change of Control Coverage Period has commenced and has not yet ended or if a Change of Control has occurred.

(c) If a Change of Control occurs prior to the time the Committee makes an award determination pursuant to Section 5.2, the Final Award will be determined in accordance with Section 6 rather than being determined by the Committee pursuant to Section 5.2 and will not be subject to the Committee's negative discretion.

6. Change of Control Prior to a Committee-Determined Award Date.

6.1 Final Award Calculation.

Notwithstanding anything in the Agreement to the contrary, upon the occurrence of a Change of Control at any time prior to a Committee-determined Award Date pursuant to Section 5.2, (i) the overall Performance Period, if not already ended, will be limited and will end on the last day of the last full quarter completed prior to the day the Change of Control occurs or, if the Change of Control occurs on a quarter-end date, on the day the Change of Control occurs, but in no event later than December 31, 2012, and (ii) Grantee will be deemed to have been awarded a Final Award in an amount determined as set forth in this Section 6, payable to Grantee or Grantee's legal representative at the time and in the manner set forth in Section 7, provided that the Performance Units are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs and have not already terminated or been terminated in accordance with the terms of Section 4.

If this Section 6 is applicable and a Final Award is deemed to be awarded pursuant to Section 6, the day the Change of Control occurs will be considered the Award Date for purposes of the Agreement. This date is sometimes referred to in the Agreement as the "Change-of-Control-determined Award Date" (as set forth in Section 14.5).

(a) Standard Change of Control Payout Calculation. Provided that Grantee is an employee of the Corporation and the Performance Units are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be determined as follows:

(i) the applicable performance measurement date will be the last day of the last full quarter completed prior to the day the Change of Control occurs, or, if the Change of Control occurs on a quarter-end date, the day the Change of Control occurs, but in no event later than December 31, 2012;

(ii) the applicable overall Performance Period will be the period beginning on April 1, 2010 and ending on the quarter-end date that is the applicable performance measurement date, and will consist of one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in that period;

(iii) the scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control; and

(iv) a Final Award will be calculated in two parts (Part A and Part B), and the Final Award amount will be the sum of the amounts calculated for the Part A Award and the Part B Award as set forth below; provided, however, that the Part B Award is not applicable in the limited circumstance where the Change of Control occurs on or after December 31, 2012 and the Part A Award is not prorated.

Part A Award: The Part A Award amount will be the number of Share Units equal to:

(1) the “Change of Control Payout Percentage” (calculated as set forth below) of the Target Share Units, then,

(2) prorated (as defined in Section 14.34) based on the number of full quarters in the applicable overall Performance Period (i.e., in the period from April 1, 2010 through the quarter-end date that is the applicable performance measurement date specified above) unless the Change of Control occurs on or after December 31, 2012. If the Change of Control occurs on or after December 31, 2012 (and therefore the applicable overall Performance Period covers a full 2- 3/4 year period), proration will not apply.

The “Change of Control Payout Percentage” will be (a) or (b) below, as applicable, (but in no event greater than 200%):

(a) If the Change of Control occurs prior to December 31, 2012, such that the applicable overall Performance Period is less than 23/4 years, the Change of Control Payout Percentage will be the higher of (1) 100% and (2) the percentage that is the weighted average of the Annual Potential Payout Percentages for the one, two or three covered periods, as the case may be, consisting of the partial covered year or years and, if any, the full covered year or years, as applicable, in the overall Performance Period specified above in subsection (ii) of this Section 6.1(a), calculated in the same manner as the weighted average calculation set forth in Section 14.23 for an award determination made pursuant to Section 5 for such covered periods; and

(b) If the Change of Control occurs on or after December 31, 2012, the Change of Control Payout Percentage will be the weighted average of the Annual Potential Payout Percentages for all three covered annual performance measurement periods in the applicable overall Performance Period (i.e., for the partial year covered annual performance period from April 1, 2010 through December 31, 2010 and for the two full calendar year covered annual performance periods for 2011 and 2012), calculated in the same manner as the weighted average calculation set forth in Section 14.23 for an award determination made pursuant to Section 5 for such partial and full year covered periods.

Part B Award: The Part B Award amount will be the number of Share Units equal to:

(1) 100% of the Target Share Units, multiplied by

(2) the fraction equal to 1.00 minus the fraction used for the proration by quarters in the calculation of the Part A Award above.

If the calculation of the Part A Award above does not include a proration factor, the Part B Award will not be applicable.

Grantee's Final Award determined pursuant to this Section 6.1(a) will be paid to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9 if Grantee dies after the Change of Control occurs but before this Final Award is paid.

(b) Death While an Employee. If Grantee died while an employee of the Corporation and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1.

In the event that Grantee died while an employee of the Corporation and qualified for consideration for an award pursuant to Section 4.2 but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change of Control occurs such that Grantee remains eligible for an award, then the scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control, and the amount of Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9) will be determined on the following basis, as applicable.

(1) If Grantee died in the calendar year prior to the year in which the Change of Control occurs but the Committee had not yet made an award determination (either to award a specified amount or not to authorize any award) with respect to Grantee at the time the Change of Control occurs, Grantee's Final Award will be in the amount of the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(b) but with no Committee discretion to reduce the amount of the award.

(2) If Grantee died prior to but in the same calendar year as the Change of Control, Grantee's Final Award will be in the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee not died but had been an employee of the Corporation as of the end of day immediately preceding the day the Change of Control occurred.

(c) Qualifying Retirement. In the event that Grantee Retired prior to the day the Change of Control occurs but Grantee has met the conditions for a qualifying Retirement termination set forth in Section 4.3 and the Performance Units have not been terminated by PNC prior to the Change of Control pursuant to Section 4.3 for Detrimental Conduct and are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the lesser of:

(1) the Calculated Maximum Potential Payout Amount determined in the same manner as set forth in Section 5.1(c) but with no Committee discretion to reduce the amount of the award; and

(2) the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee not Retired but had been an employee of the Corporation as of the end of the day immediately preceding the day the Change of Control occurred.

The scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control.

If Grantee died while a qualified Retiree and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1.

If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award determined pursuant to this Section 6.1(c) will be paid to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9.

(d) Qualifying Disability. In the event that Grantee became Disabled and Grantee's employment with the Corporation terminated prior to the day the Change of Control occurs but Grantee has met the conditions for a qualifying Disability termination set forth in Section 4.4 and the Performance Units have not been terminated by PNC prior to the Change of Control pursuant to Section 4.4 for Detrimental Conduct and are still outstanding as of the end of the day immediately preceding the day on which the Change of Control occurs such that Grantee remains eligible for an award, Grantee's Final Award will be in the amount of the award that would have been payable to Grantee pursuant to the calculations set forth in Section 6.1(a), but substituting a Part B Award of zero Share Units for any Part B Award amount calculated pursuant to that section, had Grantee still been an employee of the Corporation as of the end of the day immediately preceding the day the Change of Control occurred. The scheduled award-determination period will occur as soon as practicable after the occurrence of the Change of Control.

If Grantee died while qualified to receive an award and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9) will be an award determined in accordance with Section 6.1(b) as if Grantee had died while an employee of the Corporation and prior to the Change of Control.

(e) Qualifying Termination in Anticipation of a Change of Control. In the event that Grantee's employment with the Corporation was terminated by the Corporation prior to the Award Date and such termination was an Anticipatory Termination as defined in Section 14.4 and the Performance Units are still outstanding at the time the Change of Control occurs and Grantee remains eligible for an award pursuant to Section 4.5, Grantee will receive a Final Award on the following basis, as applicable.

(1) If the Change of Control occurs within three (3) months of Grantee's Termination Date, Grantee will receive a Final Award on the same basis as a continuing employee of the Corporation as set forth in Section 6.1(a).

(2) If the Change of Control occurs more than three (3) months after Grantee's Termination Date, Grantee will receive a Final Award on the same basis as a qualifying Retiree as set forth in Section 6.1(c).

If Grantee died while qualified to receive an award pursuant to Section 4.5 and a Final Award determination (either to award a specified amount or not to authorize any award) was made by the Committee pursuant to Section 5.2 prior to the Change of Control, no further or different award determination will be made pursuant to this Section 6.1. If no such Final Award determination was made prior to the Change of Control, Grantee's Final Award (payable to Grantee's legal representative, as determined in good faith by the Committee, in accordance with Section 9) will be in the same amount as the Final Award that would have been paid to Grantee pursuant to this Section 6.1(e) had Grantee still been alive on the Change-of-Control-determined Award Date.

6.2 No Committee Discretion. The Committee may not exercise any negative discretion pursuant to Section 5.2(b) or otherwise exercise discretion pursuant to the Agreement in any way that would serve to reduce an award deemed to be made to Grantee pursuant to this Section 6.

7. Payment of Final Award; Termination of Any Unawarded Performance Units.

7.1 Payment of Final Award Determined by the Committee.

(a) Form of Payment. Payment of any Final Award determined by the Committee pursuant to Section 5.2 will be made in cash in an amount equal to the number of Share Units specified in the Final Award multiplied by the Fair Market Value (as defined in Section 14.21) of a share of PNC common stock on the Committee-determined Award Date or as otherwise provided pursuant to Section 8 if applicable.

(b) Timing. Determination of eligibility for an award, calculation of the maximum permitted award amount, and a decision by the Committee on whether or not to authorize an award and, if so, the size of such Final Award (the "scheduled award-determination process") and then payment of any such Final Award will all generally occur in the first quarter of 2013 or as soon thereafter as practicable after the final data necessary for the Committee to make its award determination is available.

In general, it is expected that the Award Date will occur in 2013 and no later than the end of the second quarter of that year, and that payment of a Final Award, if any, will be made as soon as practicable after the Award Date. Except as otherwise provided below, in no event will payment be made earlier than January 1, 2013 or later than December 31, 2013, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

In the event of Grantee's death prior to the Award Date where Grantee has satisfied all of the conditions of Section 4.2, 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award-determination process will occur at the same time and in the same manner that such process would have occurred had Grantee remained an employee of the Corporation, provided that if the death occurs prior to 2012, the scheduled award-determination process will occur in the calendar year immediately following Grantee's death, and (b) payment of a Final Award, if any, will be made during the calendar year immediately following the year in which Grantee died if the death occurs on or prior to December 31, 2012, or in 2013 if Grantee dies in 2013, provided, that, in no event will payment occur later than December 31st of the calendar year so specified as the year for payment, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

Otherwise, in the event that Grantee is no longer employed by the Corporation but has satisfied all of the conditions of Section 4.3, 4.4 or 4.5 of the Agreement and otherwise meets all applicable criteria as set forth in the Agreement for consideration for an award, (a) the scheduled award-determination process will occur at the same time and in the same manner that such process would have occurred had Grantee remained an employee of the Corporation, generally in 2013 during the first quarter of that year, and (b) once the Committee has made its award determination, payment of a Final Award, if any, will be made as soon as practicable after the Committee-determined Award Date, provided, that, in no event will payment be made earlier than January 1, 2013 or later than December 31, 2013, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

(c) Disputes. If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth above in this Section 7.1, and will settle any remaining portion as soon as practicable after such dispute is finally resolved but in any event within the time period permitted under Section 409A of the Internal Revenue Code.

7.2 Payment of Final Award Determined by Section 6. If a Final Award is deemed to be made pursuant to Section 6 rather than determined by the Committee pursuant to Section 5.2, the Final Award is fully vested as of the date of the Change of Control. The number of Share Units in the Final Award will be calculated as of the date of the Change of Control once the final data necessary for the award determination is available, and the Final Award will be paid at the time and in the form set forth below.

(a) Timing. Payment of the Final Award will be made by PNC at the time set forth in subsection (a)(1) of this Section 7.2 unless payment at such time would be a noncompliant payment under Section 409A of the Internal Revenue Code, and otherwise, at the time set forth in subsection (a)(2) of this Section 7.2, in either case as further described below.

(1) If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code, payment of the Final Award will be made in cash as soon as practicable after the date the Change of Control occurs and the amount of the Final Award is determinable and determined in accordance with Section 6, but in no event later than December 31st of the calendar year in which the Change of Control occurs or, if later, by the 15th day of the third calendar month following the date on which the Change of Control occurs, other than in unusual circumstances where a further delay thereafter would be permitted under Section 409A of the Internal Revenue Code, and if such a delay is permissible, as soon as practicable within such limits.

(2) If, under the circumstances, payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code, then payment will be made in cash as soon as practicable after January 1, 2013, but in no event later than December 31, 2013.

(b) Form of Payment. The Final Award will be paid in cash.

If, under the circumstances, the Change of Control is a permissible payment event under Section 409A of the Internal Revenue Code and payment of the Final Award is made at the time specified in Section 7.2(a)(1), then the Final Award will be in an amount equal to the base amount described below in subsection (A) of this Section 7.2(b).

If, under the circumstances, payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code and payment of the Final Award is made at the time specified in Section 7.2(a)(2), then the Final Award will be in an amount equal to the base amount described below in subsection (A) of this Section 7.2(b) plus the phantom investment amount described below in subsection (B) of this Section 7.2(b).

(A) The base amount will be an amount equal to the number of Share Units specified in the Final Award multiplied by the Fair Market Value (as defined in Section 14.21) of a share of PNC common stock on the date of the Change of Control or by the per share value otherwise provided pursuant to Section 8 as applicable.

(B) The phantom investment amount will be either (i) or (ii), whichever is larger: (i) interest on the base amount described in Section 7.2(b)(A) from the date of the Change of Control through the payment date at the short-term, mid-term or long-term Federal rate under Internal Revenue Code Section 1274(b)(2)(B), as applicable depending on the term until payment, compounded semi-annually; or (ii) a phantom investment amount with respect to said base amount that reflects, if positive, the performance of the PNC stock or other consideration received by a PNC common shareholder in the Change of Control transaction, with dividends reinvested in such stock, from the date of the Change of Control through the payment date. PNC may, at its option, provide other phantom investment alternatives in addition to those referenced in the preceding sentence and may permit Grantee to make a phantom investment election from among such alternatives under and in accordance with procedures established by PNC, but any such alternatives must provide for at least the two phantom investments set forth in Section 7.2(b)(B)(i) and (ii) at a minimum. The phantom investment amount will be applicable only in the event that payment at the time of the Change of Control would not comply with Section 409A of the Internal Revenue Code and thus payment is made at the time specified in Section 7.2(a)(2) rather than at the time specified in Section 7.2(a)(1).

(c) Disputes. If there is a dispute regarding payment of the Final Award, PNC will settle the undisputed portion of the award, if any, within the time frame set forth in the applicable subsection of Section 7.2(a), and will settle any remaining portion as soon as practicable after such dispute is finally resolved but in any event within the time period permitted under Section 409A of the Internal Revenue Code.

7.3 Final Award Fully Vested. The Final Award, if any, will be fully vested at the Committee-determined Award Date or as of the date of the Change of Control, as applicable. PNC will deliver any cash payable pursuant to this Section 7 to, or at the proper direction of, Grantee or Grantee's legal representative, as determined in good faith by the Committee, at the time specified in the applicable subsection of Section 7.1 or Section 7.2, whichever is applicable.

In the event that Grantee is deceased, payment will be delivered to the executor or administrator of Grantee's estate or to Grantee's other legal representative, as determined in good faith by the Committee.

7.4 Termination of Any Unawarded Performance Units. Once an award determination has been made by the Committee pursuant to Section 5.2 or a Final Award is deemed to have been made by virtue of the application of Section 6, the Share-denominated incentive award opportunity represented by the Performance Units will terminate as to any portion of the Performance Units not so awarded.

Termination of all or a portion of the Performance Units pursuant to this Section 7.4, or pursuant to Section 4, if applicable, will in no way affect Grantee's covenants or the other provisions of Sections 15 and 16.

8. Capital Adjustments.

8.1 Except as otherwise provided in Section 8.2, if applicable, if corporate transactions such as stock dividends, stock splits, spin-offs, split-offs, recapitalizations, mergers, consolidations or reorganizations of or by PNC ("Corporate Transactions") occur prior to the time a Final Award, if any, is paid, the Committee shall make those adjustments, if any, in the number, class or kind of the Target Share Units that it deems appropriate in its discretion to reflect Corporate Transactions such that the rights of Grantee are neither enlarged nor diminished as a result of such Corporate Transactions, including without limitation measuring the value per Share Unit of any share-denominated award authorized for payment to Grantee by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transactions.

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 Grantee.

8.2 Upon the occurrence of a Change of Control, (a) the number, class and kind of the Target Share Units will automatically be adjusted to reflect the same changes as are made to outstanding shares of PNC common stock generally, and (b) the value per Share Unit to be used in calculating the base amount described in Section 7.2(b) of any award that is deemed to be awarded to Grantee in accordance with Section 6 will be measured by reference to the per share value of the consideration payable to a PNC common shareholder in connection with such Corporate Transaction or Transactions if applicable.

9. Prohibitions Against Sale, Assignment, etc.; Payment to Legal Representative.

(a) Performance Units may not be sold, assigned, transferred, exchanged, pledged, hypothecated or otherwise encumbered.

(b) If Grantee is deceased at the time any Final Award authorized by this Agreement is to be paid, such payment shall be made to the executor or administrator of Grantee's estate or to Grantee's other legal representative as determined in good faith by the Committee.

(c) Any payment made in good faith by PNC to Grantee's executor, administrator or other legal representative shall extinguish all right to payment hereunder.

10. Withholding Taxes; Payment Upon Inclusion Under Section 409A.

Where Grantee has not previously satisfied all applicable withholding tax obligations, PNC will, at the time the tax withholding obligation arises in connection herewith, retain an amount sufficient to satisfy the minimum amount of taxes then required to be withheld by the Corporation in connection therewith from any Final Award then payable to Grantee. If 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 with the Final Award, no additional withholding may be made.

It is the intention of the parties that the Performance Units and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement. In the event that, notwithstanding such intention, the arrangement fails to meet the requirements of Section 409A and the regulations promulgated thereunder, then PNC may at that time permit the acceleration of the time for payment to Grantee under the Agreement notwithstanding any of the other provisions of the Agreement, but any such accelerated payment may not exceed the amount required to be included in Grantee's income as a result of the failure to comply with the requirements of Section 409A and the regulations promulgated thereunder. For purposes of this provision, an amount will be deemed to have been included in Grantee's income if the amount is timely reported on Form W-2 or Form 1099-MISC as appropriate.

11. Employment.

Neither the granting of the Performance Units nor the calculation, determination and payment of any Final Award hereunder nor any term or provision of the Agreement shall constitute or be evidence of any understanding, expressed or implied, on the part of PNC or any subsidiary 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 Performance Units 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 Performance Units and the Agreement are subject to any interpretation of, and any rules and regulations issued by, the Committee or its delegate or under the authority of the Committee, whether made or issued before or after the Grant Date.

13. Headings; Entire Agreement.

Headings used in the Agreement are provided for reference and convenience only, shall not be considered part of the Agreement, and shall not be employed in the construction of the Agreement.

The Agreement constitutes the entire agreement between Grantee and PNC 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. Certain Definitions.

Except where the context otherwise indicates, the following definitions apply for purposes of the Agreement.

14.1 "A&L Unit" means the Asset & Liability unit of PNC.

14.2 "Annual Potential Payout Calculation Schedule" or "Schedule" means the Schedule established by the Committee with respect to the Performance Units as set forth in Section 3.4 setting forth the method by which the Annual Potential Payout Percentage will be calculated for a given covered annual performance period as specified by the Agreement.

14.3 "Annual Potential Payout Percentage."

The Annual Potential Payout Percentage for a given year is the percentage determined with respect to that year in accordance with the Annual Potential Payout Calculation Schedule on the basis of the level of financial return from investing activities achieved by the A&L Unit for the covered annual performance period applicable to that given year compared to the applicable Benchmark Performance Index. The Annual Potential Payout Percentage is rounded to the nearest one-hundredth percent.

The covered annual performance period for 2010 will consist of the partial year period beginning on April 1, 2010 and ending on December 31, 2010, or on such earlier quarter-end performance measurement date as may be specified by the Agreement if applicable. The covered annual performance period for any other given year of the overall Performance Period will consist of the full or partial year period beginning on January 1 of the given year and ending on December 31 of that year, or on such earlier quarter-end performance measurement date as may be specified by the Agreement if applicable.

14.4 "Anticipatory Termination."

If Grantee's employment with the Corporation is terminated by the Corporation other than for Cause (as Cause is defined in Section 14.9(a)), 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."

14.5 "Award Date" means: (1) the date on which the Committee makes its determination as to whether or not it will authorize an award, and if so, as to the size of the Final Award, if any, it authorizes pursuant to Section 5.2 within the permitted Calculated Maximum Potential Payout Amount determined in accordance with the Agreement (sometimes referred to as the "Committee-determined Award Date"); or (2) if a Change of Control has occurred and Grantee is deemed to have been awarded a Final Award pursuant to Section 6, the Award Date will be the date the Change of Control occurs (sometimes referred to as the "Change-of-Control-determined Award Date").

14.6 "Benchmark Performance Index" has the meaning set forth in Section 3.3.

14.7 "Board" means the Board of Directors of PNC.

14.8 "Calculated Maximum Potential Payout Amount" means the maximum size of the award, denominated as a specified number of Share Units, that the Committee may award to Grantee based on the degree to which the specified corporate Performance Criteria have been achieved by the A&L Unit and the applicable Annual Potential Payout Calculation Schedule established by the Committee and on Grantee's level of satisfaction, or deemed satisfaction, of the service requirements set forth in Section 4, including any limitations on the maximum potential payout amount that may apply in the circumstances (e.g., in the case of a qualifying Retirement).

14.9 "Cause."

(a) "Cause" on or after the occurrence of a Change of Control or for purposes of the definition of an Anticipatory Termination

If a termination of Grantee's employment with the Corporation occurs on or within three (3) years after the occurrence of a Change of Control, then "Cause" means:

(i) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by the Board or the CEO which specifically identifies the manner in which the Board or the CEO believes that Grantee has not substantially performed Grantee's duties; or

(ii) the willful engaging by Grantee in illegal conduct or gross misconduct that is materially and demonstrably injurious to PNC or any of its subsidiaries.

For purposes of the preceding clauses (i) and (ii), 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 (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail. Such resolution shall be adopted only after (1) reasonable notice of such Board meeting is provided to Grantee, together with written notice that PNC believes that Grantee is guilty of conduct described in clause (i) or clause (ii) above and, in either case, specifying the particulars thereof in detail, and (2) Grantee is given an opportunity, together with counsel, to be heard before the Board.

"Cause" shall also have the meaning set forth in this Section 14.9(a) for purposes of the definition of Anticipatory Termination in Section 14.4.

(b) "Cause" other than as provided in subsection (a)

Except as otherwise provided in Section 14.9(a), "Cause" means:

(i) the willful and continued failure of Grantee to substantially perform Grantee's duties with the Corporation (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Grantee by PNC that specifically identifies the manner in which it is believed that Grantee has not substantially performed Grantee's duties;

(ii) a material breach by Grantee of (1) any code of conduct of PNC or any code of conduct of a subsidiary of PNC that is applicable to Grantee or (2) other written policy of PNC or other written policy of a subsidiary of PNC that is applicable to Grantee, in either case required by law or established to maintain compliance with applicable law;

(iii) any act of fraud, misappropriation, material dishonesty, or embezzlement by Grantee against PNC or any of its subsidiaries or any client or customer of PNC or any of its subsidiaries;

(iv) any conviction (including a plea of guilty or of nolo contendere) of Grantee for, or entry by Grantee into a pre-trial disposition with respect to, the commission of a felony; or

(v) entry of any order against Grantee, by any governmental body having regulatory authority with respect to the business of PNC or any 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 the CEO or his or her designee (or, if Grantee is the CEO, the Board) determines that Grantee is guilty of conduct described in clause (i), (ii) or (iii) above or that an event described in clause (iv) or (v) above has occurred with respect to Grantee and, if so, determines that the termination of Grantee's employment with the Corporation will be deemed to have been for Cause.

14.10 "<u>CEO</u>" means the chief executive officer of PNC.

14.11 "<u>Change of Control</u>" 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 14.11(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 14.11(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.

14.12 "Change of Control Coverage Period" means a period commencing on the occurrence of a Change of Control Triggering Event and ending upon the earlier to occur of (a) the date of a Change of Control Failure and (b) the date of a Change of Control.

After the termination of any Change of Control Coverage Period, another Change of Control Coverage Period will commence upon the occurrence of another Change of Control Triggering Event.

For purposes of this Agreement, "Change of Control Triggering Event" shall mean the occurrence of either of the following: (i) the Board or PNC's shareholders approve a transaction described in subsection (c) of the definition of Change of Control contained in Section 14.11; or (ii) the commencement of a proxy contest in which any Person seeks to replace or remove a majority of the members of the Board.

For purposes of this Agreement, "Change of Control Failure" shall mean: (x) with respect to a Change of Control Triggering Event described in clause (i) of the definition above, PNC's shareholders vote against the transaction approved by the Board or the agreement to consummate the transaction is terminated; or (y) with respect to a Change of Control Triggering Event described in clause (ii) of the definition above, the proxy contest fails to replace or remove a majority of the members of the Board.

14.13 "Change of Control Payout Percentage" has the meaning set forth in Section 6.1(a)(iv).

14.14 "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.

14.15 "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 14.19(a), in either case whether Grantee is acting as agent, consultant, independent contractor, employee, officer, director, investor, partner, shareholder, proprietor or in any other individual or representative capacity therein.

14.16 "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.

14.17 "Corporation" means PNC and its Consolidated Subsidiaries.

14.18 "Covered annual performance period" or "covered annual performance measurement period" or "covered performance period" or "covered period" with respect to a given year means the full year or portion of the year specified in the Agreement as the period for which A&L Unit performance is to be measured for purposes of determining an Annual Potential Payout Percentage for that given year. The covered annual performance period with respect to a given year may be the full calendar year, the portion of the calendar year from January 1 through the quarter-end date specified by the Agreement, or, in the case of 2010, the portion of the calendar year from April 1 through December 31 of that year or through an earlier quarter-end date as specified by the Agreement.

14.19 "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 or its delegate (if Grantee was an "executive officer" of PNC as defined in SEC Regulation S-K when he ceased to be an employee of the Corporation) or the CEO (if Grantee was not such an executive officer) 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.

14.20 "Disabled" or "Disability" means, except as may otherwise be required by Section 409A, 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.

14.21 "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.

14.22 "Final Award" means the amount, if any, (a) awarded to Grantee by the Committee in accordance with Section 5.2, or (b) deemed to be awarded to Grantee pursuant to Section 6. The Final Award will be denominated as a specified number of awarded Share Units and will be payable in cash in accordance with Section 7.

14.23 “Final Potential Payout Percentage.”

Section 5 Final Award Determination: Where a Final Award determination is made pursuant to the applicable subsections of Section 5, the term “Final Potential Payout Percentage” will be the percentage that is the weighted average (but in no event greater than 200%) of the Annual Potential Payout Percentages for all of the covered annual performance measurement periods in the applicable overall Performance Period, including those covered periods consisting of a partial year and those, if any, consisting of a full year (but in no event more than three covered periods in all).

Such weighted average will be calculated as follows:

(1) the sum of one, two or three amounts, as the case may be, for the one, two or three covered periods, as applicable, in the overall Performance Period specified in the Agreement, where the amount for a given covered period is calculated by the applicable subsection below:

(i) for the 2010 covered annual performance period, the amount will be the product of (a) the Annual Potential Payout Percentage for the 2010 covered period and (b) the number of full completed quarters, if any, in such covered period;

(ii) for any other applicable partial year covered annual performance period in the overall Performance Period, if any, the amount will be the product of (a) the Annual Potential Payout Percentage for that partial year covered period and (b) the number of full completed quarters, if any, in such covered period;

(iii) for any applicable full year covered annual performance period in the overall Performance Period, if any, the amount will be the product of (a) the Annual Potential Payout Percentage for such full year covered period and (b) four (for the four full completed quarters in any such covered period);

divided by

(2) the total number of quarters in the applicable overall Performance Period.

If all of the Annual Potential Payout Percentages are 0%, then the Final Potential Payout Percentage will be 0%.

Section 6 Final Award Calculation: Where a Final Award is deemed to be awarded pursuant to Section 6 by reason of the occurrence of a Change of Control, the Final Award payout calculation will be as set forth in the applicable subsection of Section 6.

14.24 “GAAP” or “generally accepted accounting principles” means accounting principles generally accepted in the United States of America.

14.25 “Grant Date” means the Grant Date set forth on page 1 of the Agreement and is the date as of which the Performance Units are authorized to be granted by the Committee in accordance with the Plan.

14.26 “Grantee” means the person to whom the Performance Units are granted and is identified as Grantee on page 1 of the Agreement.

14.27 “Internal Revenue Code” means the Internal Revenue Code of 1986 as amended, and the rules and regulations promulgated thereunder.

14.28 “Performance Criteria” means the corporate performance standards established by the Committee as the performance criteria for the Performance Units as set forth in Section 3.

14.29 “Performance measurement date” has the meaning set forth in Section 5.1 or Section 6.1, as applicable, and refers to the last day of the applicable overall performance measurement period.

14.30 “Performance Period” has the meaning set forth in Section 3.2 and refers to the period during which corporate performance will be measured against the performance standards established by the Committee in accordance with the Agreement.

14.31 “Performance Units” or “2010 Performance Units” means the Share-denominated incentive award opportunity performance units granted to Grantee in accordance with Article 10.3 of the Plan and evidenced by the Agreement.

14.32 “Plan” means The PNC Financial Services Group, Inc. 2006 Incentive Award Plan as amended from time to time.

14.33 “PNC” means The PNC Financial Services Group, Inc.

14.34 “Prorate” or “Prorated” means multiplying by a fraction, sometimes referred to as the “proration factor,” not to exceed 1 and determined as follows.

Where the Agreement specifies “prorating” or “prorating by quarters,” the proration factor is the fraction equal to (a) the number of full quarters in the applicable overall Performance Period, (b) divided by eleven, which is the number of quarters in the full 2 3/4 year period from April 1, 2010 through December 31, 2012.

14.35 “Retiree.” Grantee is sometimes referred to as a “Retiree” if Grantee Retires, as defined in Section 14.36.

14.36 “Retires” or “Retirement.” Grantee “Retires” if his employment with the Corporation terminates 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 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. If Grantee "Retires" as defined herein, the termination of Grantee's employment with the Corporation is sometimes referred to as "Retirement."

14.37 "Schedule" is defined in Section 14.2.

14.38 "SEC" means the United States Securities and Exchange Commission.

14.39 "Section 409A" means Section 409A of the Internal Revenue Code.

14.40 "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.

14.41 "Share" means a share of PNC common stock.

14.42 "Target Share Units" means the number of Share Units specified on page 1 of the Agreement as Target Share Units, subject to capital adjustments pursuant to Section 8 if any.

14.43 "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.

15. Grantee Covenants.

15.1 General. Grantee and PNC acknowledge and agree that Grantee has received adequate consideration with respect to enforcement of the provisions of Sections 15 and 16 by virtue of receiving the Performance Units (regardless of whether a Final Award is ultimately determined and paid or of the size of such Final Award, if any); that such provisions are reasonable and properly required for the adequate protection of the business of PNC and its subsidiaries; and that enforcement of such provisions will not prevent Grantee from earning a living.

15.2 Non-Solicitation; No-Hire. Grantee agrees to comply with the provisions of subsections (a) and (b) of this Section 15.2 while employed by the Corporation and for a period of 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 15.2 shall 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.

15.3 Confidentiality. During Grantee's employment with the Corporation, and thereafter regardless of the reason for termination of such employment, Grantee will not disclose or use in any way any confidential business or technical information or trade secret acquired in the course of such employment, all of which is the exclusive and valuable property of the Corporation whether or not conceived of or prepared by Grantee, other than (a) information generally known in the Corporation's industry or acquired from public sources, (b) as required in the course of employment by the Corporation, (c) as required by any court, supervisory authority, administrative agency or applicable law, or (d) with the prior written consent of PNC.

15.4 Ownership of Inventions. Grantee shall promptly and fully disclose to PNC any and all inventions, discoveries, improvements, ideas or other works of inventorship or authorship, whether or not patentable, that have been or will be conceived and/or reduced to practice by Grantee during the term of Grantee's employment with the Corporation, whether alone or with others, and that are (a) related directly or indirectly to the business or activities of PNC or any 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 15.4 shall be performed by Grantee without further compensation and will continue beyond Grantee's Termination Date.

16. Enforcement Provisions.

Grantee understands and agrees to the following provisions regarding enforcement of the Agreement.

16.1 Governing Law and Jurisdiction. The Agreement is governed by and construed under the laws of the Commonwealth of Pennsylvania, without reference to its conflict of laws provisions. Any dispute or claim arising out of or relating to the Agreement or claim of breach hereof shall be brought exclusively in the federal court for the Western District of Pennsylvania or in the Court of Common Pleas of Allegheny County, Pennsylvania. By execution of the Agreement, Grantee and PNC hereby consent to the exclusive jurisdiction of such courts, and waive any right to challenge jurisdiction or venue in such courts with regard to any suit, action, or proceeding under or in connection with the Agreement.

16.2 Equitable Remedies. A breach of the provisions of any of Sections 15.2, 15.3 or 15.4 will cause the Corporation irreparable harm, and the Corporation will therefore be entitled to issuance of immediate, as well as permanent, injunctive relief restraining Grantee, and each and every person and entity acting in concert or participating with Grantee, from initiation and/or continuation of such breach.

16.3 Tolling Period. If it becomes necessary or desirable for the Corporation to seek compliance with the provisions of Section 15.2 by legal proceedings, the period during which Grantee shall comply with said provisions will extend for a period of twelve (12) months from the date the Corporation institutes legal proceedings for injunctive or other relief.

16.4 No Waiver. Failure of PNC to demand strict compliance with any of the terms, covenants or conditions of the Agreement will not be deemed a waiver of such term, covenant or condition, nor will any waiver or relinquishment of any such term, covenant or condition on any occasion or on multiple occasions be deemed a waiver or relinquishment of such term, covenant or condition.

16.5 Severability. The restrictions and obligations imposed by Sections 15.2, 15.3, 15.4, 16.1 and 16.7 are separate and severable, and it is the intent of Grantee and PNC that if any restriction or obligation imposed by any of these provisions is deemed by a court of competent jurisdiction to be void for any reason whatsoever, the remaining provisions, restrictions and obligations will remain valid and binding upon Grantee.

16.6 Reform. In the event any of Sections 15.2, 15.3 and 15.4 are determined by a court of competent jurisdiction to be unenforceable because unreasonable either as to length of time or area to which said restriction applies, it is the intent of Grantee and PNC that said court reduce and reform the provisions thereof so as to apply the greatest limitations considered enforceable by the court.

16.7 Waiver of Jury Trial. Each of Grantee and PNC hereby waives any right to trial by jury with regard to any suit, action or proceeding under or in connection with any of Sections 15.2, 15.3 and 15.4.

16.8 Applicable Law. Notwithstanding anything in the Agreement, PNC will not be required to comply with any term, covenant or condition of the Agreement if and to the extent prohibited by law, including but not limited to federal banking and securities regulations, or as otherwise directed by one or more regulatory agencies having jurisdiction over PNC or any of its subsidiaries. Further, to the extent, if any, applicable to Grantee, Grantee agrees to reimburse PNC for any amounts Grantee may be required to reimburse PNC or its subsidiaries pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, and agrees that PNC need not comply with any term, covenant or condition of the Agreement to the extent that doing so would require that Grantee reimburse PNC or its subsidiaries for such amounts pursuant to Section 304 of the Sarbanes-Oxley Act of 2002.

16.9. Compliance with Internal Revenue Code Section 409A. It is the intention of the parties that the Performance Units and the Agreement comply with the provisions of Section 409A to the extent, if any, that such provisions are applicable to the Agreement, and the Agreement will be administered by PNC in a manner consistent with this intent.

If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that PNC may, without the consent of Grantee, modify the Agreement to the extent and in the manner PNC deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that PNC deems appropriate in order either to preclude any such payments or benefits from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be taxable thereunder.

17. Acceptance of Performance Units; PNC Right to Cancel; Effectiveness of Agreement.

If Grantee does not accept the Performance Units 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 Performance Units 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 Grant Date.

IN WITNESS WHEREOF, PNC has caused the Agreement to be signed on its behalf as of the Grant Date.

THE PNC FINANCIAL SERVICES GROUP, INC.

By:

Chairman and Chief Executive Officer

ATTEST:

By:

Corporate Secretary

ACCEPTED AND AGREED TO by GRANTEE

Grantee

SCHEDULE

* * *

ANNUAL POTENTIAL PAYOUT CALCULATION SCHEDULE
FOR
2010 PERFORMANCE UNITS

Final Award determination pursuant to Section 5 of the 2010 Performance Units Agreement (the "Agreement") requires the calculation of the Final Potential Payout Percentage and the Calculated Maximum Potential Payout Amount, each as defined in the Agreement. Final Award calculation pursuant to Section 6 of the Agreement, if applicable, requires the calculation of the Change of Control Payout Percentage and the calculated final award as set forth in that section of the Agreement.

Those calculations, in turn, take into account the levels of investment performance achieved by the A&L Unit with respect to the Performance Criteria, as measured annually and expressed as the Annual Potential Payout Percentages for the applicable covered annual performance measurement periods (which may be full or partial year periods as required by the Agreement) in the applicable overall Performance Period.

Unless and until amended prospectively by the Committee, this Schedule will be applied in order to determine an Annual Potential Payout Percentage for each of the applicable covered annual performance measurement periods in the applicable overall Performance Period.

Section 3 of the Agreement sets forth the Performance Criteria, the applicable covered performance periods and Benchmark Performance Index for such periods, and measurement of the specified A&L Unit investment performance with respect to the Performance Criteria for such periods.

Once this A&L Unit investment performance has been measured for the covered period of a given year and performance with respect to the Performance Criteria for that period has been calculated and expressed in basis points, this Schedule uses the table that follows and interpolation to generate an Annual Potential Payout Percentage (ranging from 0% up through 200%) for that given year based on such covered period performance.

Percentages are interpolated for performance between the points indicated on the table and are rounded to the nearest one-hundredth percent (e.g., 0.00%, with 0.005% being rounded upward to 0.01%). In no event will an Annual Potential Payout Percentage be greater than 200% or less than 0%.

The table used for this Schedule, as established by the Committee at the time it authorized the 2010 Performance Units, follows.

Measured A&L Unit Investment Performance Relative to Benchmark Performance Index (in basis points)	Annual Potential Payout Percentage
+40 basis points or higher	200%
+20 basis points	150%
0 basis points (at benchmark) to -25 basis points	100%
-35 basis points	40%
-40 basis points or below	0%

Committee Negative Discretion. Once the annual potential payout percentage for A&L Unit investment performance achieved for the given full year or partial-year covered annual performance period with respect to the Performance Criteria has been determined using the table above, including interpolation where required, the Committee may decide, in its discretion, to reduce that percentage (as long as such decision is not made during a Change of Control Coverage Period, as defined in the Agreement, or after the occurrence of a Change of Control) but may not increase it.

EXHIBIT 12.1

The PNC Financial Services Group, Inc. and Subsidiaries
Computation of Ratio of Earnings
to Fixed Charges (1)

Dollars in millions	Nine months ended September 30, 2010	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	$ 2,675	$3,135	$ 946	$1,612	$3,737	$1,801
Add:						
Distributed income of equity investees	131	171	157	124	20	
Fixed charges excluding interest on deposits	794	1,396	1,026	1,208	778	610
Less:						
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	111	126	122	101	33	20
Interest capitalized	1	3				
Earnings excluding interest on deposits	3,488	4,573	2,007	2,843	4,502	2,391
Interest on deposits	758	1,741	1,485	2,053	1,590	981
Total earnings	$ 4,246	$6,314	$3,492	$4,896	$6,092	$3,372
Fixed charges						
Interest on borrowed funds	$ 663	$1,225	$ 961	$1,143	$ 719	$ 552
Interest component of rentals	101	131	64	64	59	58
Amortization of notes and debentures	29	37	1	1		
Interest capitalized	1	3				
Fixed charges excluding interest on deposits	794	1,396	1,026	1,208	778	610
Interest on deposits	758	1,741	1,485	2,053	1,590	981
Total fixed charges	$ 1,552	$3,137	$2,511	$3,261	$2,368	$1,591
Ratio of earnings to fixed charges						
Excluding interest on deposits	4.39x	3.28x	1.96x	2.35x	5.79x	3.92x
Including interest on deposits	2.74	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	Nine months ended September 30, 2010	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	$ 2,675	$3,135	$ 946	$1,612	$3,737	$1,801
Add:						
Distributed income of equity investees	131	171	157	124	20	
Fixed charges and preferred stock dividends excluding interest on deposits	981	1,993	1,059	1,209	779	611
Less:						
Noncontrolling interests in pretax income of subsidiaries that have not incurred fixed charges	111	126	122	101	33	20
Interest capitalized	1	3				
Preferred stock dividend requirements	187	597	33	1	1	1
Earnings excluding interest on deposits	3,488	4,573	2,007	2,843	4,502	2,391
Interest on deposits	758	1,741	1,485	2,053	1,590	981
Total earnings	$ 4,246	$6,314	$3,492	$4,896	$6,092	$3,372
Fixed charges and preferred stock dividends						
Interest on borrowed funds	$ 663	$1,225	$ 961	$1,143	$ 719	$ 552
Interest component of rentals	101	131	64	64	59	58
Amortization of notes and debentures	29	37	1	1		
Interest capitalized	1	3				
Preferred stock dividend requirements	187	597	33	1	1	1
Fixed charges and preferred stock dividends excluding interest on deposits	981	1,993	1,059	1,209	779	611
Interest on deposits	758	1,741	1,485	2,053	1,590	981
Total fixed charges and preferred stock dividends	$ 1,739	$3,734	$2,544	$3,262	$2,369	$1,592
Ratio of earnings to fixed charges and preferred stock dividends						
Excluding interest on deposits	3.56x	2.29x	1.90x	2.35x	5.78x	3.91x
Including interest on deposits	2.44	1.69	1.37	1.50	2.57	2.12

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

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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 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: November 9, 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 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: November 9, 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, James E. Rohr, Chairman and Chief Executive Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Executive Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ James E. Rohr

James E. Rohr
Chairman and Chief Executive Officer
November 9, 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 of The PNC Financial Services Group, Inc. (Corporation) as filed with the Securities and Exchange Commission on the date hereof (Report), I, Richard J. Johnson, Chief Financial Officer of the Corporation, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation for the dates and periods covered by the Report.

This certificate is being made for the exclusive purpose of compliance by the Chief Financial Officer of the Corporation with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be used by any person or for any reason other than as specifically required by law.

/s/ Richard J. Johnson

Richard J. Johnson
Executive Vice President and Chief Financial Officer
November 9, 2010